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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 Updated

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 customers, employees, shareholders, investors, business partners, government, and local communities 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]** Updated

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

With regard to sustainability initiatives, we promote disclosure concerning the four items: "Governance," "Risk Management," "Strategy" and "Indicators and Targets" based on the TCFD's recommendations and we shall keep considering "Targets" in "Indicators and Targets" of initiatives addressing climate change to make appropriate disclosure.

(1) All matters regarding sustainability

① Governance

The basic policy, matters that need to be addressed, etc. regarding sustainability are considered and deliberated by the Internal Control Committee, which is chaired by the Representative Director and President. The Internal Control Committee holds a meeting every month, and in addition to the situation concerning internal control, it analyzes and evaluates all kinds of risks and opportunities related to sustainability, discusses short, medium, and long-term measures and arranges the system for strengthening them.

Under the Internal Control Committee, we have set up a subcommittee, which is responsible for the detection, evaluation, etc. of risks and opportunities concerning climate change. The subcommittee concerned with climate change also considers and reports relevant matters alongside the Internal Control Committee held every month. Furthermore, our Board of Directors supervises, discusses and gives advice on whether the allocation of management resources and the structure of the business portfolio are effective in regard to sustainability, and the promotion thereof, in order to formulate a long-term vision in accordance with the Corporate Ideology.

Board of Directors

↑report

Internal Control Committee

↑cooperation

↓

(Climate Change) Subcommittee

② Strategy・Policy

We believe that in order for enterprises to continue their activities, it is vital to promote business which will contribute to the sustainability of people, the society and the earth in addition to respecting human rights. We recognize that the response to issues pertaining to sustainability, such as social and environmental issues, is an important factor in elevating the corporate value in the medium/long term, and while stipulating items concerning sustainability in the Charter of Corporate Behavior, which is the foundation for all kinds of corporate activities, we have established and published a “Basic Sustainability Policy” based on the regulations in the Charter of Corporate Behavior. Moreover, we continuously address issues pertaining to sustainability and ESG in accordance with said policy and disclose their contents on our company website as well as the English website. Our company shall endeavor to maintain good and harmonious relationships with stakeholders such as our clients, staff, shareholders, investors, trade partners, the government and local societies, and proactively engage in building a sustainable society based on the Charter of Corporate Behavior. Please refer to our corporate website for the Charter of Corporate Behavior. (Japanese version only).

<https://www.proto-g.co.jp/proto/charter.html>

## Basic Sustainability Policy

The Company's corporate ideology is "To turn challenges into future power 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.

### ③ Risk Management

Our corporate group has recognized risks and opportunities concerning climate change that have an impact on the business of our corporate group, and has performed a scenario analysis. Aiming for sustainable business activities even amid different weather and economic situation, we have considered the perspectives of two scenarios: the scenario below 1.5 °C (in which the global average temperature rise stays below 1.5 °C in comparison with pre-industrial levels) and the 4 °C scenario (in which the global average temperature rises 4 °C or more in comparison with pre-industrial levels).

Regarding the risk control system for responding to natural disasters, etc., we establish a risk control task force, which will be headed by the representative director and president in emergency situations. This task force will be composed of an information liaison team, including staff of in-company sections, and an external advisory team, including corporate lawyers, which is formed when necessary. It prevents the augmentation of damage and minimize it with prompt response.

[Due diligence regarding human rights]

"Being chosen" by people, society and other enterprises is one of extremely important perspectives when it comes to pursuing the Basic Sustainability Policy upheld by our corporate group. Enterprises need to understand their impact on "human rights" and in case they cause negative impact, it is their responsibility to appropriately address this impact and make the utmost effort to reduce and prevent it. As a result of exercising due diligence regarding human rights by comprehensively evaluating written reviews, interviews and responses to questionnaires targeted at employees, our corporate group identified issues concerning the management of the supply chain. With regard to the identified issues, we plan to deal with them one by one while complying with (1) Human Rights Policy, (2) Exercise of Due Diligence regarding Human Rights and (3) Establishment of Systems for Helping Victims stated in "The Corporate Responsibility to Respect Human Rights," Guiding Principles for Business and Human Rights.

#### ④ Indicators and Targets

[Rate of education concerning risks about human rights for management executives, supervisors and persons recommended by each company]

	Timing	Ratio of participating group companies (%)	Number of participants (persons)
Results	Fiscal year ended March 31, 2023	100	52
Plan	Fiscal year ended March 31, 2024	100	-

#### (2) Initiatives for addressing climate change

We have identified addressing climate change as one of our key management issues and will clarify the impact on our business operations and our response to it, as well as actively promote the disclosure of information in the four areas of "Governance," "Risk Management," "Strategy," and "Indicators and Targets" based on the TCFD's recommendations.

##### ① Governance

We view the strategy for avoiding, reducing and transferring climate-related risks as well as realizing climate-related opportunities as an important management challenge and believe that making an appropriate response as an enterprise will lead to sustainable growth. Therefore, our Board of Directors oversees, discusses and gives advice on an effective allocation of managerial resources and design of the business portfolio for climate-related issues as well as the progress thereof.

##### ② Strategy

Our corporate group has recognized risks and opportunities concerning climate change that have an impact on the business of our corporate group, and has performed a scenario analysis. As a result, we found out that in the scenario below 1.5 °C, the business of our corporate group would be significantly impacted by the trends in political measures, laws and regulations as well as changes in the preferences of our clients, etc., while in the 4 °C scenario, there would be a considerable impact caused by damage to our operational bases, the supply chain, etc. brought about by intense disasters. As the impact of climate change on business will change depending on global steps toward decarbonization, changes in the preferences of users, etc., we shall keep taking such social trends into account and reflect them on the business strategy of our corporate group. [Please refer to the Integrated Report 2023 for "Recognized risks and opportunities related to climate change."

[https://www.proto-g.co.jp/wp-content/themes/proto/data/pdf/page/IR/library/annual/PROTO\\_IR2023\\_Eg.pdf](https://www.proto-g.co.jp/wp-content/themes/proto/data/pdf/page/IR/library/annual/PROTO_IR2023_Eg.pdf)

##### ③ Risk Management

Risk management concerning the response to climate change is described in (1) All matters regarding sustainability ③ Risk Management.

##### ④ Indicators and Targets

[Results based on indicators]

Total greenhouse gas emissions for the fiscal years ending March 31, 2023 and 2024 are as follows. We will continue to work toward setting targets that contribute to the reduction of greenhouse gas emissions from a medium- to long-term perspective.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Scope 1: Direct emissions (t-CO <sub>2</sub> )	3,154.6	3,925.9
Scope 2: Indirect emissions (t-CO <sub>2</sub> )	4,238.7	4,685.6
Scope 1 + Scope 2 subtotal (t-CO <sub>2</sub> )	7,393.2	8,611.6
Scope 3: Other than Scope 1 and 2 (t-CO <sub>2</sub> )	163,845.6	175,679.1

### (3) Initiatives for human capital and diversity

Our corporate group has uphold human capital and diversity as another vital management issue and we shall proactively promote the disclosure of information concerning the “Governance” and “Strategy” and “Indicators and Targets” while clarifying our strategies and measures for business operations. As the challenges and initiatives of each group company differ depending on the type of industry, area, etc., we have stated the initiatives for human capital and diversity of our company.

#### ① Governance

For the basic policies, issues to be addressed, etc. regarding human capital and diversity, the management section takes a central role in holding sectional meetings, to discuss and design measures for grasping our personnel portfolio, offering learning opportunities, and improving the engagement of executives and employees for the purpose of energizing individuals and organizations. Regarding the investment in human capital, the Board of Directors of our company checks whether it is in line with our corporate goals, management ethos, and expected images of employees, and whether the allocation of managerial resources and our business portfolio are effective when setting a long-term vision. In addition, the Board of Directors oversees the progress of each activity, has discussions, and gives advice. Our company will actively allocate managerial resources for investing in human capital, which creates corporate value.

#### ② Strategy

We believe that the know-how of our executives and employees is an important element in elevating our corporate value in the medium to long term. Viewing our executives and employees as valuable human resources, we strive to establish a harmony between the work and lives of all employees and arrange an employment environment in which it is easy to work to allow them to fully utilize their abilities in addition to working toward the enrichment of opportunities for growth, such as in-house training.

## ■Development of the employment environment

Our company is working toward the work-life balance of all employees and strives to develop a comfortable employment environment to allow them to make full use of their abilities.

[Improvement of work-life balance of employees who are rearing a child]

- To spread knowledge about available programs, provide information and develop a consultation system for employees in order to protect the health of female employees during pregnancy and after childbirth
- To promote male employees to take leave when their child is born
- To promote employees to take childcare leave and develop an environment that allows employees to easily return to the workplace
- To develop programs available to employees who are rearing a child
- To spread knowledge about various programs, such as childcare leave and limitations of overtime and late night work based on the Child Care and Family Care Leave Act, childcare leave benefits based on the Employment Insurance Act and prenatal and postnatal leave based on the Labor Standards Act

Recently, we have been working toward the enrichment of the programs, such as raising the family allowance, extending the period of shortened working time for child-rearing employees (until the child is in the third grade of elementary school) and developing a system for staggered work hours.

[Review of working style and development of various working conditions]

- Implementation of measures for reducing overtime work
- Implementation of measures for promoting employees to take annual paid leave
- Introduction of ubiquitous workstyles, such as working from home and telework

In order to support these measures, we have adopted a telework program matching the actual situation, raising the allowance for moving to a different location to start a new job and also allowing a free dress code, etc. to allow employees to work in a way that suits them. Furthermore, we adopted the flextime system in April 2024.

## ■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.

## ■Enrichment of opportunities for growth

For the purpose of enriching opportunities for the growth of our executives and employees, we organize in-house training, etc. Furthermore, we have adopted a system for the development of human resources in order to make them function as the pool of human resources for the succession plan. This personnel development program is considered as a process to produce the next-generation management who will create the future of our company. We select candidates from our company and train them as the next-generation management in accordance with our company's Corporate Ideology.

### ③ Indicators and Targets

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 (three female directors as of June 2023), 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.

#### ■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, ratio of average years of service of women to average years of service of men, and the development of an employment environment that supports the balancing of work and family life for workers who are raising children (Japanese version only).

<https://www.proto-g.co.jp/proto/general-html/>

#### [Quantitative targets①]

To increase the ratio of women to newly recruited employees to 50% or over

Outline of initiatives:

Boost the recruitment of women

From April 1, 2021 Proactive promotion targeting female students

From April 1, 2023 To organize internships to boost the recruitment of women

From April 1, 2025 To set up a desk exclusively for the recruitment of women

	Timing	Ratio of employed women (%)		
		Full-time employees	Part-time workers	Overall
Current situation	March 2024	21.0	75.7	41.4
Plan	March 2025	47.0	50.0	48.0
	March 2026	50.0	50.0	50.0

[Quantitative targets②]

To increase the ratio of average working years for women to average working years for men to 55% or higher

Outline of initiatives:

To close the difference in average working years between men and women

From April 1, 2021

To improve the workplace culture by revising practices that are based on the view of gender roles

From April 1, 2023

To create opportunities for interaction between women as part of supporting the creation of a network over multiple sites

From April 1, 2025

To regularly spread the information about the childcare leave program, shortened working hours, etc. with the company's newsletter

	Timing	Difference between male and female employees in average employment period (%)
Current situation	March 2024	39.8
Plan	March 2025	53.5
	March 2026	55.0

■Promotion of Women and Non-Japanese to Management Positions

As of March 31, 2024, we have 49 female employees and 1 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 March 31, 2024, the ratio of mid-career hires to management positions was 77.5%, and the ratio of mid-career hires to total employees was 78.9%.

■Consideration toward the health and labor environment of our employees

With regard to consideration toward the health and labor environment of our employees, we pay sufficient attention to the health management of our employees, considering the results of annual health check-ups and recommending re-examinations if necessary. Furthermore, we have been reducing the overtime work of our employees through the elevation of productivity by improving the labor environment.



## **[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>

<https://www.proto-g.co.jp/sustainability/>

[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 weighted average cost of capital (approximately 7.0%), 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.

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

[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]

Our company holds sectional meetings involving mainly the management section, to discuss human capital when necessary. 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, ratio of average years of service of women to average years of service of men, and the development of an employment environment that supports the balancing of work and family life for workers who are raising children (Japanese version only).

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[Quantitative targets①]

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[Quantitative targets②]

To increase the ratio of average working years for women to average working years for men to 55% or higher

Outline of initiatives:

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To improve the workplace culture by revising practices that are based on the view of gender roles

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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.

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As of March 31, 2024, the ratio of mid-career hires to management positions was 77.5%, and the ratio of mid-career hires to total employees was 78.9%.

■Consideration toward the health and labor environment of our employees

With regard to consideration toward the health and labor environment of our employees, we pay sufficient attention to the health management of our employees, considering the results of annual health check-ups and recommending re-examinations if necessary. Furthermore, we have been reducing the overtime work of our employees through the elevation of productivity by improving the labor environment.

[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) Our company has set up an arbitrary Nomination and Compensation Committee and goes through the process of deliberation and decision by this Compensation Committee with regard to the policy for determining compensation for executives and the compensation amount (amount actually paid). In the fiscal year ended March 31, 2024, this committee was comprised of three members – Kenji Kamiya, the Representative Director and President, Eriko Kitayama, an independent outside director, and Yumiko Sakurai, an independent outside director, serving as Head of the Committee. Following the evaluation of each executive based on the evaluation criteria defined by our company (5 grades), they deliberated on the appropriateness of the compensation amount for each executive within the range of the compensation amount set for each post based on these evaluation results and reported their findings to the Board of Directors. In the fiscal year ending March 31, 2025, the Committee is composed of four members - Kenji Kamiya, the Representative Director and President, Mika Kimata and Mari Suzuki, independent outside directors, and Eriko Kitayama, an independent outside director, serving as Head of the Committee.

#### Activities of the Nomination and Compensation Committee

Meeting date	Attendance	Major items discussed
August 2023	All three members present	We reviewed the fiscal year ended March 31, 2023, checked the basic policy, and identified issues Compensation Committee plan for the fiscal year ending March 31, 2024
October 2023	All three members present	Listing of director candidates Reconsideration of the composition of compensation for executives
December 2023	All three members present	Achievements and evaluation of director candidates, and their appropriateness Revisions to the compensation system for executives, and appropriateness of evaluation results
January 2024	All three members present	Decision on the new executive system (decision on results to be reported to the Board of Directors) Decision on the compensation for executives (determining compensation for executives based on the evaluation of achievements and the evaluation of each director)
March 2024	All three members present	Director candidates to be announced at the 46th Regular General Shareholders' Meeting, skill matrix and reasons for the election of new outside directors to be stated on the Notice of Convocation of this Meeting

(iv) The Company selects and nominates candidates for the Board of Directors based on a comprehensive judgment that they fully understand the Company's management philosophy, have sufficient knowledge and experience to fulfill their roles and responsibilities, and have the insight to ensure compliance with laws and regulations and corporate ethics. The Board of Directors determines director candidates based on a matrix listing the principal skills, careers, and expertise of each director, taking into consideration the combination of the number of directors and areas of expertise appropriate to the organizational structure of the company.

With regard to internal directors, the Company takes into consideration the balance of knowledge, experience, and abilities by appointing directors who are well versed in their respective fields based on the results of deliberations by the Nomination and Compensation Committee, which was established as a voluntary advisory body. Outside directors are selected based on the results of deliberations by the Nomination and Compensation Committee, with an awareness of their experience and diversity, including the fields in which they come from. The Company discloses this matrix and other policies regarding the election of directors in the Notice of the General Meeting of Shareholders and other documents. (See Figure 1 for the skill matrix.)

The Company selects and nominates candidates for corporate auditor based on a comprehensive judgment of their ability to contribute to the soundness of management by striving to maintain and improve the sound management and social credibility of the Group and by auditing the overall execution of duties by directors from an independent, neutral, and objective standpoint.

In addition, we consider whether outside directors can fulfill their management supervisory function to the Company's management from a neutral, fair, and objective standpoint. In addition, in the event that there is a suspicion of negligence, misconduct, or material violation of laws, regulations, or the Articles of Incorporation by an officer in the performance of his or her duties, or in the event that the officer is unable to continue to perform his or her duties due to health reasons, the Board of Directors will take the necessary procedures for dismissal.

( 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-(1) Directors' skill matrix and policy concerning the election of directors]

The Board of Directors determines director candidates by creating a skill matrix that lists principal skills, careers and expertise of each director and taking into consideration the number of members and combination of fields of specialization appropriate for the organizational structure of the company. Regarding internal directors, we consider the balance of knowledge, experience and ability by electing executives who are well-versed in their respective fields, taking into account the deliberation results of the Compensation and Nomination Committee, set up as an arbitrary advisory body. Outside directors are selected with focus on diversity, including their experience and professional affiliation. Moreover, said matrix and other policies concerning the election of directors are disclosed on the Notice of Convocation of the General Shareholders' Meeting, etc. Our Board of Directors is currently composed of 12 members, including four outside directors. Three outside directors are female and one is male, and one of them has managerial experience at another company. (See Figure 1 for the skill matrix.)

[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, three 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 (Japanese version only).

<https://www.proto-g.co.jp/IR/library/corporategovernance.html>

A summary of the valuation methodology, process and results for the year ending March 31, 2024 is as follows

Implementation method

- Questionnaire format (choice and descriptive)
- Questionnaire is unsigned, with only "Directors," "Outside Directors," "Corporate Auditors," and "Executive Officers" listed.

## Main evaluation items

- (1) Roles and Responsibilities of the Board of Directors
- (2) Prerequisites for Ensuring the Effectiveness of the Board of Directors
- (3) Operation of the Board of Directors
- (4) Self-evaluation
- (5) Independent Outside Directors and Corporate Auditors
- (6) Governance
- (7) Sustainability
- (8) Management Focused on Capital Cost and Share Price

## Results of Self-Evaluation (Summary)

The results of the self-assessment questionnaire confirmed that the Company's Board of Directors is generally functioning properly and that the Board's effectiveness is ensured. Directors show understanding especially concerning the company vision (company targets, management philosophy, etc.) with regard to their roles and responsibilities, while the operation of the Board of Directors was highly regarded, given that high-quality information is provided and topics to be discussed are clear. On the other hand, we have received opinions that we need to keep considering concrete initiatives concerning sustainability in order to elevate corporate value in the medium to long term.

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

The Company recommends that Directors, Corporate Auditors and Executive Officers participate in outside seminars and take e-learning courses provided by the Tokyo Stock Exchange for listed companies in order to acquire and appropriately update the knowledge necessary for their responsibilities and duties.

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

In our company, the executive officers in charge of Accounting and Finance Division is in charge of IR, and Accounting and Finance Division is the department in charge of IR. A briefing for shareholders and investors is held every quarter by the Representative Director and President and the executive officer in charge of the Accounting and Finance Division. Furthermore, we participate in briefing sessions for individual investors arranged by securities companies, etc. as required.

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.



**【Initiatives for realizing business administration focused on capital cost and stock price】**【English version disclosed】

Our company formulates and announces management plans, including growth strategies and the target yield of capital (target ROE), based on the analysis of the current situation. With regard to ROE (return on equity), which indicates capital profitability, we set targets and announce the challenges and measures for achieving the targets. Regarding ROIC (return on investment capital), P/B ratio (price-to-book ratio), which indicates market valuation, and PER (price-to-earnings ratio), we announce our measures. Furthermore, we calculate and announce WACC (weighted average cost of capital [calculated using CAPM]), which indicates capital cost, and the cost of shareholders' equity (calculated using CAPM).

For details, please refer to the "New Three-Year Medium-Term Plan (the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2025)," published at the end of the fiscal year ended March 31, 2022, and the outline of financial results published at the end of the fiscal year ended March 31, 2024.

[https://www.proto-g.co.jp/uploadcheck/?referer=/upload/file/ir\\_kessan\\_list\\_en/4602/8cce99fda2a870010e18bb2e69f918b9.pdf](https://www.proto-g.co.jp/uploadcheck/?referer=/upload/file/ir_kessan_list_en/4602/8cce99fda2a870010e18bb2e69f918b9.pdf)

[https://www.proto-g.co.jp/uploadcheck/?referer=/upload/file/ir\\_kessan\\_list/5513/ae823b5d23489b1f4d417bf753725caa.pdf](https://www.proto-g.co.jp/uploadcheck/?referer=/upload/file/ir_kessan_list/5513/ae823b5d23489b1f4d417bf753725caa.pdf)

#### Policy and Goals

Our corporate group promotes the business administration focused on capital cost, and aims to keep generating return exceeding capital cost. To realize our goals, we will aim to grow our business while taking a good balance among investment for growth, securing of financial soundness, and enhancement of return to stakeholders.

## 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	33.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,484,800	11.10
JPLLC CLIENT ASSETS-SK J	1,891,370	4.68
Custody Bank of Japan, Ltd. (Trust Account)	1,712,400	4.24
PERSHING-DIV. OF DLJ SECS. CORP.	1,658,100	4.10
SSBTC CLIENT OMNIBUS ACCOUNT	1,440,949	3.56
JP MORGAN CHASE BANK 385632	1,137,400	2.81
Hiroichi Yokoyama	898,100	2.22
CLEARSTREAM BANKING S.A.	837,600	2.07
Tokyo Pulp & Paper Corporation	620,000	1.53

Controlling Shareholder (Except for Parent Company)

—

Existence of Parent Company

None

### Supplementary Explanation

Updated

1. The status of the major shareholders is as of March 31, 2024.
2. We hold 1,553,807 treasury shares, which are excluded from major shareholders shown above.
3. The above-mentioned shareholding ratio has been calculated by subtracting the number of treasury shares (1,553,807).

Furthermore, treasury shares exclude those held under the Employee Stock Ownership Plan (ESOP) based on the regulations for the acceptance of shares.

### 3. Corporate Attributes

Stock Exchange Listings and Market Classification	Tokyo Stock Exchange, Prime Market Nagoya Stock Exchange, Premier Market
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 ¥100 billion, less than ¥1 trillion
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	1year
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)

Updated

Name	Affiliation	Relationship with the Company *										
		a	B	c	d	e	f	g	h	i	j	k
Eriko Kitayama	From another company											
Masami Kajiura	From another company											
Mika Kimata	Certified Public Accountant											
Mari Suzuki	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

Name	Independent officer status	Supplementary Explanation of Applicable Items	Reasons for Appointment
Eriko Kitayama	○	—	<p>As Ms. Eriko Kitayama possesses plenty of experience and broad knowledge of all management affairs as representative director of Champions Group (Japan) Co., Ltd. and GlobeLink Ltd., it was considered that she is suited for overseeing business administration from an independent standpoint and an objective viewpoint, so she was appointed as an outside director. In addition, she satisfies the requirements for becoming an independent executive specified by Tokyo Stock Exchange, so it was concluded that there is no risk of a conflict of interest with general shareholders, and she was designated as an independent executive.</p>
Masami Kajiura	○	—	<p>Mr. Masami Kajiura possesses profound knowledge of the marketing and sales divisions of international enterprises, so it was considered that he is suited for expressing his opinions from an objective viewpoint to improve the rationality and transparency of business administration of Ubicom and overseeing business administration from an independent standpoint and an objective viewpoint by utilizing his broad knowledge and experience as a college professor, and he was appointed as an outside director. In addition, he satisfies the requirements for becoming an independent executive specified by Tokyo Stock Exchange, so it was concluded that there is no risk of a conflict of interest with general shareholders, and he was designated as an independent executive.</p>

Mika Kimata	○	—	<p>Ms. Mika Kimata possesses plenty of experience and knowledge of finance and accounting as a certified public accountant, so it was considered that she is suited for overseeing business administration from an objective viewpoint and has talent and insight for helping improving the soundness and transparency of business administration, and she was appointed as an outside director. In addition, she satisfies the requirements for becoming an independent executive specified by Tokyo Stock Exchange, so it was concluded that there is no risk of a conflict of interest with general shareholders, and she was designated as an independent executive.</p>
Mari Suzuki	○	—	<p>Ms. Mari Suzuki is versed in corporate legal affairs as a lawyer and possesses sufficient insight for business administration, so it was concluded that she would be able to improve the rationality and transparency of management and strengthen the supervising function of the board of directors by giving opinions and suggestions about the governance of the corporate group. Accordingly, she was appointed as an outside director. In addition, she satisfies the requirements for becoming an independent executive specified by Tokyo Stock Exchange, so it was concluded that there is no risk of a conflict of interest with general shareholders, and she was designated as an independent executive.</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	4	0	1	3	0	0	Outside director
A voluntary committee equivalent to a Remuneration committee	Nomination and Compensation Committee	4	0	1	3	0	0	Outside director

Supplementary Explanation Updated

In the fiscal year ended March 31, 2024, the Committee was comprised of three members – Kenji Kamiya, the Representative Director and President, Eriko Kitayama, an independent outside director, and Yumiko Sakurai, an independent outside director, serving as Head of the Committee. In the fiscal year ending March 31, 2025, the Committee is composed of four members - Kenji Kamiya, the Representative Director and President, Mika Kimata and Mari Suzuki, independent outside directors, and Eriko Kitayama, an independent outside director, serving as Head of the Committee.

#### **【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	4



Regarding the cooperation status between the auditors and the accounting auditors, the Company holds a quarterly regular meeting at least 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 produced the corporate behavior charter and regulations for compliance with laws and risk control, and established systems for preventing the emergence of risks and controlling risks. For the purpose of helping improve the efficiency of business operations and revenues and preserve the company's assets, the company established a governance division (composed of 4 members). The staff of the governance division visit branches, sales offices, and subsidiaries around Japan, cross-check in-house regulations and actual practices, and audit the management and organizing of ledgers, based on the audit plan designed at the beginning of the fiscal year. For the issues clarified through the audit, instructions for improvement are given and the results of improvement measures are checked, to improve business operations. While maintaining the cooperation with auditors and accounting auditors, they conduct audits. In the reporting line, they regularly report audit results to the representative director & president, auditors, the board of auditors, and the internal control committee. In addition, if some items are clarified through internal audits, their details, measures for them, and the progress of the measures are reported to the board of directors as internal control reports. Regarding the status of cooperation between auditors and said governance division, opinions are exchanged when necessary to confirm the recent situation, etc. and share information. In addition to regular audits, the governance division receives reports on internal control from subsidiaries, and reports them at the regular meeting of the board of directors.

Furthermore, for the purpose of overseeing the observance of the corporate behavior charter and whether an in-house risk control system has been developed and applied appropriately, a monthly meeting of the internal control committee is held with the representative director & president serving as chairperson, to continuously review the internal control system.

Appointment of Outside Auditors	Yes
Number of Outside Auditors	4
Number of Outside Auditors 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	L	m
Shinji Yamada	From another company													
Hiroshi Tokano	From another company													
Arata Tominaga	From another company										△			
Hitoshi Saiga	Certified Public Accountant													

\* 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	○	—	<p>Mr. Yamada has served in key positions at NIPPO LTD. has extensive experience and knowledge as a corporate auditor.</p> <p>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 Directors from a fair and objective standpoint and contribute to the improvement of the soundness and transparency of management.</p> <p>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.</p>
Hiroshi Tokano	○	—	<p>Mr. Tokano has served in key positions at Kirin Brewery Company, Limited and Kirin Group Companies has extensive experience and knowledge as a corporate auditor.</p> <p>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 Directors from a fair and objective standpoint and contribute to the improvement of the soundness and transparency of management.</p> <p>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</p>

			Company has designated him as an independent officer.
Arata Tominaga	○	Mr. Tominaga was previously an employee of Salesforce Japan Co.,Ltd. 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 of influence on the judgment of shareholders and investors.	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 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.
Hitoshi Saiga	○	——	Mr. Saiga is a certified public accountant and tax accountant with extensive experience and knowledge in the fields of finance and accounting. In addition, it was concluded, from the fair and objective review of his performance as a director, that he possesses the qualifications and insight to contribute to the improvement in the soundness and transparency of our business administration. Accordingly, he was appointed 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.

### **【Matters Relating to Independent Officers】**

Number of Independent Officers	8
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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 Updated

The total annual compensation of officers during the Year ended March 31, 2024 is as follows.

Directors	8(Excluding outside directors)	283 million yen
Outside director	8(Outside Directors and Outside Corporate Auditors)	35 million yen

(Note)

1. Based on the resolution passed at the 22nd Regular General Shareholders' Meeting held on June 28, 2000, the upper limit of the yearly amount of compensation for directors is 1,000 million yen. Based on the resolution passed at an Extraordinary General Shareholders' Meeting held on January 20, 1985, the upper limit of the yearly amount of compensation for auditors is 30 million yen.

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.

Based on the resolution passed at the 41th Regular General Shareholders' Meeting held on June 26, 2019, a restricted stock remuneration system was adopted with the upper limit of the yearly amount of compensation for directors being 1,000 million yen and the upper limit of the yearly amount of compensation based on this system being 300 million yen.

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

The maximum amount of remuneration for directors and corporate auditors is resolved at the general meeting of shareholders. 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).

In the fiscal year ended March 31, 2024, the Committee was comprised of three members – Kenji Kamiya, the Representative Director and President, Eriko Kitayama, an independent outside director, and Yumiko Sakurai, an independent outside director, serving as Head of the Committee. Following the evaluation of each executive based on the evaluation criteria defined by our company (5 grades), they deliberated on the appropriateness of the compensation amount for each executive within the range of the compensation amount set for each post based on the evaluation results and reported their findings to the Board of Directors. Meanwhile, the amount paid to each auditor is determined following a discussion among auditors. In the fiscal year ending March 31, 2025, the Committee is composed of four members - Kenji Kamiya, the Representative Director and President, Mika Kimata and Mari Suzuki, independent outside directors, and Eriko Kitayama, an independent outside director, serving as Head of the Committee.

#### **[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 (1 male, 3 females)). 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 four auditors (out of which, four 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. Hisashi Ohikita (KPMG AZSA LLC)

Designated limited liability partners, partners who execute business

Mr. Akihiro Sugiura (KPMG AZSA LLC)

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

Certified public accountants 6

Others 10

(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, four corporate auditors (four 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.

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 and four outside auditors 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 Updated

	Supplementary Explanation
Early Distribution of Shareholder Meeting Convocation Notices	<p>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.</p> <p><a href="https://www.proto-g.co.jp/IR/english/general/index.html">https://www.proto-g.co.jp/IR/english/general/index.html</a></p>
Exercise of Voting Rights by Electromagnetic Means	<p>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 or smartphones.</p>
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	<p>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.</p>
Provision of Summary Convocation Notice in English	<p>The Company develops convocation notices (summary) in English and posts it on its website as well as the website of the Tokyo Stock Exchange.</p> <p><a href="https://www.proto-g.co.jp/IR/english/general/index.html">https://www.proto-g.co.jp/IR/english/general/index.html</a></p>
Others	<p>The overview of the 46th Ordinary General Shareholders' Meeting is as follows.</p> <p>Convocation notice dispatch date: June 5, 2024</p> <p>Date of the General Shareholders' Meeting: June 27, 2024</p> <p>Venue of the meeting: HOTEL MIELPARQUE NAGOYA (3-16-16 Higashiku Aoi, Nagoya city)</p>

## 2. Status of the Investor Relations Activities Updated

	Supplementary Explanation	Explanation by the Company representative
Development and announcement of disclosure policy	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. (Japanese version only). ( <a href="https://www.proto-g.co.jp/IR/basic_plan.html">https://www.proto-g.co.jp/IR/basic_plan.html</a> )	
Holding of Regular Briefings for Individual Investors	Regarding the track record for the fiscal year ended March 31, 2024, we participated in a briefing for individual investors held by a securities company once.	Yes
Holding of Regular Briefings for Analysts and Institutional Investors	A briefing for analysts and institutional investors is held every quarter by the Representative Director and President and the executive officer in charge of the Accounting and Finance Division.	Yes
Posting IR materials on the website	Various briefing materials, summary of financial results, fact sheets, notice of convocation of general shareholders' meeting, notice of resolution, etc. ( <a href="https://www.proto-g.co.jp/IR/english/library/">https://www.proto-g.co.jp/IR/english/library/</a> )	
Establishment of the IR related department (person in charge)	Accounting and Finance Division	

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

	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 (Japanese version only).  <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 (Japanese version only).  <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 (three female directors as of June 2024), 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>■ Development of the employment environment</p> <p>Our company is working toward the work-life balance of all employees and strives to develop a comfortable employment environment to allow them to make full use of their abilities.</p> <p>[Improvement of work-life balance of employees who are rearing a child]</p> <ul style="list-style-type: none"> <li>▪ To spread knowledge about available programs, provide information and develop a consultation system for employees in order to protect the health of female employees during pregnancy and after childbirth</li> <li>▪ To promote male employees to take leave when their child is born</li> </ul>

- To promote employees to take childcare leave and develop an environment that allows employees to easily return to the workplace
- To develop programs available to employees who are rearing a child
- To spread knowledge about various programs, such as childcare leave and limitations of overtime and late night work based on the Child Care and Family Care Leave Act, childcare leave benefits based on the Employment Insurance Act and prenatal and postnatal leave based on the Labor Standards Act

Recently, we have been working toward the enrichment of the programs, such as raising the family allowance, extending the period of shortened working time for child-rearing employees (until the child is in the third grade of elementary school) and developing a system for staggered work hours.

[Review of working style and development of various working conditions]

- Implementation of measures for reducing overtime work
- Implementation of measures for promoting employees to take annual paid leave
- Introduction of ubiquitous workstyles, such as working from home and telework

In order to support these measures, we have adopted a telework program matching the actual situation, raising the allowance for moving to a different location to start a new job and also allowing a free dress code, etc. to allow employees to work in a way that suits them. Furthermore, we adopted the flextime system in April 2024.

#### ■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.

#### ■Enrichment of opportunities for growth

For the purpose of enriching opportunities for the growth of our executives and employees, we organize in-house training, etc. Furthermore, we have adopted a system for the development of human resources in order to make them function as the pool of human resources for the succession plan. This personnel development program is considered as a process to produce the next-generation management who will create the future of our company.

We select candidates from our company and train them as the next-generation management in accordance with our company's Corporate Ideology.

#### *IV. Matters Relating to Internal Control System, etc.*

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

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 reporting 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
  - 16) Legal regulations concerning the sale of coupons, vouchers, etc.
- 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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#### Supplementary Explanation of Applicable Items

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 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 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.

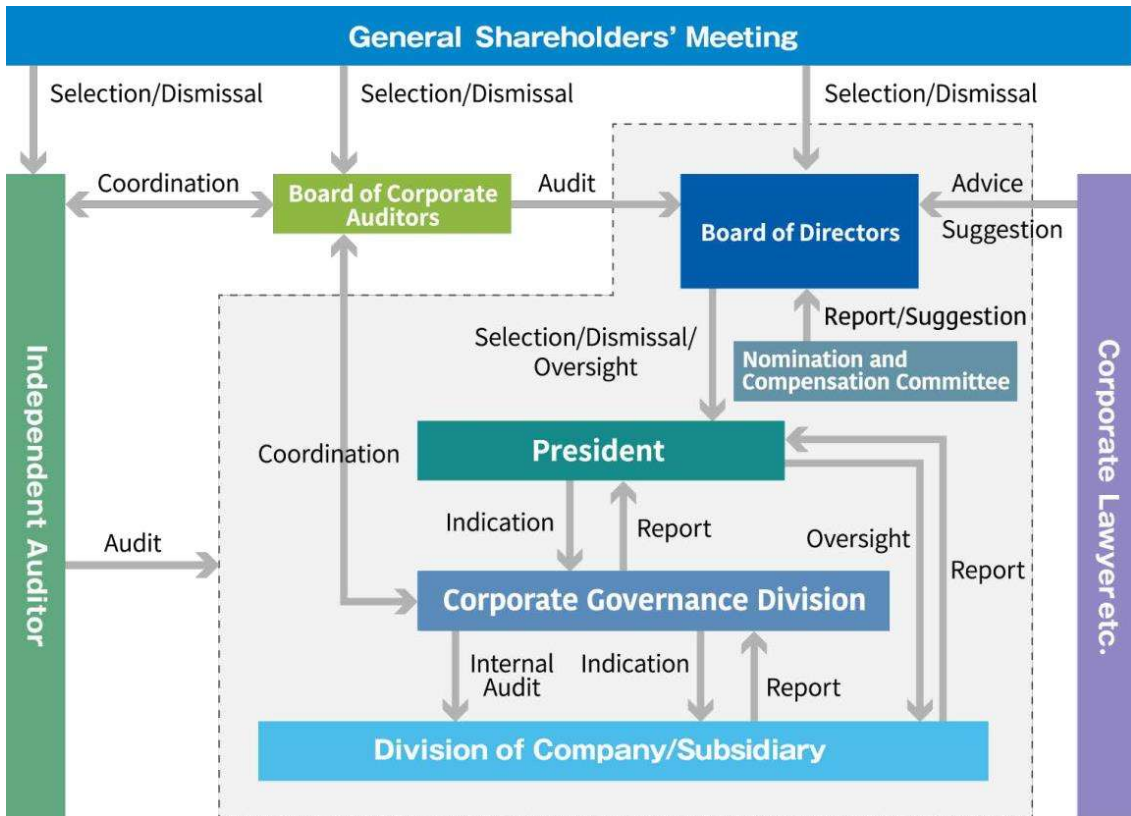
The officer in charge of the Accounting and Finance Division decides whether the information reported from the Accounting and Finance Division are applicable to the important events and facts and promptly disclose the information upon approval from the Board of Directors or the president.

5. Disclosure of Financial Settlement Information

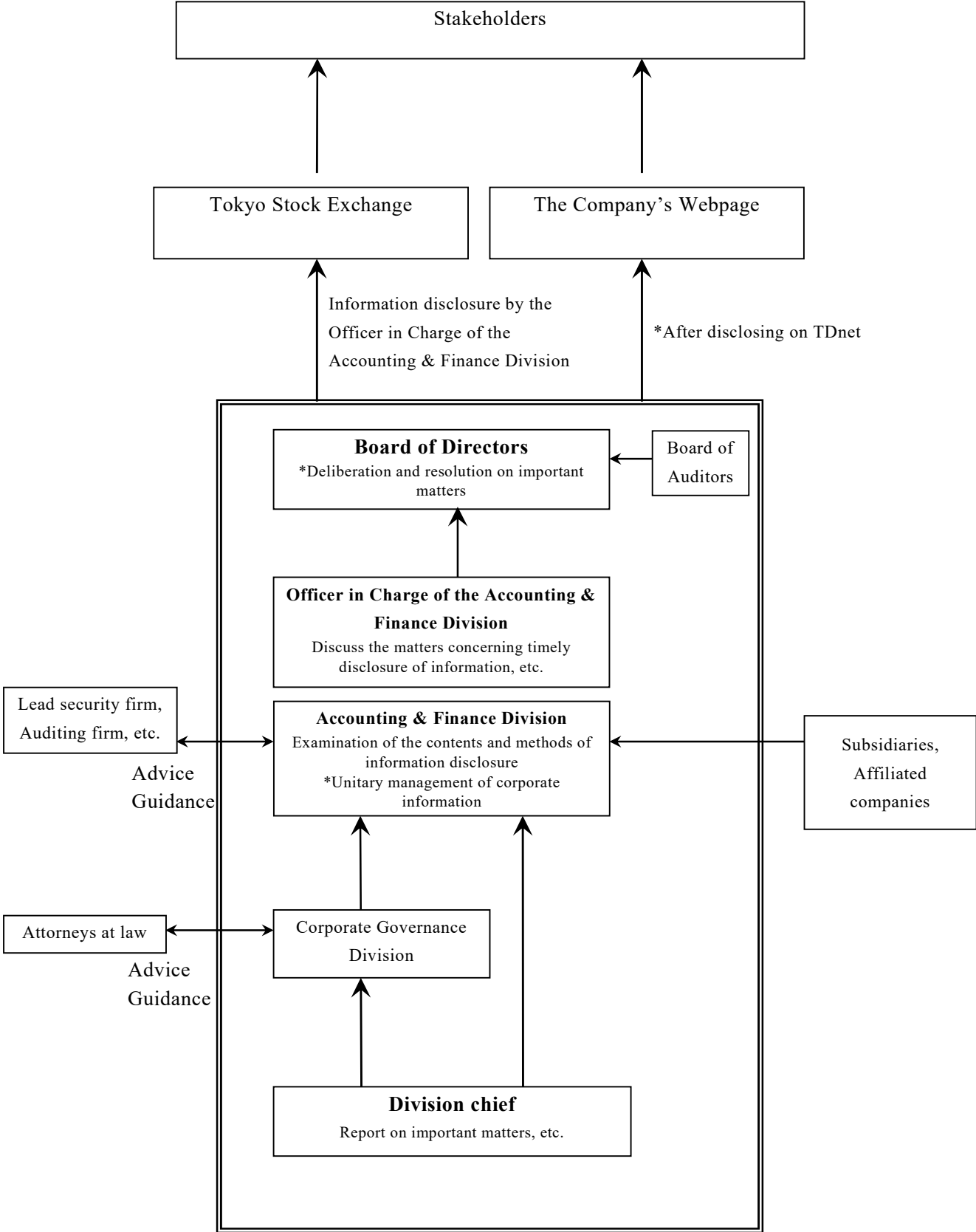
Information concerning financial settlements and performance forecasts are disclosed based on resolutions of the Board of Directors. The officer in charge of the Accounting and Finance Division promptly discloses the information after the meeting of the Board of Directors.

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.



**Overview of the Internal System Concerning Timely Disclosure**



【 Figure 1 : Board of Directors Skills Matrix 】

Position	Name	Business Management	Legal Affairs/ Compliance	Finance and Accounting /Tax Affairs	Marketing/ Sales	IT/Digital	Human Resources Development
<b>Chairman and Representative Director</b>	Hiroichi Yokoyama	○	○				○
<b>President and Representative Director</b>	Kenji Kamiya	○	○		○		
<b>Vice President and Representative Director</b>	Mitsuhiro Munehira	○			○	○	
<b>Senior Managing Director</b>	Motohisa Yokoyama	○	○	○			
<b>Senior Managing Director</b>	Toru Shiraki	○			○	○	
<b>Senior Managing Director</b>	Noriyuki Udo	○			○		○
<b>Managing Director</b>	Shigeyoshi Shimizu	○	○	○			
<b>Director</b>	Akihiro Matsuzawa	○			○	○	
<b>Outside Director</b>	Eriko Kitayama	○			○		○
<b>Outside Director</b>	Masami Kajiura	○			○		○
<b>Outside Director</b>	Mika Kimata			○			
<b>Outside Director</b>	Mari Suzuki		○				