



(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)
Contact: Takehito Suzuki, Executive Officer
Tel: +81-52-934-2000

Introduction of Special Incentive Scheme (Treasury Share Disposal Type)

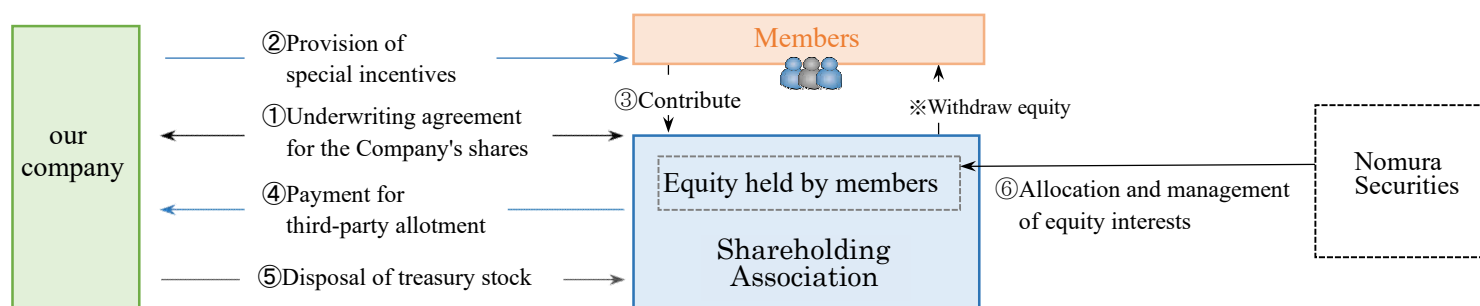
On August 18, 2022, the Company adopted an incentive plan (the "Scheme") designed to motivate the employees of the Company group (the "Employees") with respect to the medium- to long-term shareholder value of the Company.

This scheme is to grant common shares (Hereinafter referred to as the "Company's shares".) issued by the Company through "PROTO CORPORATION Employee Shareholding Association" (Hereinafter referred to as the "Shareholding Association".) to the members (Hereinafter referred to as "Member".) of the Shareholding Association as a special incentive, by way of third-party allotment to the Shareholding Association. For details on the third-party allotment, please refer to the " Notice Regarding Disposal of Treasury Stock by Third-Party Allotment " dated today.

1. Purpose of the Scheme

This scheme is intended to reward employees who have celebrated the 45th anniversary of the Company's founding together with the Company and to raise employees' awareness of their participation in management, as well as to increase their motivation toward the Company's medium- to long-term shareholder value. From today onward, we believe that this scheme will encourage employees who have not yet joined the Shareholding Association to do so, thereby enabling more employees to share medium- to long-term shareholder value with shareholders

2. 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.
- ※Members may voluntarily withdraw their allotted shares of the Company on a per-unit basis to a securities account in their personal name.

3. Granting of the Company's shares under the Scheme

In conjunction with the introduction of this scheme, the Board of Directors of the Company resolved today to dispose of 31,430 shares (equivalent to approximately 37million yen) of the 1,729,997 shares of treasury stock currently held (as of March 31, 2022) to the Shareholding Association. The following is a summary of the shareholding association to which the shares will be allocated.

- (1) Name : PROTO CORPORATION Employee Shareholding Association
- (2) Location : 1-23-14 Aoi, Naka-ku, Nagoya-shi, Aichi 460-0006 Japan
- (3) Board chairman : Yoshitaka Koide
- (4) Number of shares held : 443,764 shares (As of July 31, 2022)
- (5) Shareholding Ratio : 1.06% (Percentage of shares outstanding)

In addition, the Company has filed a securities notice today in accordance with the Financial Instruments and Exchange Law. The number of shares to be disposed of (number of shares to be offered) stated in the securities notice assumes the maximum number of shares to be issued if all of the Assumed Targets join the Shareholding Association. The Shareholding Association will conduct a membership promotion to employees and invite applicants to join the Shareholding Association after a resolution by the Board of Directors of the Shareholding Association scheduled for today, August 18, 2022, with sufficient time to publicize the membership to employees. Therefore, there may be a small number of employees who do not actually join the Shareholding Association or who retire from the Association, so the number of eligible employees may be less than the assumed maximum number of shares. The number of shares to be disposed of (number of shares to be offered) and the total amount of shares to be disposed of (total amount to be paid in) will be announced as soon as they are determined.