



(TRANSLATION FOR REFERENCE ONLY)

August 18, 2022

To Our Shareholders:

Corporate Name: PROTO CORPORATION
Representative: Kenji Kamiya, President
Securities Code: 4298
(TSE Prime, NSE Premier)
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Notice Regarding Disposal of Treasury Stock by Third-Party Allotment

We hereby announce that our Board of Directors has resolved at a meeting held on August 18, 2022 to dispose of treasury stock through a third-party allotment as follows.

1. Summary of disposition

(1) Disposition date	October 7, 2022
(2) Type and number of shares to be disposed	31,430 shares of common stock of the Company (Note)
(3) disposal value	1,200yen per share
(4) Total amount disposed of	37,716,000yen (Note)
(5) Method of Disposition	Disposition by way of third-party allocation
(6) Scheduled to be disposed of to	PROTO CORPORATION's Employee Shareholding Association (Hereinafter referred to as the "Shareholding Association".)
(7) Other	This disposition of treasury stock is subject to the filing of a securities notice in accordance with the Financial Instruments and Exchange Act and the fact that electronic public notice has been properly filed in accordance with the provisions of the Companies Act.

(Note) The Shareholding Association will conduct a membership promotion to the Company's employees (Hereinafter referred to as the "Employees") with sufficient notice period after the resolution of the Board of Directors of the Shareholding Association to be held today, and invite applicants to join the Shareholding Association.

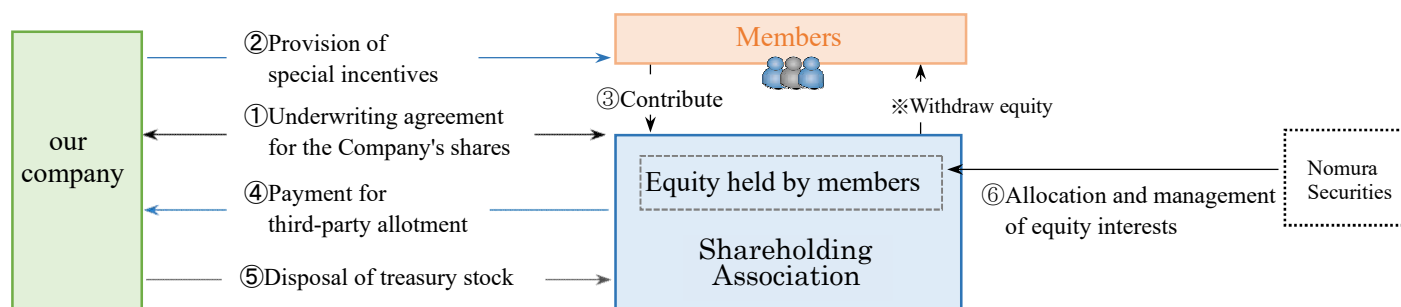
2. Purpose and Reason for Disposition

On August 18, 2022, the Company decided to introduce an incentive plan (Hereinafter referred to as the "Scheme") under which shares of common stock (Hereinafter referred to as the "Company's shares") issued by the Company will be granted as a special incentive to members (Hereinafter referred to as the "Members") of the PROTO CORPORATION Employee Stock Ownership Plan. This is intended to motivate employees to increase their motivation toward the Company's medium- and long-term shareholder value. For an overview of the scheme, please refer to "Introduction of Special Incentive Scheme (Treasury Stock Disposal Type)" disclosed today.

The Scheme is to grant special incentive funds to members and dispose of treasury shares to the Shareholding Association with the contribution of such special incentive funds (the "Disposal of Treasury Shares"). The Scheme is based on the method of third-party allotment. The number of shares to be disposed of will be determined at a later date as described in note (Note) of 1. Summary of disposition, but a maximum of 31,430 shares will be disposed of to the shareholding association. The granting of special incentives to members is a grant of money, not a grant of monetary claims. In addition, no money is contributed by members.

The dilution is 0.07% of the 41,925,300 shares outstanding as of March 31, 2022 and 0.08% of the 401,676 total number of voting rights as of March 31, 2022(All rounded to two decimal places.). We believe that this is a reasonable level for existing shareholders, as it will raise employees' awareness of the need to participate in management and lead to more employees sharing medium- to long-term shareholder value with shareholders.

3. How this scheme works



- ①The Company and the Shareholding Association shall enter into a share subscription agreement regarding the disposal and underwriting of treasury stock.
 - ②The Company shall offer special incentives to its members.
 - ③Members shall contribute the special incentive funds provided by the Company to the Shareholding Association.
 - ④The Shareholding Association will compile the special incentive funds contributed by its members. The third-party allotment is then paid for.
 - ⑤The Company will dispose of treasury stock to the Shareholding Association.
 - ⑥The Company shares allocated to members are allocated to and managed by the member interests within the Shareholding Association through Nomura Securities.
- The number of shares allocated per member will range from 45 to 100 shares, depending on the position.
- ※Members are free to withdraw their allocated shares of the Company in units of one unit to their personal securities account.

4. Basis and specifics of the calculation of the disposal value

The purpose of the Disposal of Treasury Stock is to introduce the Scheme. The disposal price is set at 1,200 yen, which is the closing price of the Company's shares on August 17, 2022, the trading day immediately prior to the date of the Board of Directors' resolution. This is the market price immediately before the date of the Board of Directors' resolution and is considered reasonable.

The deviation of this price from the average closing price of our shares on the Tokyo Stock Exchange (rounded off to two decimal places) is as follows.

Period	Average closing price (rounded down to the nearest yen)	deviation ratio
1 month (July 15, 2022 - August 17, 2022)	1,126yen	6.57%
3 months (May 18, 2022 - August 17, 2022)	1,042yen	15.16%
6 months (February 18, 2022 - August 17, 2022)	1,047yen	14.61%

(Note) Since July 18, 2022 was a trading holiday, the closing price of the immediately preceding trading day was used.

All three auditors (including three outside auditors) who attended the Board of Directors' meeting expressed the opinion that the process by which the Company determined that the above disposal price was not particularly favorable to the allottee was reasonable and that this determination was appropriate, considering that the purpose of this disposal of treasury stock was to introduce this scheme and that the disposal price was the closing price on the business day preceding the date of the Board of Directors' resolution.

5. Procedures under the Code of Business Conduct

Because (1) the dilution ratio is less than 25% and (2) the Treasury Stock Disposal does not involve a change in controlling shareholder, the procedures for obtaining an opinion from an independent third party and confirming the intent of shareholders as stipulated in Rule 432 of the Securities Listing Regulations established by the Tokyo Stock Exchange are not required.