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## PROTO CORPORATION

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The status of corporate governance at PROTO CORPORATION is as follows.

### *1. Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information*

#### 1. Basic Approach

In addition to enhancing corporate value by ensuring consistent and stable profits and future expansion of the Group's business, the purpose of corporate governance is to engage in highly transparent and sound management that earns the trust of the society. The Company believes that managing the business while taking constant care to maximize profits for stakeholders including shareholders, clients and employees helps enhance its value as a member of society. The Company 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.

#### **[Reasons for not Implementing Principles of the Corporate Governance Code]**

The information is based on the Corporate Governance Code as revised in June 2021.

[Supplementary Principle 3-1 (3). Disclosure of sustainability initiatives in the disclosure of management strategies, etc.]

The Company has established the "Basic Sustainability Policy" for the purpose of proactively promoting sustainability, and discloses its initiatives in accordance with the policy on its website. The know-how of our executives and employees is an important element of our business, and we consider our executives and employees to be our human assets, and we are working to enhance opportunities for growth through internal training and other programs. In addition, we are developing systems and environments that enable our officers and employees to demonstrate their abilities. In terms of investment in intellectual property, we are promoting

DX in the automobile-related industry. We are investing in software to improve operational efficiency and user communication.

Although the social impact of climate change-related risks is less than that of social and governance risks due to the nature of our business, we will continue to work to improve the sustainability of not only ourselves but also the automobile-related industry and society as a whole. However, in order to enhance sustainability not only in our company but also in the automotive industry and society as a whole, we voluntarily incorporate environmental resource reduction and energy conservation into our business activities and promote them through the operation of the Internal Control Committee. In the future, we will contribute to the promotion of the transition to a decarbonized society by taking measures against climate change based on the TCFD framework.

#### Basic Sustainability Policy

The Company's corporate ideology is "To convert the data of today into the wisdom of tomorrow, 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 doing so, we will accurately understand the demands of society through responsible dialogue with a diverse range of stakeholders (customers, employees, shareholders, investors, business partners, government, local communities, etc.) and respond appropriately to them. In this way, we will fulfill our responsibility to society.

[Supplementary Principle 4-11-(1) Disclosure of policies and procedures for the election of directors  
Disclosure of the Board of Directors' overall approach to skills, diversity, size, etc., and policies and procedures for the appointment of directors]

The Board of Directors prepares a matrix listing the primary skills, careers and expertise of each director, and decides on candidates for directors by considering the combination of the number of directors and their areas of expertise in accordance with the Company's organizational structure.

With regard to internal directors, the Company takes into consideration the results of deliberations by the Nomination and Compensation Committee, which was established as a voluntary advisory body, and appoints directors with expertise in each area, thereby ensuring a balance of knowledge, experience and ability.

Outside directors are selected with an awareness of diversity, including their experience and field of origin. The matrix and other policies regarding the selection of directors will be disclosed in future notices of convocation. Currently, the Board of Directors consists of 12 members, including 4 outside directors. 4 of the 4 outside directors are women, and 1 has management experience at other companies.

## **[Disclosure Based on the Principles of the Corporate Governance Code]** Updated

The Company has formulated a “Disclosure Based on the Principles of the Corporate Governance Code” which is posted on its website (Japanese version only) .

(<https://www.proto-g.co.jp/IR/esg/governance.html>)

[Principle 1-4 Strategically held shares]

Our policy for strategic shareholding and the standards for exercising voting rights are as follows.

- Policy for strategic shareholding

In principle, we do not hold any shares of listed companies, and we would hold such shares only when there are some business merits for business alliances, maintenance and improvement of transactions, etc. As a basic policy, the board of directors regularly discusses the rationality and necessity of strategically held shares.

As for regular review, the board of directors annually checks and examines whether the benefits and risks of strategically holding the shares of listed companies can cover capital cost (approximately 8%), etc. and we will reduce strategically

held shares that are not worth holding or suited for our capital policy.

- Standards for exercising voting rights for strategically held shares

As for the exercise of voting rights of strategically held shares, we check whether proposed bills would degrade shareholder value and consider the situation, etc. of enterprises in which we have invested, before exercising voting rights.

[Principle 1-7 Transactions between the related parties]

Our company establishes internal regulations concerning transactions between the related parties and the transactions are deliberated and resolved after their reasonableness and validity are fully reviewed by the board of directors.

In addition, we disclose the details of important transactions in our securities reports, etc.

[Supplementary Principle 2-4-(1) Disclosure of the Company's approach to ensuring diversity in core human resources, including the appointment of women, non-Japanese, and mid-career hires to management positions]

The Company will establish a subcommittee within the Internal Control Committee to consider human capital as appropriate. The details are as follows.

[Ensuring diversity]

The Company aims to create a corporate culture in which all employees, regardless of nationality, gender, age, disability, etc., can work independently, actively, autonomously, happily and vigorously.

To this end, we recognize that the vitality that comes from the diversity of our human resources is an important source of human capital, and we plan to actively recruit a diverse workforce, including women, non-Japanese,

and people with disabilities, as well as proactively engage in human resource allocation, training, education, and promotion.

On our website, we have set out plans and quantitative targets for the percentage of women hired, the average length of service of women, and the development of an employment environment that supports the balancing of work and family life for workers who are raising children.

[Promotion of Women and Non-Japanese to Management Positions]

As of September 30, 2021, we have 51 female employees and 2 non-Japanese employees.

As the percentage of female employees is still small, it is difficult to set a measurable target for promotion to management positions, but we will first work to improve the number of employees promoted to management positions by improving their respective employment results, and we will consider disclosing the results in the future.

From the perspective of promoting the activities of women, we will work to increase the number of options for women's career development by proactively improving the employment environment to support workers who are raising children to balance their professional lives.

[Promotion of mid-career hires to management positions]

As of September 30, 2021, the ratio of mid-career hires to management positions was 82.6%, and the ratio of mid-career hires to total employees was 70.8%.

[Principle 2-6 Exertion of functions as an asset owner of the company pension funds]

The financial condition of the company is not influenced as we do not use the company pension reserve funds.

[Principle 3-1 Enhancement of disclosure of information]

( i ) Our company uploads documents like presentation materials containing the company's management philosophy, business strategy and medium-term management plan to its website.

( ii ) Our company discloses its basic policy regarding corporate governance on its website and the corporate governance report.

(iii) The Company has established a voluntary Nomination and Compensation Committee, and the Committee's deliberations and decision-making process are used to determine the policy for determining executive compensation and the amount of compensation (actual amount paid).

The committee is chaired by Yumiko Sakurai, an independent outside director, and consists of three members, including the President and Representative Director and outside directors. The committee evaluates each director and executive officer based on the evaluation standards established by the Company (five-point evaluation), and based on the results, determines the amount of compensation for each director and executive officer within the range of compensation amounts set for each position.

In addition, the Company has reassigned the authority to determine remuneration to Mr. Hiroichi Yokoyama, Chairman and Representative Director. The reason for reappointing Mr. Yokoyama as the Chairman of the Board is that he is the most suitable person to evaluate each Director's area of responsibility and duties while having a bird's eye view of the performance of the entire Group. However, in determining the amount of

remuneration for each Director, the Company strives to ensure that it is within the annual amount of remuneration resolved at the General Meeting of Shareholders and that it is not arbitrary by going through the deliberation and decision-making process of the Nomination and Compensation Committee.

For the reasons stated above, the Board of Directors believes that the content of the proposal is in line with the decision-making policy.

(iv) The Company selects and nominates candidates for Directors based on a comprehensive assessment of their ability to fully understand the Company's management philosophy, their sufficient knowledge and experience to fulfill their roles and responsibilities, and their insight to ensure compliance with laws and regulations and corporate ethics.

The selection and nomination of candidates for Directors is subject to the deliberation and decision-making process of the Nomination and Compensation Committee.

Candidates for corporate auditors are selected and nominated based on a comprehensive assessment of their ability to maintain and improve the sound management and social credibility of the Group, and their ability to audit the overall execution of duties by directors from an independent, neutral, and objective perspective, thereby contributing to ensuring sound management.

In addition, the Company considers whether outside directors are capable of providing management supervision to the Company's management from a neutral, fair and objective perspective.

In addition, in the event that there is a suspicion of negligence, misconduct, or material violation of laws or the Articles of Incorporation in the execution of duties by an officer, or in the event that the officer is unable to continue his or her duties due to health reasons, the Board of Directors shall decide on the dismissal of the officer.

(v) The reasons for nomination of candidates for directors and auditors are disclosed in the convocation notice for general shareholders meeting. On the other hand, we do not disclose the reasons for selection of each executive officer.

[Supplementary Principle 4-1-(1) Scope of resolution and delegation of the board of directors]

Our company holds extraordinary meetings of the board of directors as necessary in addition to the regular meeting of the board of directors held monthly, to delegate and resolve the matters defined in the "Regulations of the board of directors."

The board of directors has the authority over execution of business under their management and responsibility to monitor and supervise the actions of other directors and the matters brought up in meetings.

[Principle 4-9 Criteria for determination of independence of independent outside directors and their quality]

While our company does not have its own criteria, we select independent outside directors on the basis of standards of outsideness and independence set by the Companies Act and financial instruments exchange. We consider that there is no problem in their quality.

[Supplementary Principle 4-10-(1) Appropriate involvement and advice by independent outside directors in the consideration of particularly important matters (nomination, compensation, etc.)]

The Company currently has four independent outside directors. Although they do not constitute a majority of the Board of Directors, the Company has established the Nomination and Compensation Committee as a voluntary advisory body in which independent outside directors constitute a majority. In addition, we are working to strengthen corporate governance through a system in which more than one-third of our directors are independent outside directors.

[Supplementary Principle 4-11-(2) Concurrent duties of directors]

The Company discloses the status of concurrent positions of Directors and Corporate Auditors at other listed companies every year through the Notice of Convocation of the General Meeting of Shareholders and Annual Securities Report. Four outside directors concurrently serve as outside auditors, etc. of other listed companies outside the Group, but none of the executive directors concurrently serve as officers of other listed companies outside the Group, which enables them to concentrate on their duties as directors of the Company. In addition, two full-time corporate auditors do not concurrently serve as officers of other listed companies and are able to concentrate on the duties of the Company's corporate auditors at all times.

[Supplementary Principle 4-11-(3) Overview of evaluation results of effectiveness of the board of directors]

Our company conducts a "self-assessment survey regarding the effectiveness of the board of directors as a whole" in March every year for directors, auditors and executive officers, and the results are reported to the board of directors and are also disclosed on the company's website.

[Supplementary Principle 4-14-(2) Training policy for directors and others]

Our company conducts its own training annually and also encourages participation of directors, auditors and executive officers in outside training sessions and e-learning sessions provided by Tokyo Stock Exchange for listed companies for the acquisition and update of knowledge necessary for their duties and work.

[Principle 5-1 Policy related to constructive dialogue with shareholders]

In our company, the officers in charge of Accounting and Finance Division is in charge of IR, and Accounting and Finance IR Division is the department in charge of IR. For shareholders and investors, the President and Representative Director holds quarterly briefings on financial results, and participates in briefings for individual investors organized by IR support companies, etc. as needed.

In addition, when deemed necessary to promote appropriate dialogue with shareholders, appropriate persons from among directors and executive officers are available for interviews, depending on the wishes of shareholders and the importance of the purpose and content of the interview, to provide opportunities to have constructive dialogue with shareholders.

## 2. Capital Structure

Foreign Shareholding Ratio

20% or more, less than 30%

### [Status of Major Shareholders] Updated

Name or Designation	Number of shares held (Shares)	Shareholding ratio (%)
Mugen Corporation	13,614,480	33.87
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,606,200	11.45
JPLLC CLIENT SAFEKEEPING ACCOUNT (Standing proxy: Citi Bank, NA Tokyo branch)	1,895,900	4.71
Custody Bank of Japan, Ltd. (Trust Account)	1,264,700	3.14
JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Settlement Sales Department)	1,137,400	2.82
CLEARSTREAM BANKING S.A. (Standing proxy: HSBC Tokyo Branch, Custody business division)	928,200	2.30
Hiroichi Yokoyama	892,100	2.21
Yoshihiro Yokoyama	724,000	1.80
JPMBL RE NOMURA INTERNATIONAL PLC 1 COLL EQUITY (Standing proxy: MUFG Bank, Ltd.)	652,800	1.62
Tokyo Pulp & Paper Corporation	620,000	1.54

Controlling Shareholder (Except for Parent Company)

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Existence of Parent Company

None

1. The status of the major shareholders is as of September 31, 2021.
2. In addition to the above, the Company holds 1,729,997 treasury shares.

### 3. Corporate Attributes

Stock Exchange Listings and Market Classification	Tokyo Stock Exchange, First Section Nagoya Stock Exchange, First Section
Annual Closing of Accounts	March
Industry	Information/Communication
Number of Employees at the End of the Previous Fiscal Year (Consolidated)	1000 or more
Sales in the Previous Fiscal Year (Consolidated)	More than ¥10 billion, less than ¥100 billion
Number of Consolidated Subsidiaries at the End of the Previous Fiscal Year	10 or more, less than 50

### 4. Guidelines for Policy to Protect Minority Shareholders When Conducting Transactions with a Controlling Shareholder

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### 5. Other Special Circumstances that May Have a Material Impact on Corporate Governance

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## ***II Status of Business Management Organization and Other Corporate Governance Systems Relating to Business Decision-Making, Execution, and Supervision***

### 1. Matters Relating to Organizational Structure and Operation

Form of Organization	Company with Auditors
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**[Matters Relating to Directors]**

Number of Directors Stipulated in Articles of Incorporation	20
Term of Office for Directors Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Current number of Directors	12
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Outside Directors Designated as Independent Officers	4

Relationship with the Company (1)

Name	Affiliation	Relationship with the Company *											
		a	B	c	d	e	f	g	h	i	j	k	
Yumiko Sakurai	Certified Public Accountant												
Eriko Kitayama	From another company												
Kazuko Kawai	Tax Accountant												
Miho Mori	Lawyer												

\* Symbols indicating relationships with the Company.

\* "○" if it is applicable to each item now or recently. "△", if it is applicable to each item in the past.

\* "●", if it is applicable to a close relative now or recently. "▲" if it is applicable to a close relative in the past.

- a. A person who executes business of the listed company or a subsidiary.
- b. A person who executes business or is a non-executive director of a parent company of the listed company.
- c. A person who executes business of a fellow subsidiary of the listed company.
- d. A person or entity of whom the listed company is a major customer or a person who executes business for such person or entity.
- e. A major customer of the listed company or a person who executes business for such customer
- f. A consultant, accounting professional, or legal professional who receives large amounts of monetary compensation or other assets from the listed company other than remuneration as a corporate officer

- g. A major shareholder of the listed company (in cases where the major shareholder is a corporation, a person who executes business of the corporation)
- h. A person who executes business of a customer of the listed company (excluding persons to whom item d, e, or f above applies) (said individual only)
- i. A person who executes business of an entity holding cross-directorships or cross-auditorships (said individual only)
- j. A person who executes business of an entity to whom the listed company makes donations (said individual only)
- k. Other

Relationship with the Company (2)

Name	Independent officer status	Supplementary Explanation of Applicable Items	Reasons for Appointment
Yumiko Sakurai	○	—	<p>Ms. Sakurai has extensive experience and knowledge in the finance and accounting field as a certified public accountant and tax accountant. The Company determined that she can play an appropriate role in monitoring the Company's management with independence and an objective point of view and therefore appointed her as an outside director. Also, because she meets the requirements of independent officers as stipulated by the Tokyo Stock Exchange, the Company determined that there is no risk of conflict of interest with general shareholders, and thus, designated her as an independent officer.</p>
Eriko Kitayama	○	—	<p>As representative director of Japan Champion Group Co., Ltd. and Globelink Co., Ltd., Ms. Kitayama has extensive experience and wide-ranging insight in overall management. The Company determined that she is qualified to perform management oversight with an independent and an objective point of view, and therefore, appointed her as an outside director. Also, because she meets the requirements of independent officers as stipulated by the Tokyo Stock Exchange, the Company determined that</p>

			there is no risk of conflict of interest with general shareholders, and thus, designated her as an independent officer.
Kazuko Kawai	○	—	<p>Ms. Kawai is qualified as a certified tax accountant and has a wealth of experience and knowledge in the fields of taxation practice and finance, having served as a professor and lecturer at universities and graduate schools.</p> <p>In addition, as she satisfies the requirements for independent officers as stipulated by the Tokyo Stock Exchange, the Company has determined that there is no risk of conflict of interest with general shareholders and has designated her as an independent officer.</p>
Miho Mori	○	—	<p>Ms. Mori has a wealth of insight and experience as a lawyer, and has been appointed as an Outside Director, as she is deemed suitable to speak from her professional perspective mainly as a lawyer, and to monitor the Company's management from an objective viewpoint with independence.</p> <p>In addition, as she satisfies the requirements for independent officers stipulated by the Tokyo Stock Exchange, the Company has determined that there is no risk of conflict of interest with general shareholders and has designated her as an independent officer.</p>
Existence of a Voluntary Committee Equivalent to a Nomination Committee or Remuneration Committee			Yes

Status of establishment of voluntary committees, composition of members, and attributes of the chair

(chairperson). Updated

	<b>Name of the committee</b>	<b>All committee members (persons)</b>	<b>Full-time committee members (persons)</b>	<b>Internal directors (persons)</b>	<b>Outside directors (persons)</b>	<b>Outside experts (persons)</b>	<b>Others (persons)</b>	<b>Committee Chairman (Chair)</b>
A voluntary committee equivalent to a nominating committee	Nomination and Compensation Committee	3	0	1	2	0	0	Outside director
A voluntary committee equivalent to a Remuneration committee	Nomination and Compensation Committee	3	0	1	2	0	0	Outside director

supplementary explanation Updated

In accordance with the resolution of the Board of Directors' meeting held on March 12, 2021, the Company has partially revised the deliberation and decision-making process for executive compensation. The deliberation and decision-making process for executive compensation for the fiscal year ending March 31, 2022 and thereafter is as follows.

The Company has established a voluntary Nomination and Compensation Committee, and the Committee's deliberation and decision-making process is used to determine the policy for determining executive compensation and the amount of compensation (actual amount paid).

The committee is chaired by Ms. Yumiko Sakurai, an independent outside director, and consists of three members, including the President and Representative Director and outside directors. The committee evaluates each director and executive officer based on the evaluation standards established by the Company (five-point evaluation) and determines the amount of compensation for each director and executive officer within the range of compensation amounts set for each position based on the results of the evaluation.

The amount of remuneration for each officer is determined within the range of remuneration set for each position based on the evaluation results. In addition, the Company has reassigned the authority to determine remuneration to Mr. Hiroichi Yokoyama, Chairman and Representative Director.

The reason for reappointing Mr. Yokoyama as the Chairman of the Board is that he is the most suitable person to evaluate each Director's area of responsibility and duties while having a bird's eye view of the performance of the entire Group. However, in determining the amount of remuneration for each Director, the Company

strives to ensure that it is within the annual amount of remuneration resolved at the General Meeting of Shareholders and that it is not arbitrary by going through the deliberation and decision-making process of the Nomination and Compensation Committee.

For the reasons stated above, the Board of Directors has determined that the content is in line with the decision-making policy. The amount paid to each Corporate Auditor is determined through consultation with the Corporate Auditors.

#### **【Matters Relating to Auditors】**

Existence of Board of Auditors	Yes
Number of Members of the Board of Auditors Stipulated in Articles of Incorporation	5
Current Number of Auditors	3

#### Cooperation between the Auditors, Accounting Auditors, and the Internal Audit Office

Regarding the cooperation status between the auditors and the accounting auditors, the Company holds a quarterly regular meeting four times a year to report on the audit system, the audit plan, the status of audit implementation, and exchange opinions. The Company also facilitates exchange of opinions when necessary to promote information sharing.

In addition, the Company has established the Corporate Governance Division to improve operational efficiency and profitability and contribute to preservation of corporate property. Regarding the cooperation between the auditors and the Corporate Governance Division, they regularly exchange opinions and share information once a month and confirm the most recent circumstances.

The Corporate Governance Division visits each branch office, sales office and subsidiary nationwide based on the audit plan developed at the beginning of each fiscal year, and mainly cross-checks the internal regulations and practices and audits the status of the book management and maintenance. Regarding issues pointed out by the audit, the Company is making efforts to improve the operations by following up the improvement instructions and subsequent improvement results.

In addition to conducting audits while maintaining the cooperation system between the auditors and accounting auditors, the Company periodically reports the audit results to the president.

Appointment of Outside Auditors	Yes
Number of Outside Auditors	3
Number of Outside Auditors Designated as Independent Officers	3

Relationship with the Company (1)

Name	Affiliation	Relationship with the Company *												
		a	b	c	d	e	f	g	h	i	J	k	L	m
Shinji Yamada	From another company													
Hitoshi Saiga	Certified Public Accountant													
Arata Tominaga	From another company										△			

- \* Symbols indicating relationships with the Company
- \* "○" if it is applicable to each item "now or recently". "△", if it is applicable to each item in the "past".
- \* "●", if it is applicable to a close relative "now or recently" . "▲" if it is applicable to a close relative in the "past".

- a) A person who executes business of the listed company or a subsidiary.
- b) A person who is a non-executive director or accounting advisor of the listed company or a subsidiary.
- c) A person who executes business or is a non-executive director of a parent company of the listed company.
- d) An auditor of a parent company of the listed company.
- e) A person who executes business of a fellow subsidiary of the listed company.
- f) A person or an entity of whom the listed company is a major customer or a person who executes business for such person or entity.
- g) A major customer of the listed company or a person who executes business for such customer.
- h) A consultant, accounting professional, or legal professional who receives large amounts of monetary compensation or other assets from the listed company other than remuneration.
- i) A major shareholder of the listed company (in cases where the major shareholder is a corporation, a person who executes business of the corporation).
- j) A person who executes business of a customer of the listed company (excluding persons to whom item f, g, or h above applies) (said individual only).
- k) A person who executes business of an entity holding cross-directorships or cross-auditorships with the listed company (said individual only).
- l) A person who executes business of an entity to whom the listed company makes donations (said

individual only).

m) Other

Relationship with the Company (2)

Name	Independent Officer Status	Supplementary Explanation of Applicable Items	Reason for Appointment
Shinji Yamada	○	—	Mr. Yamada has served in key positions at NIPPO LTD. has extensive experience and knowledge as a corporate auditor, and has experience of monitoring business as an outside corporate auditor. Also, because he meets the requirements of independent officers as stipulated by the Tokyo Stock Exchange, the Company determined that there is no risk of conflict of interest with general shareholders, and therefore, it designated him as an independent officer.
Hitoshi Saiga	○	—	Mr. Saiga is a certified public accountant and tax accountant with extensive experience and knowledge in the fields of finance and accounting. And he has a track record of monitoring management as an outside corporate auditor. In addition, as he satisfies the requirements for independent officers as stipulated by the Tokyo Stock Exchange, the Company has determined that there is no risk of conflict of interest with general shareholders and has designated him as an independent officer.
Arata Tominaga	○	Mr. Tominaga was previously an employee of salesforce.com, Inc., a business partner of the Company, but in light of the scale and nature of the transaction, the Company believes that there is no risk	Mr. Tominaga has a wealth of experience and knowledge in the financial and IT fields, including many years at the Bank of Japan, where he led system development and system risk assessments for financial institutions. He has also been appointed as an Outside Corporate Auditor because we believe that he has the qualifications and insight to audit the business execution of

		of influence on the judgment of shareholders and investors. In addition, there is no special interest between the Company and him.	Directors from a fair and objective standpoint and contribute to the improvement of the soundness and transparency of management. In addition, as he satisfies the requirements for independent officers as stipulated by the Tokyo Stock Exchange, the Company has determined that there is no risk of conflict of interest with general shareholders. For this reason, the Company has designated him as an independent officer.
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### **【Matters Relating to Independent Officers】**

Number of Independent Officers	7
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Other Matters Relating to Independent Officers

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### **【Matters Relating to Incentives】**

Status of Implementation of Measures Concerning the Granting of Incentives to Directors	Adoption of a performance-based remuneration system
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Supplementary Explanation of Applicable Items

A restricted stock remuneration plan has been adopted, for the purposes of providing directors (excluding outside ones) and executive officers with long-term incentives for improving our corporate value sustainably and promoting the value sharing with shareholders.

Persons Eligible for Stock Options	
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Supplementary Explanation of Applicable Items

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### **【Matters Relating to Directors' Compensation】**

Status of Disclosure (of Individual Director's Compensation)	Individual compensation is not disclosed.
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## Supplementary Explanation of Applicable Items

The total annual compensation of directors and auditors during the fiscal year March 2021 is as follows.

Directors	8 (Excluding outside directors)	232 million yen
Outside director	6	22 million yen

(Note)

1. The directors' compensation set by the resolution at the Company's Ordinary General Shareholders' Meeting in June 2000 is a maximum of 1,000 million yen per fiscal year, and the auditors' compensation set by the resolution at the Company's Extraordinary General Shareholders' Meeting in January 1985 is a maximum of 30 million yen per year.
2. The above compensation includes the amount of regular remuneration as well as the amount for the performance of duties during the current fiscal year out of retirement bonus payable scheduled to be paid at the time of retirement to directors and auditors.
3. The above compensation includes the amount of regular remuneration as well as the amount of remuneration for the grant of restricted stock.

Existence of Policy for Determining Amount or Calculation Method of Compensation

Updated

Yes

## Disclosed Details of Policy for Determining Amount or Calculation Method of Compensation

The Company has established a voluntary Nomination and Compensation Committee. The Company has established a voluntary Nomination and Compensation Committee, and the policy for determining executive compensation and the amount of compensation (actual amount paid) are subject to the deliberation and decision-making process of the Committee.

The committee is chaired by Ms. Yumiko Sakurai, an independent outside director, and consists of the President and Representative Director and an outside directors. The committee evaluates each executive officer based on the evaluation standards set by the Company (five-point evaluation) and determines the amount of remuneration for each officer within the range of remuneration amounts set for each position based on the results of the evaluation. The amount of remuneration is determined based on the results of the evaluation. In addition, the Company has reassigned the authority to determine remuneration to Mr. Hiroichi Yokoyama, Chairman and Representative Director. The reason for reassigning the authority to the Chairman of the Board of Directors is to ensure the overall performance of the Group. The reason for this decision is that it is the most appropriate way to evaluate each Director's area of responsibility and duties while overlooking the performance of the entire Group. However, in determining the amount of remuneration for each director, the Company strives to ensure that it is within the range of the annual amount of remuneration resolved at the General Meeting of Shareholders and that it is not arbitrary by going through the deliberation and decision-making process of the Committee.

For the aforementioned reasons, the Board of Directors believes that the content of the compensation is in line with the decision-making policy.

In addition, the amount to be paid to each Corporate Auditor is determined through consultation with the Corporate Auditors.

### **[Support System for Outside Directors (Outside Auditors)]**

There is no specific division that acts as an intermediary when outside directors and outside auditors want to contact and coordinate with the Company. However, a system is in place where each division in the Company can accept requests from outside directors and outside auditors through each director in charge or full-time auditor in charge.

## **2. Matters Relating to Functions for Business Execution, Auditing and Oversight, Nomination and Compensation Decisions (Overview of the Current Corporate Governance System)**

### **1. Board of Directors**

As the Company's decision-making body, the Board of Directors currently consists of twelve directors (of whom four are outside directors (female)). They hold regular monthly meetings and extraordinary meetings as necessary and deliberate and resolve matters that are stipulated in the "Rules of the Board of Directors". The directors have the authority to execute the business in charge and play a role for monitoring and overseeing the actions of other directors and matters to be discussed at the Board of Directors.

In order to limit the number of directors to 20 and further clarify the responsibilities of directors, the Articles of Incorporation stipulate that the term of office of directors shall be until the conclusion of the Ordinary General Shareholders' Meeting concerning the business year to end within one year after election of the directors.

In addition, the Company has the executive officer system aimed at delegating the directors' authority over business execution according to the size of the company and the expansion of the organization. In the executive officer system of the Company, the executive officers responsible for a specific division are given the same authority as the directors, and they must report to the Board of Directors from time to time regarding the execution status of the duties in charge.

### **2. Board of Auditors**

Currently, the Company is strengthening the system to monitor and supervise corporate management by the Board of Auditors, currently consisting of three auditors (out of which, three are outside auditors). A meeting of the Board of Auditors is basically held once a month to share information among the auditors. The auditors check the status of execution of duties by the director and status of the development and operation of internal control of the Company by attending the Board of Directors, inspecting documents and interviewing related parties. In addition, at the end of

each fiscal year, based on the audit results of the accounting auditor, audits are conducted mainly using business reports, financial statements, supplementary schedules, and other shareholder meeting submissions, and the auditors submit reports to the president. The Company's Articles of Incorporation stipulate that the maximum number of corporate auditors of the Company shall be five.

### 3. Accounting Auditor

The Company appoints KPMG AZSA LLC as the accounting auditor and has concluded an auditing contract. The Company provides accurate management information to the accounting auditor and creates an environment where audits are carried out from a fair and unbiased position. In addition, KPMG AZSA LLC has assumed office as an accounting auditor of the Company since the fiscal year ended March 2008.

The status of the accounting audits is as follows.

- (1) The names of the certified public accountants who perform the Company's audit work and the name of the audit corporation to which they belong:

Designated limited liability partners, partners who execute business

Mr. Kuniyoshi Iwata (KPMG AZSA LLC)

Designated limited liability partners, partners who execute business

Mr. Tatsuhisa Murai (KPMG AZSA LLC)

- (2) Composition of assistants involved in the audit work:

Certified public accountants	3
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Others	13
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(Note) Others include those who passed the certified public accountant examination and persons in charge of system audit etc.

### 4. Status of the Internal Control Concerning Financial Report

The Company has established the Corporate Governance Division and is striving to strengthen the internal control system. In addition, by appropriately conducting the "Evaluation of the system to ensure the appropriateness of documents on financial calculations and other information" prescribed in Article 24-4 of the Financial Instruments and Exchange Act, the Company is striving to maintain the level required by the Act.

### 3. Reasons for the Selection of the Current Corporate Governance Structure

The Company has adopted the auditor system and is working to strengthen the system to monitor and supervise corporate management by the Board of Auditors. Specifically, three corporate auditors (three of whom are outside auditors) are appointed to secure independent and fulfilled audits to ensure that directors are comprising with the laws and regulations and the Articles of Incorporation. The Board of Auditors meet once a month, in principle, to share information among the auditors. In addition, at the Company, three outside

auditors are appointed as independent officers, ensuring the objectivity and neutrality of the function to monitor and supervise corporate management.

The Board of Directors is held regularly once a month. Extraordinary meetings of the Board of Directors are held as necessary where the directors deliberate and resolve the matters as stipulated in the “Rules of the Board of Directors.” Directors have the authority to enforce the tasks in their jurisdiction as well as to monitor and supervise the actions of other directors and the matters that are assigned to the Board of Directors.

The Company designates four outside directors as independent officers to ensure objectivity and independence in carrying out monitoring of corporate management. In addition, the Company has introduced the executive officer system, where executive officers are given the same business execution authority for a specific department as the ones held by the directors, and as appropriate, they are asked to report the execution status of the duties in charge to the Board of Directors.

### III Status of Implementation of Measures Relating to Shareholders and Other Stakeholders

#### 1. Status of Measures to Vitalize the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

	Supplementary Explanation
Early Distribution of Shareholder Meeting Convocation Notices	The Company shall distribute the convocation notice at least three weeks prior to the date of the General Shareholders’ Meeting so that shareholders can fully examine the proposal at the shareholders meeting. Furthermore, it discloses the notice on its website or the website of the Tokyo Stock Exchange before the notice is sent out.
Exercise of Voting Rights by Electromagnetic Means	The Company established an environment where shareholders can exercise their voting rights on the website of the shareholder registry administrator who is specified by the Company from their personal computers, smartphones or other mobile phones.
Participation in a Platform for Electronic Exercise of Voting Rights and Other Measures to Improve the Environment for the Exercise of Voting Rights by Other Institutional Investors	From the Ordinary General Shareholders’ Meeting held in June 2016, the Company is participating in the electronic voting platform for institutional investors operated by ICJ, Inc. to improve the environment of institutional investors' exercise of voting rights.
Provision of Summary Convocation Notice in English	The Company develops convocation notices (summary) in English and posts it on its website as well as the website of the Tokyo Stock Exchange.

Others	<p>The overview of the 43<sup>rd</sup> Ordinary General Shareholders' Meeting is as follows.</p> <p>Convocation notice dispatch date: June 7, 2021</p> <p>Date of the General Shareholders' Meeting: June 29, 2021</p> <p>Venue of the meeting: HOTEL MIELPARQUE NAGOYA (3-16-16 Higashiku Aoi, Nagoya city)</p>
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## 2. Status of the Investor Relations Activities

	Supplementary Explanation	Explanation by the Company representative
Development and announcement of disclosure policy	<p>The Company established and announced the IR basic policy with the aim of disclosing accurate information on the Company and group companies in a timely and appropriately manner and obtaining appropriate assessment on the corporate value.</p> <p>URL <a href="https://www.proto-g.co.jp/IR/basic_plan.html">https://www.proto-g.co.jp/IR/basic_plan.html</a></p>	
Holding of Regular Briefings for Individual Investors	<p>In the fiscal year ended March 31, 2021, the Company participated in briefings for individual investors hosted by securities companies twice a year, where the President and Representative Director himself gave explanations.</p>	Yes
Holding of Regular Briefings for Analysts and Institutional Investors	<p>The meeting is held four times a year at the time of each quarterly closing.</p>	Yes
Posting IR materials on the website	<p>URL <a href="https://www.proto-g.co.jp/IR/library/index.html">https://www.proto-g.co.jp/IR/library/index.html</a></p> <p>Various briefing materials, summary of financial results, fact sheets, notice of convocation of general shareholders' meeting, notice of resolution, etc.</p>	
Establishment of the IR	<p>IR department: Accounting and Finance IR Division</p>	

related department  
(person in charge)

### 3. Status of Measures to Respect the Positions of Stakeholders

	Supplementary Explanation
Regulations on respect of stakeholders' position by internal regulations, etc.	<p>The Company established the "PROTO Group Charter of Conduct" on July 20, 2006, and it undertakes business activities in accordance with this Charter of Conduct. All directors, auditors, and employees of the Company pursue corporate actions in compliance with laws and regulations, strive to achieve a social mission, aim to "contribute to society" in the management philosophy, and strive to improve corporate value.</p> <p>URL <a href="https://www.proto-g.co.jp/proto/charter.html">https://www.proto-g.co.jp/proto/charter.html</a></p>
Formulation of policies, etc. concerning information provision to stakeholders	<p>The Company establishes and announces the IR basic policy with the aim of disclosing accurate information on the Company and group companies in a timely and appropriate manner and obtaining appropriate assessment on the corporate value.</p> <p>URL <a href="https://www.proto-g.co.jp/IR/basic_plan.html">https://www.proto-g.co.jp/IR/basic_plan.html</a></p>
Others	<p>■ Ensuring internal diversity including promotion of women's success</p> <p>The Company considers the success of women as one of management issues, and it is working on creating a workplace environment to address the issues, including reforming internal awareness. Specific efforts include appointing women as directors (four female directors as of June 2021), setting up a consultation desk on securing the health of female workers on the Company's Intranet, promoting acquisition of childcare leave and leave before and after childbirth, and promoting acquisition of leave for fathers when a child is born.</p> <p>In addition, in February 2016, the Company formulated the "General Employer Action Plan Based on the Act on Promotion of Female Employees" and set quantitative targets to achieve improvement of workplace</p>

environments where women can be active, implementation of internships to expand employment of female staff, and establishment of an office designated for the employment of female workers.

■ Development of the employment environment

1. Improvement of work-life balance of employees who are rearing a child

The Company established a consultation desk on the Company's Intranet to ensure the health of female workers during pregnancy and after delivery, and promptly respond to law amendments to thoroughly inform the various systems. The Company also periodically disseminates information on various systems concerning development of next-generations such as childcare leave and leave before and after childbirth through the Company's Intranet. In addition, it is promoting acquisition of leave for fathers when a child is born.

2. Review of working style and development of various working conditions

The Company is revising the action plan for improving operational efficiency at each department with the aim of reducing the overtime in one month by 10% throughout the Company. Also, with the aim of improving annual paid vacation acquisition rate, the Company is striving to improve the acquisition rate by systematically granting annual paid leave.

■ Next-generation development support measures

Through continuation and promotion of trial employment targeting workers introduced by Hello Work (Public Employment Security Office) on a short-term basis, the Company continues promoting vocational training.

#### [IV Matters Relating to Internal Control System, etc.](#)

##### **1. Basic Approach to the Internal Control System and Implementation Status** Updated

Based on the Companies Act and the Ordinance for Enforcement of the Companies Act, the Company has established the following internal control system.

1. System for Ensuring that the Performance of Duties of Directors and Employees Complies with Laws and Regulations and the Articles of Incorporation
  - a) In order to thoroughly comply with laws and regulations and the Articles of Incorporation, the Company has formulated the Group Charter of Conduct and established compliance regulations to ensure thorough and appropriate action standards.

- b) As a reporting system for cases of violating laws and regulations, the Articles of Incorporation, etc., the Company has established internal reporting system regulations and an internal report and consultation desk.
  - c) The Company has established a system where the information and countermeasures are reported to the top management, the Board of Directors, and auditors without delay, in case of a situation related to compliance.
  - d) When it is deemed that there is a problem with the Company's compliance system and the operation of the internal reporting system, auditors can state their opinions and request to develop measures to improve the situation.
  - e) In each department in charge, the Company promotes the establishment, maintenance and improvement of the internal control system, formulate regulations and guidelines as necessary, and implement training.
2. System concerning the preservation and management of information pertaining to the execution of duties by directors
- Information and documents pertaining to the execution of duties by directors are properly stored and managed in accordance with the Company's internal regulations and each management manual concerning them. In addition, the Company verifies the operation situation as necessary and reviews the regulations, etc.
3. Regulations and other systems concerning loss risk management
- a) As risks related to business execution, the Company recognizes the following risks 1 to 16, and it has established systems for grasping and managing them and assigning management responsibility for individual risks.
    - 1) Market fluctuation of printing papers
    - 2) Dependence on specific subcontractors/vendors
    - 3) Legal restrictions on content
    - 4) Legal restrictions on the sale and purchase of used cars
    - 5) Legal restrictions on the personnel introduction and worker dispatch businesses
    - 6) Risks generated by system security and system network down
    - 7) Protection of personal information
    - 8) Corporate responsibility for the information of content
    - 9) Risks for the used-car import business
    - 10) Risks concerning M&A
    - 11) Performance of subsidiaries
    - 12) Risks concerning technological innovations
    - 13) Risks concerning the acquisition and development of human resources
    - 14) Risks concerning the overseas business



#### 15) Risks related to natural disasters and the spread of infection

- b) As the foundation of the risk management structure, the Company sets risk management regulations, assigns persons responsible for individual risks, and has the risk management body in place in accordance with the regulations.
- c) The Company has established a system where, in the event of an unexpected situation, it can set up a task force headed by the president and form an external advisory team including the corporate attorneys, if necessary, to promptly prevent the spread of damage and minimize the damage.

#### 4. System for Ensuring the Efficient Performance of Duties by Directors

- a) As a basis for ensuring that directors perform their duties efficiently, the Company holds a meeting of the Board of Directors once a month on a regular basis. An extraordinary meeting of the Board of Directors is also held as needed.
- b) Regarding management of the business plan, based on the annual plan and mid-term 3-year business plan that are developed in line with the management philosophy, the Company engages with the activities to achieve the goal at each business execution line. In addition, the Company periodically conducts inspections through performance reports to see whether management targets are progressing as planned.
- c) In respect of management of execution of duties, the Company refers all matters stipulated by the rules of the Board of Directors and all matters falling under the referral standard to the Board of Directors. In doing so, based on the principle of managerial decision, the Company develops a system in which sufficient information on the agenda is distributed to all officers in advance.
- d) The Company has the executive officer system aimed at delegating the directors' authority over business execution according to the size of the company and the expansion of the organization, and it grants the executive officers responsible for a specific department the same authority as the executive authority of the directors. Also, as necessary, the executive officers are requested to report to the Board of Directors regarding the execution status of their duties.
- e) For daily execution of duties, the authority is delegated based on the Job Function Regulations and Division of Duties Regulations, and the responsible persons at each level will execute the duties in accordance with the decision-making rules.

#### 5. System for Ensuring the Propriety of Operations of the Corporate Group Consisting of the Company and Its Subsidiaries

- a) The Company has established the management regulations targeting subsidiaries and affiliates (hereinafter referred to as the "subsidiaries") to optimize their management, promote the guidance and training of the subsidiaries, and to contribute to the improvement of management efficiency as a corporate group.

- b) As a structure to ensure the appropriateness of operations of the corporate group including the subsidiaries, the Company established the Affiliated Business Planning Office, and it is making efforts to optimize the operations of the subsidiaries and establish a risk management system.
- c) The Affiliated Business Planning Office periodically seeks reports on business from directors, etc. of the subsidiaries and makes efforts to share information among the Company and the subsidiaries. The Office also provides guidance and advice as necessary so that directors and others of the subsidiaries can efficiently execute duties and build a compliance system.
- d) In the event when execution of duties by directors and other employees of the subsidiaries violates laws and regulations or internal regulations, or concerns thereof has occurred or is found, or in the event when an occurrence of risk of loss to a subsidiary is found, the Company has a system whereby such matters are immediately reported to the Company's Board of Directors, auditors and departments in charge.
- e) Auditors and the Corporate Governance Division regularly or temporarily audit the management system and appropriateness of the business of the subsidiaries.

#### 6. System for Ensuring the Reliability of Financial Reporting

In order to ensure the reliability of financial reporting, the Company has developed the "Internal Control Manual" and is implementing internal control over financial reporting in accordance with the generally accepted accounting standards that are fair and reasonable, and it evaluates its effectiveness.

#### 7. System for Excluding Anti-Social Forces

- a) The Company has set out the Action Guidelines for anti-social forces that pose a threat to the order and safety of civil society in the "Charter of Conduct" and challenges anti-social forces with a resolute attitude. And it is working on eliminating anti-social forces by strengthening collaboration with industry groups, police, corporate attorneys, etc., and sharing information.
- b) Based on the Anti-social Forces Response Regulations and Compliance Regulations, the Company prohibits the offering of profits to anti-social forces, and it blocks any relationship with anti-social forces.

#### 8. Matters Relating to Employees Assigned by Request of the Auditors to Assist in Their Duties and Matters Relating to Ensuring the Independence of Those Employees from the Directors and the Effectiveness of Instructions to Those Employees

- a) If auditors seek to place employees who will support their duties, the Company shall appoint assistants from the Company's employees unless there is a special reason.
- b) The assistants will perform their duties under the command of the auditors. The assessment of the assistants shall be conducted by the auditors. The Board of Directors decides appointment, dismissal or transfer of the assistants with a consent of the Board of Auditors to ensure

independence from the Board of Directors.

9. System for Reporting to the Company's Auditors by Directors and Employees of the Company and Directors, Auditors, and Employees of Subsidiaries, System for Reporting to Other Auditors, and System for Ensuring Effective Implementation of Audits by Auditors

- a) Directors and employees of the Company and directors, auditors and employees of the subsidiaries can report important matters affecting the business or performance of the Company to auditors, directly or indirectly using means such as an internal reporting system. Regardless of the above, auditors may request reports from directors and employees of the Company and directors, auditors and employees of the subsidiaries at any time as necessary.
- b) By maintaining proper operation of the internal reporting system, the Company has secured an appropriate system to report to auditors regarding violations of laws and regulations and other compliance issues.
- c) The reporter will not receive unfavorable treatment due to the report mentioned in the preceding items.
- d) Auditors secures effectiveness of audits by attending important meetings such as the Board of Directors in order to understand the important decision-making process and the status of execution of duties by the directors and maintaining close cooperation with the Corporate Governance Division and the accounting auditor.

10. Policy concerning the processing of expenses etc. arising in the execution of duties by auditors

When an auditor makes a request for prepayment or redemption of expenses arising on the execution of the duties, unless it is deemed not necessary for the performance of the duties of the auditor, the Company will promptly process the payment.

## 2. Basic Approach to Exclusion of Anti-social Forces and Implementation Status

The Company has set out the Action Guidelines for anti-social forces that pose a threat to the order and safety of civil society in the "Charter of Conduct" and challenges anti-social forces with a resolute attitude. And it is working on eliminating anti-social forces by strengthening collaboration with industry groups, police, corporate attorneys, etc., and sharing information. Based on the Anti-social Forces Response Regulations and Compliance Regulations, the Company prohibits the offering of profits to anti-social forces, and it blocks any relationship with anti-social forces.

### V Other

#### 1. Introduction of Takeover Defense Measures

Introduction of Takeover Defense Measures	No
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The Company has not introduced any takeover defense measures at this point.

## **2. Other Matters Relating to Corporate Governance Structure**

The status of the Company's internal system related to the timely disclosure of the corporate information is as follows.

### **1. Basic Policy on the Timely Disclosure of the Corporate Information**

In accordance with the Financial Instruments and Exchange Act and the regulations established by the Tokyo Stock Exchange, when corporate information affecting investment decisions arises, the Company strives to disclose the information in a timely, appropriate and fair manner. The Company also makes efforts to actively disclose information even if it does not fall under the criteria for the timely disclosure, when the Company deems that the information may affect investment decisions. Regarding disclosure of information, in addition to disclosing by TDnet, the Company discloses the information on its website to widely disseminate to investors.

### **2. Internal System Concerning Timely Disclosure of the Corporate Information**

The Company has established regulations concerning information disclosure and strives to disclose information in a timely, appropriate and fair manner to maintain compliance with laws and regulations, secure credibility in the financial instruments market, and clarify the authority and responsibility concerning the handling of corporate information.

In addition, regarding corporate information and others that affect investment decisions, the Company has a system where the Accounting and Finance IR Division manages information in an integrated manner, examines the necessity of disclosure as well as the contents and method of disclosure and reports to the officer in charge of the Accounting and Finance Division. The Company develops disclosure documents in consultation with relevant internal departments as well as lead securities companies, auditing company, and corporate attorneys.

### **3. Disclosure of the Information Pertaining to Matters that Have Been Decided**

Information pertaining to the matters that have been decided by the Company is disclosed based on resolutions of the Board of Directors. The officer in charge of the Accounting and Finance Division promptly discloses such information after the meeting of the Board of Directors.

### **4. Disclosure of the Information Pertaining to Events and Facts**

Regarding important events and facts, each section chief reports to the person in charge of the Accounting and Finance IR Division. After the necessity of information disclosure as well as the contents and method of the disclosure are examined at the Office, they will then be reported to the officer in charge of the Accounting and Finance Division.

The officer in charge of the Accounting and Finance Division decides whether the information reported from the Accounting and Finance IR Division are applicable to the important events and facts and promptly disclose the information upon approval from the Board of Directors or the president.

5. Disclosure of Financial Settlement Information

Information concerning financial settlements and performance forecasts are disclosed based on resolutions of the Board of Directors. The officer in charge of the Accounting and Finance Division promptly discloses the information after the meeting of the Board of Directors.

6. Concerning Insider Trading Prevention

The Company has established the "Insider Trading Regulations" and is making efforts to prevent internal business transactions by the Company's officers.



