

Corporate Governance Report

Corporate Governance

June 20, 2025

ZACROS Corporation

Taku Shimoda, Representative Director, President

Contact:

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Securities Code: 7917

<https://www.zacros.co.jp>

The corporate governance of the “Company” is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

ZACROS Corporation (the “Company” or “we”) believes that enhancing corporate governance is an important management issue to improve management transparency in accordance with corporate ethics and the spirit of legal compliance, and to maximize corporate value from the perspective of shareholders while increasing competitiveness.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies all principles of the Corporate Governance Code.

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

Principle 1-4 [Cross-Shareholdings]

Policy on cross-shareholdings

The Company strategically holds shares in companies that we believe will contribute to enhancing our corporate value in terms of helping to maintain and strengthen medium to long-term business-to-business transactions, forming business alliances, building good relationships with business partners, and facilitating business operations. The Company comprehensively examines the rationality of holding shares for each stock by carefully considering future prospects and potential synergies in our core business, and any stock that we determine is not reasonably held will be subject to reduction. As of June 20, 2025, the Company held 17 stocks.

- Standards for ensuring appropriate exercise of voting rights for cross-shareholdings

With respect to the exercise of voting rights pertaining to cross-shareholdings, we decide to approve or reject proposals by comprehensively examining them from the viewpoint of improving the medium to long-term corporate value of the Company and the companies whose shares we hold, and we have dialogue with them regarding proposals as necessary before exercising our voting rights.

Principle 1-7 [Related Party Transactions]

Any competitive transactions and conflict-of-interest transactions between the Company and any Directors or corporations substantially controlled by a Director require deliberation and a resolution by the Board of Directors, and information on such transactions is disclosed in the convocation notice of general meeting of shareholders and the annual securities report. The Company has established a system that ensures there will be no disadvantage for the Company when a corporation substantially controlled by any of our Directors or major shareholders does business with us as our customer.

Principle 2-4-1 [Ensuring Diversity in the Company, Including the Promotion of Female Participation and Career Advancement]

(1) Our View on Ensuring Diversity

In order to further enhance corporate value and competitiveness through new ideas and identifying challenges from diverse perspectives, the Company is promoting the creation of a workplace where all members can work lively and play an active role, regardless of gender, age, career background, nationality, disability, sexual orientation, gender identity, etc. We believe that ensuring and accepting diversity will facilitate new value creation, which will in turn lead to the growth of the ZACROS Group.

In December 2024, the Company released its personnel policy based on the medium- to long-term management plan. It reaffirmed the principle that the growth of diverse talent brought together will lead to the growth of the Company.

(2) Promoting Women's Success

The Company is actively working to promote the advancement of women. Specifically, we have set a key performance indicator (KPI) to increase the ratio of female employees to 30% by FY2030. We have also set a KPI to increase the ratio of women in managerial positions to 25% or higher by FY2030, and have established interim targets in the general business owner action plan which is based on the Act on the Promotion of Women's Active Engagement in Professional Life, which we are systematically promoting. To drive women's advancement, we are making wide-ranging efforts towards early development of manager candidates, providing support for balancing work and family life, and fostering a positive workplace culture. Going forward, we will further enhance our initiatives to create a working environment where female employees can build long-term careers and thrive.

(3) Foreign National Employees

The Company continues to hire, develop, and promote capable human resources regardless of nationality. While we do not set targets specifically for foreign national employees, we hire several new graduates and mid-career foreign nationals every year.

In FY2024, the Company implemented new-graduate hiring from overseas universities, and in FY2025, foreign nationals who have graduated from overseas universities are scheduled to join us.

Going forward, we will continue our efforts to maintain and improve this level, in order to expand our business areas by utilizing a market-in perspective and local networks, and to achieve competitive advantages through enhancing functions.

(4) Mid-Career Hiring

Regarding mid-career hiring, we prioritize the utilization of human resources with advanced expertise and diverse perspectives and values, while responding to changes in the business environment. In addition to hiring mid-career candidates for general and managerial positions, we also actively promote non-regular employees to regular staff. Going forward, we will continue to strive to secure human resources through various hiring approaches and promote the transformation of our business structure.

(5) Employment of People with Disabilities

In FY2024, the employment rate of people with disabilities reached 2.6%. We will continue to work on creating a comfortable working environment and expanding job opportunities, aiming to achieve a 3.0% such rate as a KPI in 2030.

(6) Human Resource Development Policy, Internal Environmental Improvement Policy, Etc. to Ensure Diversity

Amid the increasingly rapid and intense changes in the environment surrounding the Group, we recognize that it is crucial for our employees to maximize their abilities and thrive for the development of our business. With this understanding, we are promoting initiatives such as improving productivity through the use of ICT and streamlining operations to reduce long working hours. Additionally, as part of our support for diverse working styles, we are enhancing support measures for employees who are transferred and reviewing our overseas assignment system.

Going forward, based on the recognition that the growth of our employees is essential for business development and social contribution, we will continue our efforts such as improving employee engagement and workplace environment and promoting diversity, as well as further increasing training and educational opportunities and expenses.

Principle 2-6 [Roles of Corporate Pension Funds as Asset Owners]

The Company does not have a corporate pension fund plan, but has introduced a defined contribution corporate pension plan in order to ensure stable asset formation by employees.

Principle 3-1 [Full Disclosure]

(1) The Company's management philosophy, financial results summaries, securities reports, financial results explanatory materials, etc. are disclosed on our website, etc. (<https://www.zacros.co.jp/company-profile/zacros/> , <https://www.zacros.co.jp/ir/library/>)

(2) The Company's basic policy on corporate governance is disclosed on our website (<https://www.zacros.co.jp/company-profile/corporate-governance/>) and in our annual securities report, convocation notice of general meeting of shareholders (delivery documents), etc.

(3) Please refer to II (Disclosure of Policy for Determining Remuneration Amounts and Calculation Methods) for the remuneration of Directors, etc.

(4) The Company comprehensively considers the following matters, etc. in the process of nomination of candidates for Directors.

In order to establish independent, objective, and transparent procedures, the Board of Directors established, at a meeting in June 2022, a voluntary Nomination and Remuneration Committee, chaired by an Independent Outside Director. As a result, the Company has established a system whereby the Board of Directors makes decisions on the nomination of management executives after a process of consulting and reporting to the Committee. The Board of Directors will decide on the candidates for the Board of Directors, and then the matter will be put on the agenda for the General Meeting of Shareholders.

(a) Selection of senior management and Director candidates

- a. Understand the Company's founding spirit, corporate philosophy, etc., and has a strong will to contribute to the sustainable development of the Group.
- b. Have integrity trusted by stakeholders and treat others with respect.
- c. Comply with laws and regulations, the corporate code of conduct, and social norms, and possess the necessary insight, fairness, and sense of balance as an officer.
- d. Have the ability to make decisions from a broad and long-term perspective without being biased toward one's own specialty.
- e. Have an attitude to keep learning and can act to make up for and develop their shortcomings.

(b) Selection of candidates for Directors serving as Audit and Supervisory Committee Members

- a. Have significant insight into key management areas (corporate management, compliance, crisis management, finance, global management, marketing, production management, etc.).
- b. Can make frank, fair and constructive contributions to important meetings, such as the Board of Directors, based on understanding of the facts.

(c) Selection of candidates for Outside Directors

- a. The candidate must meet the independence requirements set out by the Tokyo Stock Exchange and must have a wealth of knowledge and experience in taking leadership roles in areas such as management, legal affairs, finance and accounting, and human resources and labor affairs, etc.;
- b. Must have the ability to understand the nature of the Company's issues and appropriately provide opinions and

guidance to management and oversee it.

The procedures for dismissal of Directors shall be followed in cases where a Director engages, or is likely to engage, in any act in violation of laws and regulations and/or the Articles of Incorporation or in any other cases where it is deemed difficult for a Director to perform duties appropriately. In any such cases, the Board of Directors will decide on their dismissal based on the opinion of the Audit and Supervisory Committee and the deliberation and recommendations by the Nomination and Remuneration Committee. This decision will then be submitted to the General Meeting of Shareholders for approval.

(5) The reasons for the appointment and dismissal of candidates for Directors will be disclosed in the convocation notice of general meeting of shareholders (delivery documents).

Supplementary Principle 3-1-3 [Sustainability Initiatives and Investment in Human Capital and Intellectual Property]

(1) Corporate sustainability initiatives

The Company has announced its Basic Policy on Sustainability and the Sustainability Committee, chaired by the President, is leading the Company's initiatives for individual stakeholders. Since FY2023, the Company has set and disclosed indicators and targets based on the identified materiality. (<https://www.zacros.co.jp/sustainability/>)

(2) Investments in human capital and intellectual property

In order to contribute to society sustainably through value creation, the Company aims to create an organization where diverse people come together and develop themselves. For this purpose, we will create a culture in which the Company and our employees can build mutually beneficial relationships and grow together. In FY2024, the Company established the Human Resource Committee and is working to strengthen the alignment between the medium- to long-term management plan, management strategy, and personnel strategy. (Our initiatives on this matter are disclosed on our website, <https://www.zacros.co.jp/sustainability/employee/>).

Intellectual property is one of the management resources that give the Group a competitive advantage and maximize its corporate value, and we believe investment therein is indispensable. The business unit, R&D division, and intellectual property division work together as one to formulate intellectual property strategies for each of the Group's businesses and drive IP strategy activities based on two basic policies: (1) strengthening management to enhance the value of the Group's intellectual property, and (2) contributing to the Company's business and technology strategies through analysis of intellectual property information.

Moreover, following the changes of the Company name and logo in October 2024, the Company has been working to accelerate the global protection of its brand by strengthening the acquisition and utilization of trademark rights both in Japan and overseas.

(3) Risks and opportunities related to climate change

These are disclosed on our website (https://www.zacros.co.jp/sustainability/sus_environment/).

Supplementary Principle 4-1-1 [Scope of Delegation to Management]

Based on the criteria for approval authority, the Company clearly defines the authority for final decisions, deliberation, and approval, etc. for each of decision-making body and decision makers such as the Board of Directors, management strategy committee, Representative Director, Directors in charge, and General Managers, etc.

The Board of Directors serves as the decision-making and supervisory body for management, and the management strategy committee serves as the business execution system based on decisions of the Board of Directors. We also have chief officers in respective business areas, meeting bodies, and executive officers. By doing so, we ensure the clear separation of management decision-making functions and business execution functions. An overview of this topic is disclosed on our website (<https://www.zacros.co.jp/company-profile/corporate-governance/>) and elsewhere.

The Board of Directors makes decisions on matters stipulated by laws and regulations and the Articles of Incorporation, as well as important matters regarding the Company and Group companies, etc.

Principle 4-9 [Independence Standards and Qualifications for Independent Directors]

The Company selects candidates for Independent Directors who, in addition to meeting the criteria stipulated by the Companies Act and the Tokyo Stock Exchange, do not fall under the following categories in our own criteria for independence.

- (a) An executive of a major business partner of the Group. A “major business partner” means a business partner with whom the transaction value in the most recent fiscal year exceeds 2% of the consolidated net sales of the Group or the business partner (including its parent company and significant subsidiaries).
- (b) An executive of a major lender to the Group. A “major lender” means a lender that has extended loans to the Company in an amount exceeding 2% of the Group’s consolidated total assets as of the end of the most recent fiscal year.
- (c) Lawyers, certified public accountants, tax accountants, or consultants, etc. who received monetary or other property benefits from the Company in excess of 10 million yen in the most recent fiscal year, other than executive remuneration.
- (d) A person who received a donation or subsidy exceeding 10 million yen from the Company in the most recent fiscal year or an executive thereof.
- (e) A person who falls under any of (a) through (d) above in the past two fiscal years.
- (f) When a person who falls under any of (a) to (d) above is a director, operating officer, executive officer, or an executive with the rank of general manager or higher, or an executive with equivalent authority, or their spouse or relative within the second degree of kinship.
- (g) A person who has served as an outside director of the Company for 10 years or longer

Supplementary Principle 4-10-1 [Nomination and Remuneration Committees]

In June 2022, the Company established a voluntary Nomination and Remuneration Committee to ensure independence, objectivity, and transparency in the nomination and remuneration of directors and executive officers. The Committee consists of four members, half of whom are Independent Outside Directors, and is chaired by an Independent Outside Director. Nomination and remuneration of directors and executive officers will be decided by the Board of Directors after a process of consulting and reporting to the Committee. The nominees for the Board of Directors will be put on the agenda for the General Meeting of Shareholders.

A total of 10 meetings were held in FY2024, and the attendance rate of committee members at each meeting was 100%. The main matters deliberated are the consideration to be paid to director candidates, the review of executive compensation, and the reporting of the outcomes of such deliberations to the Board of Directors.

Supplementary Principle 4-11-1 [Disclosure of Policy on Appointment of Directors, etc.]

The Board of Directors consists of six Directors (excluding Directors serving as Audit and Supervisory Committee Members) and three Directors serving as Audit and Supervisory Committee Members. We have at least three Outside Directors in principle.

In light of the Company's management strategy, we have identified the following skills that the Board of Directors must be equipped with: corporate management; manufacturing and development; sales and marketing; finance, accounting and legal affairs; internationalization and diversity; and environment and the ESGs. These skills are considered in the process of appointment, and at least one Independent Director must have experience in corporate management. By doing so, we make sure to build a well-balanced Board of Directors by appointing individuals who are diverse in knowledge, experience and capabilities.

The policies and procedures for appointment of individual Directors are as explained in Principle 3-1 (4) and (5).

Supplementary Principle 4-11-2 [Disclosure of Concurrent Positions of Directors at Other Listed Companies]

The Company stipulates in its internal rules that if an inside Director concurrently serves as an officer of another listed company, the approval of the Board of Directors is required. In addition, we have established a system to manage the status of concurrent positions of all Directors, in which the status of related party transactions and concurrent positions are verified for all Directors each fiscal year. The status of concurrent positions held by Outside Directors at other companies is disclosed annually through the convocation notice of general meeting of shareholders, the annual securities report and the corporate governance report, etc.

All Directors do not concurrently serve as officers of other listed companies not affiliated with the Group, so they can concentrate on the duties of Directors.

Supplementary Principle 4-11-3 [Implementation and Disclosure of Analysis and Evaluation of the Board of Directors' Effectiveness]

The members of the Board of Directors, including Outside Directors, engage in active discussions based on their diverse knowledge and abundant experience, and strive to enhance the management of meetings so that

management decisions can be made in a timely and appropriate manner.

With regard to the analysis and evaluation of the effectiveness of the Board of Directors, the Chairperson of the Board of Directors collects opinions of Directors on the effectiveness of the Board through questionnaires or by other means, and reports to the Board of Directors whenever there are points for improvement.

In FY2022, we reviewed the agenda items of the Board of Directors and the Management Strategy Committee to ensure that the Board of Directors has sufficient time to deliberate on proposals related to group-wide strategy and management oversight.

What skills are required for directors is discussed at the Board of Directors based on the consultation to and recommendations from the Nomination and Remuneration Committees, and the conclusion is utilized in the deliberation of candidate selection proposals.

Supplementary Principle 4-14-2 [Disclosure of Training Policy for Directors and Kansayaku]

Training for Directors is designed to help them to manage the Company in a way that grows our business based on our corporate philosophy and also contributes to society and the industry. At the time of assuming office, Directors and executive officers are encouraged to take part in training programs provided by external training bodies that are necessary for them to manage the Company and perform their duties, including programs in areas such as legal, accounting, governance and compliance. They are also encouraged to join external organizations and participate in human networks (interactions across industries) in order to achieve personal development, etc. by gaining new insights and real-life information. The relevant expenses are paid by the Company when claimed by Directors and executive officers. Outside Directors are also given sufficient training to enhance their understanding of the Company's business, including explanations and visits to research laboratories and business locations.

Principle 5-1 [Matters Related to Constructive Dialogue with Shareholders]

(1) The Company has appointed a Director in charge of IR who oversees departments involved in IR activities, such as the President's Office and the Finance & Accounting Department, and ensures day-to-day coordination among these departments.

(2) The Director in charge of IR stipulated above actively accepts IR interviews, including telephone interviews from investors, small meetings and individual meetings, and holds semi-annual financial results briefings for analysts and institutional investors, where the President and Director in charge of IR, etc. provide explanations.

(3) Opinions and concerns, etc. from shareholders are shared among the departments in charge of IR, and when deemed important, such opinions and concerns, etc. are reported to senior management, Directors, etc., and also shared as necessary with senior employees.

(4) When we engage in dialogue with investors, whether in financial results briefings, small meetings or individual interviews, such dialogue is always focused on matters relating to sustainable growth and medium to

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long-term enhancement of corporate value of the Company, in order to ensure thorough management of information under the “Insider Trading Prevention Regulations.” We also take great care of the management of insider information, for instance by refraining from commenting on our financial and business results from each closing date until the announcement date.

(5) Shareholder identification surveys have been conducted on a regular basis.

Principle 5-2 [Formulation and Publication of Management Strategies and Plans)

[Measures for realizing management that is conscious of capital costs and stock prices]

Please refer to the relevant sections.

[Status of Dialogue with Shareholders, etc.]

As stated in Principle 5-1.

The Company has appointed a Director in charge of IR, who actively accepts IR interviews, including telephone interviews from investors, small meetings and individual meetings, and holds semi-annual financial results briefings for analysts and institutional investors. In each case, the President and the Director in charge of IR, etc. explain matters relating to sustainable growth and medium to long-term enhancement of corporate value of the Company, as themes of the dialogue.

[Measures for realizing management that is conscious of capital costs and stock prices]

Description	Disclosure of efforts (Update)
Disclosure in English	Yes
Date Updated	June 20, 2025

Explanation regarding the relevant items

The medium- to long-term management plan, with FY2024 being the initial year, sets a goal of achieving an ROE of 12% by FY2030. The first three years are positioned as a critical period for driving the transformation of the business model and portfolio and the reform of the balance sheet through aggressive investments. In FY2024, the first year of the “strategic growth investment” phase, the Company allocated 23.6 billion yen to growth investments.

With regard to shareholder returns, in addition to maintaining stable and consistent dividends as in the past, the Company aims to enhance returns by targeting a dividend payout ratio of 40% over the three-year period from FY2024 to 2026.

Please visit our corporate website below for more details on the medium- to long-term management plan.

(<https://www.zacros.co.jp/company-profile/mid-term-management-plan-2030/>)

Please refer to “Briefing Material for Financial Results for Fiscal Year Ended March 2025” at the following

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website.

(<https://www.zacros.co.jp/ir/library/presentations/>)

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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[Status of Major Shareholders] **Update**

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,512,000	13.57
Custody Bank of Japan, Ltd. (Trust Account)	747,700	4.04
Cad LLC.	724,500	3.91
H&N Co., Ltd.	718,800	3.88
Misako Fujimori	578,000	3.12
Nobuhiko Fujimori	562,000	2.90
Masahiko Fujimori	536,000	2.78
Yukihiko Fujimori	514,000	2.71
Chiyako Kataoka	480,500	2.60
Akihiko Fujimori	450,600	2.43

Name of controlling shareholder (excluding parent company)	-----
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Name of parent company	Not Adopted
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Supplementary Explanation **Update**

The status of major shareholders is as of March 31, 2025.

3. Corporate Attributes

Market segment to be listed	TSE Prime
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Previous	From 100 billion yen to less than 1 trillion yen

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Satoko Takeuchi	From another company																		
Kumi Izawa (Current surname: Sugimoto)	From another company																		

*1 Categories for "Relationship with the Company"

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/kansayaku
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/kansayaku are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name of Director	Audit and Supervisory Committee Member	Independent Director	Designation as Independent Director	Supplementary Explanation of the Relationship
Manabu Sakai	○	○	Designated as Independent Director as stipulated by Tokyo Stock Exchange, Inc. on the grounds that he is unlikely to have conflicts of interest with general shareholders.	Mr. Sakai was appointed with the expectation that his long experience and deep insight into R&D activities and corporate management will be utilized in the management of the Company. He was also designated as Independent Director based on our judgement that he meets the

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				requirements for independence that would not cause conflicts of interest with general shareholders and that he has abundant experience and a career as a manager with advanced management decision-making abilities.
Satoko Takeuchi	○	○	Designated as Independent Director as stipulated by Tokyo Stock Exchange, Inc. on the grounds that she is unlikely to have conflicts of interest with general shareholders.	Ms. Takeuchi was appointed with the expectation that her long management consulting experience and expertise will be utilized in the management of the Company. She was also designated as Independent Director based on our judgement that she meets the requirements for independence that would not cause conflicts of interest with general shareholders and that she has knowledge and experience in advanced management strategies and human resource development.
Kumi Izawa (Current surname: Sugimoto)	—	○	Designated as Independent Director as stipulated by Tokyo Stock Exchange, Inc. on the grounds that she is unlikely to have conflicts of interest with general shareholders.	She was appointed with the expectation that her specialized knowledge as a university and NPO researcher, along with her extensive research experience in corporate analysis, will be utilized in

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				the management of the Company. She was also designated as Independent Director based on our judgment that she meets the requirements for independence that would not cause conflicts of interest with general shareholders and that she has knowledge and experience in advanced innovation.
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[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	1	2	Outside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Audit and Supervisory Committee may assign audit staff to assist the Committee in its operations as necessary. Employees who have received orders necessary for audit operations from the Audit and Supervisory Committee shall not be directed or ordered by Directors (excluding Directors who are Audit and Supervisory Committee Members) with respect to such orders.

Cooperation among Audit and Supervisory Committee, Accounting Auditors and Internal Audit Departments

Directors who are Audit and Supervisory Committee Members form the Audit and Supervisory Committee and receive quarterly reports on matters such as audit results from the Audit Office and the Accounting Auditor. They also maintain close collaboration with not only one another but also the Internal Control Office, including regular cases of information and opinion exchange when needed, thereby aiming to enhance the effectiveness of audits

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conducted by the Audit and Supervisory Committee.

[Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Voluntary Establishment of Committee(s), Committee's Composition and Attributes of Chairperson

Committee Corresponding to Nomination Committee

Name of Committee			Nomination and Remuneration Committee			
All Committee Members	Full-time Members	Inside Directors	Outside Directors	In-house experts	Others	Chairperson
4	0	2	2	0	0	Outside Directors

Committee Corresponding to Remuneration Committee

Name of Committee			Nomination and Remuneration Committee			
All Committee Members	Full-time Members	Inside Directors	Outside Directors	In-house experts	Others	Chairperson
4	0	2	2	0	0	Outside Directors

Supplementary Explanation

The Nomination and Remuneration Committee's objective is to clarify the objectivity, transparency and fairness of procedures related to the nomination and remuneration of Directors and executive officers, and to enhance and strengthen corporate governance. Members of the Committee are selected by resolution of the Board of Directors based on the achievement of these objectives. Currently, there are four committee members, consisting of Satoko Takeuchi (Chairperson and Outside Director), Manabu Sakai (Outside Director), Akihiko Fujimori (Chairman), and Taku Shimoda (President). The Committee reports its deliberations to the Board of Directors, which makes decisions. Through the establishment of the Committee, the Company will ensure the transparency and objectivity of the evaluation and decision-making process regarding nomination and remuneration of senior management, strengthen the supervisory function of the Board of Directors and its accountability to shareholders,

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and further enhance the corporate governance system.

[Independent Directors]

Number of Independent Directors	3 persons
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Matters relating to Independent Directors

The Company designates all Outside Directors who meet the qualifications for Independent Directors as Independent Directors.

[Incentives]

Incentive Policies for Directors	Introduction of performance-linked remuneration system, etc.
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Supplementary Explanation

The Annual General Meeting of Shareholders held on June 18, 2021, approved the introduction of a restricted stock remuneration scheme replacing the existing stock option remuneration scheme. This new scheme is intended to provide incentives for the sustainable enhancement of the Company's corporate value and also to promote further value sharing with our shareholders. Recipients of restricted stock remuneration: Directors (excluding Directors who are Audit and Supervisory Committee Members, Outside Directors and part-time Directors)

Recipients of Stock Options	-----
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Supplementary Explanation

[Director Remuneration]

Status of Disclosure	No Individual Disclosure
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Supplementary Explanation

Information on remuneration paid to Directors is disclosed in our annual securities report and business report, which is posted on our website for public view. None of our Directors are subject to the individual disclosure requirements (consolidated remuneration of 100 million yen or more) stipulated by the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Our Board of Directors decides on policy for determining details of remuneration for individual Directors. The details are as follows.

[Basic Views on Remuneration]

1. The remuneration for Directors who execute business operations consists of base remuneration (fixed monthly remuneration); bonus (short-term performance-linked remuneration); and restricted stock remuneration (stock-based remuneration as a medium to long-term incentive). The remuneration framework for Directors is therefore focused on reflecting the Company's performance as well as their duties and achievements.

2. The remuneration for Outside Directors, part-time Directors, and Directors who are Audit and Supervisory Committee Members consists only of base remuneration, which is fixed monthly remuneration.

3. The amount of remuneration shall be within the maximum amount of remuneration approved at the general meeting of shareholders.

4. Remuneration levels are determined by the Board of Directors after consideration based on benchmarking analysis of companies of similar business sizes or companies belonging to related industries and businesses in order to ensure that remuneration levels reflect the Company's business performance and are consistent with their positions and roles. In the process of such consideration, Directors who are Audit and Supervisory Committee Members are also involved and the results of research and advice provided by external professional bodies are taken into account. The remuneration for Directors who are Audit and Supervisory Committee Members is reviewed and determined by the Audit and Supervisory Committee.

5. In designing the remuneration framework, the Board of Directors shall consider remuneration of officers with Directors who are Audit and Supervisory Committee Members, by taking into account the results of research and advice provided by external professional bodies so that remuneration levels will reflect the Company's business size and performance, as well as changes in business environment, and are consistent with the positions and roles of individual Directors. After such consideration, the officers remuneration regulations, etc. shall be established by resolution of the Board of Directors.

(a) Basic Remuneration Policy

The base remuneration for Directors is fixed monthly pay consisting of supervisory remuneration and executive remuneration, and shall be set at an appropriate level according to positions and roles and in line with the size of the Company's operations and the business environment.

(b) Policy on Performance-linked Remuneration

Bonuses are determined based on the calculation standards that reflect items related to key performance indicators (KPIs) and the enhancement of corporate value and shareholders' value, with the level of target achievement taken into consideration as an indicator.

(c) Policy on Non-monetary Remuneration, etc.

As medium to long-term performance-linked remuneration (stock remuneration), restricted shares are granted to Directors who execute business operations, with the aim of ensuring their commitment to the achievement of the management plan and the enhancement of corporate value. Allotted shares on which restrictions have not been lifted will be acquired by the Company without consideration, except when there are rational reasons including resignation before the expiration of his/her term of office.

(d) Matters Concerning the Delegation of Decisions on Remuneration, etc.

(i) The President shall be entrusted with authority for the amount of base remuneration and the evaluation of individual Directors in accordance with the remuneration regulations, etc. for Directors and other rules, and shall decide on bonuses allocated based on the evaluation of individual Directors in terms of performance of the business operations for which they are responsible.

(ii) In order to ensure that the President may appropriately exercise such authority, the Board of Directors deliberates on the remuneration regulations, etc. for officers, following the recommendations of the Nomination and Remuneration Committee. The President who is delegated as described above shall make decisions in accordance with the said rules. With regard to stock remuneration, the Board of Directors determines the number of shares allotted to each Director, in accordance with laws and regulations and based on the resolution of the General Meeting of Shareholders.

[Support System for Outside Directors (Outside Kansayaku)]

Before taking office, Outside Directors (Outside Kansayaku) are provided with explanations of the Company's products and internal terminology with materials and go through site visits.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) **Update**

The "Board of Directors" consists of 9 members: Six Directors (excluding Directors who are Audit and Supervisory Committee Members) and three Directors who are Audit and Supervisory Committee Members. In principle, the Board of Directors meets once a month to make important management decisions. The Board also supervises the execution of operations by Directors (excluding Directors who are Audit and Supervisory Committee Members) and executive officers. The Board is operated in accordance with the Board of Directors regulations.

The "Management Strategy Committee" consists of members including Directors (excluding Directors who are Audit and Supervisory Committee Members and part-time Directors) and Executive Officers. It meets approximately twice a month to deliberate on important matters related to the management of the Company and the Group based on the basic policy decided by the Board of Directors, makes decisions on the scope of executive authority, and deliberates on matters to be decided by the Board of Directors and matters to be reported to the Board of Directors.

- The executive officer system has been in place since 2001.
- We seek guidance and advice on compliance issues from our legal advisor as necessary.
- Starting from 2024, we appoint full-time Audit and Supervisory Committee members.

The Company has appointed EY Ernst & Young ShinNihon LLC as its "accounting auditor". There is no special interest between the Company and the auditor's engagement partners who are engaged in audits of the Company. The Company enters into an audit agreement with the audit firm and pays fees based on the agreement.

The names of certified public accountants who conducted audits during the fiscal year under review and their number of years of continuous service are as follows.

The names of the certified public accountants who conducted audits and their number of years of continuous service

Designated Attestation and Engagement Partner, Seiji Kuzunuki (Note)

Designated Attestation and Engagement Partner, Shotaro Shimafuji (Note)

(Note) Their number of years of continuous service is seven years or less and is therefore not indicated above.

The composition of audit assistants is as follows.

Number of assistants in audit operations

Seven certified public accountants

24 in other professions

3. Reasons for Adoption of Current Corporate Governance System

The Company believes that adopting a system of the Audit and Supervisory Committee in order to further strengthen corporate governance and improve corporate value over the medium to long-term will further strengthen the audit and supervisory function by allowing Directors who are Audit and Supervisory Committee Members to hold voting rights at the Board of Directors meetings, and will encourage more opinions from Independent Directors and improve management transparency and mobility, as well as facilitate understanding from overseas stakeholders.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights Update

	Supplementary Explanation
Early Dispatch of Notices of Convocation of General Meetings of Shareholders	We dispatch notices early.
Scheduling AGMs Avoiding the Peak Day	We schedule our general meeting of shareholders on a day other than the peak day.
Allowing Electronic Exercise of Voting Rights	You can exercise your voting rights via the internet.

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Participation in an Electronic Voting Platform and Other Initiatives to Improve the Voting Environment of Institutional Investors	We have participated in an electronic voting platform beginning with the General Meeting of Shareholders for the fiscal year ended March 31, 2022.
Provision of Convocation Notice (Summary) in English	We provide it in English.
Other	We dispatch notices early.
Not Conducted	We schedule our general meeting of shareholders on a day other than the peak day.

2. IR Activities

	Supplementary Explanation	Explanation by the representative
Creation/Publication of the Disclosure Policy	The policy is stipulated in the ZACROS Group Charter of Corporate Behavior and disclosed on the website below. (https://www.zacros.co.jp/sustainability/policy/)	
Regular briefings for individual investors	We hold regular briefings.	Yes
Regular briefings for analysts and institutional investors	The President holds financial results briefings twice a year, in May and November, and gives interviews with analysts and institutional investors, and also holds small meetings as needed.	Yes
Posting of IR Materials on Website	We post the following: statutory and voluntary disclosure materials, timely disclosure materials, securities reports (semi-annual reports), digest versions of financial results briefings, financial results summaries (summary of quarterly financial and business results), financial results supplemental materials, and convocation notice of general meeting of shareholders and related materials.	
Establishment of IR-Related Department (Officer)	IR Officer: Director and Senior Managing Executive Officer, In charge of administrative departments IR Department: Concurrently operated by the Corporate Strategy & Planning Unit and the Finance & Accounting Department	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In the “ZACROS Group Charter of Corporate Behavior” established by the Company and our Group companies, ethical responses to all stakeholders (including customers, business partners, shareholders, local residents, employees, governments, and the global environment) and strict compliance with laws are stipulated, and copies of the translated version of our Charter are distributed to all our business locations in Japan and overseas.
Implementation of Environmental Activities, CSR Activities, etc.	In addition to establishing the “Basic Sustainability Policy,” we have established the “ZACROS Group Charter of Corporate Behavior” and the “ZACROS Environmental Charter,” which stipulate that we will contribute to “reducing environmental impact and creating a sustainable society” and be committed to “developing and providing innovative technologies, products and services that contribute to energy and resource conservation and environmental conservation.” We are also actively engaged in environmental management, and are also promoting company-wide action plans based on the Act on Advancement of Measures to Support Raising Next-Generation Children.
Formulation of Policies Concerning Information Provision to Stakeholders	We will not only disclose information in compliance with legal requirements but also ensure appropriate disclosure of information such as management plans, strategies, and challenges that are deemed important to shareholders and other stakeholders. Additionally, we endeavor to disseminate information that fosters constructive dialogue with shareholders, investors, and other stakeholders.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

In accordance with the provisions of the Companies Act requiring “development of a system to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation, and other systems specified by the Ministry of Justice Ordinance as those necessary to ensure the appropriateness of the operations of a Stock Company,” the Company has established the following systems and strives to ensure the legality and efficiency of our business operations and to manage risks under these systems. We are committed to improving and enhancing our operations by constantly reviewing our business practices to make them in line with changes in socioeconomic conditions and other environmental factors.

1. System to ensure that Directors and employees execute their duties in compliance with laws and regulations and the Articles of Incorporation

(a) The Company has established the ZACROS Group Charter of Corporate Behavior and the basic

compliance rules as the basis of our compliance system. We will strive to disseminate and thoroughly implement these rules, and Directors will take the lead in complying with laws and regulations and the Code of Ethics. In addition, the “Compliance and Risk Management Committee,” chaired by the President and in principle with the participation of outside lawyers, shall be established to develop, maintain, monitor and improve the compliance system of the Company. Regulations and guidelines shall be established and training shall be conducted in each department in charge as necessary.

- (b) The Company has established an Internal Audit Office as an internal audit body independent of business execution departments.
- (c) Directors shall report to the President and the Audit and Supervisory Committee as soon as they become aware of any serious violation of laws or regulations or any other important compliance-related situation or fact in the Company.
- (d) As an internal reporting system for legal violations and other compliance-related issues, the Company shall establish and improve an internal whistleblowing system in which the Audit and Supervisory Committee, outside lawyer, and General Manager of the General Affairs Department are the direct recipients of information. Based on the internal whistleblowing rules, the Compliance and Risk Management Committee shall respond to issues or concerns, operate the whistleblowing system, and develop measures to prevent recurrence.
- (e) Directors who are Audit and Supervisory Committee Members may state their opinions and request the formulation of improvement measures if there is a problem with the Company’s legal compliance system or the operation of its internal whistleblowing system.

2. System for retention and management of information concerning the execution of duties by Directors

In accordance with the document management regulations, the Company shall appropriately and reliably retain and manage information pertaining to the execution of duties by Directors in a highly searchable way suitable for the storage medium.

3. Rules and other systems for managing the risk of loss

In accordance with our “Risk Management Regulations,” the Company shall establish the “Compliance and Risk Management Committee,” chaired by the President, to oversee overall risk management.

In the event of an emergency, a “Crisis Management Headquarters” (or, in the event of a disaster, a Disaster Management Headquarters), headed by the President, will be established to minimize damage and prepare for business continuity and early recovery in accordance with the “Crisis Management Rules” and the “Disaster Prevention Rules.” In normal times, business divisions and departments shall identify their risks and engage in activities to prevent and mitigate those risks.

4. System to ensure efficient execution of duties by Directors

- (a) The Company shall hold a regular meeting of the Board of Directors once a month and also have extraordinary meetings as necessary, as the basis of a system to ensure the efficient execution of duties by

Directors. Important matters related to the Company's management policies and management strategies shall be discussed in advance by the Management Strategy Committee, and execution decisions shall be made after deliberation.

- (b) With regard to the execution of business operations based on decisions made by the Board of Directors, the organization rules and the rules for division of duties shall set out the details on persons in charge, their authorities, and execution procedures.

5. System to ensure the appropriate business operations of a corporate group consisting of a stock company, its parent company, and its subsidiaries

- (a) The Group shall establish and maintain a system for compliance and risk management of the entire Group, in which the "Compliance and Risk Management Committee" supervises and promotes compliance and risk management across the Group. In order to ensure proper operations of Group companies, the "ZACROS Group Charter of Corporate Behavior" shall be established and shall apply to all Group companies, and each Group company shall establish its own rules and regulations based on this Charter.

- (b) With regard to business management, in accordance with the regulations on management of affiliated companies, subsidiaries shall be managed through the approval and reporting system to the Company and be monitored as necessary. Directors and employees of the Company or Group companies shall report to the Audit and Supervisory Committee if they become aware of any violations of laws and regulations or other important compliance-related situations or facts at Group companies.

- (c) If a Group company finds that the content of business management and management guidance from the Company violates laws and regulations or there are other compliance issues, it shall report to the Company's Audit and Supervisory Committee, which may state opinions and request the formulation of improvement measures.

6. Systems pertaining to employees who are to assist the Audit and Supervisory Committee in its operations, and matters concerning the securing of the independence of such employees from Directors and the effectiveness of instructions given by the Audit and Supervisory Committee to such employees

The Audit and Supervisory Committee may, as necessary, have audit staff who assist the Committee in its operations, and employees who have received orders necessary for audit operations from the Committee shall not be directed or ordered by Directors (excluding Directors who are Audit and Supervisory Committee Members) with regard to such orders.

7. Systems for Directors and employees to report to the Audit and Supervisory Committee and other systems for reporting to the Audit and Supervisory Committee

If a Director becomes aware of a fact that may cause substantial damage to the Company, the Director shall immediately report to the Audit and Supervisory Committee in accordance with laws and regulations.

Directors serving as Audit and Supervisory Committee Members shall attend meetings of the Board of Directors with full-time Audit and Supervisory Committee Members attending important meetings such as the Management Strategy Committee, and they shall be able to view documents requesting approval and other

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important documents related to business execution, and to request explanations from other Directors or employees as necessary.

Employees shall report directly to the Audit and Supervisory Committee if they become aware of any matter that may cause substantial damage to the Company or any material fact concerning a violation of laws, regulations or the Articles of Incorporation.

8. System to ensure that audits by the Audit and Supervisory Committee are conducted effectively

The Company shall establish regular meetings between the Audit and Supervisory Committee and the President.

9. System to ensure the reliability of financial reporting

For the purpose of ensuring the reliability of financial reporting and the effective and appropriate submission of internal control reports as prescribed in Article 24-4-4 of the Financial Instruments and Exchange Act, a system for internal control over financial reporting shall be established and operated under the direction of the President.

2. Basic Views on Eliminating Anti-Social Forces

With the aim of eliminating antisocial forces, the Company has stipulated in the ZACROS Group Charter of Corporate Behavior that “The Group will systematically and thoroughly manage crises in preparation for actions by antisocial forces, terrorism, cyber-attacks, natural disasters, and other threats to the lives of citizens and corporate activity” and that it will respond to unjust acts committed by antisocial forces in cooperation with competent police authorities, legal advisors, and other external professional organizations.

V. Other

1. Adoption of Anti-Takeover Policy

Adoption of Anti-Takeover Policy	Not Adopted
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Supplementary Explanation

2. Other Matters Concerning to Corporate Governance System

[Schematic Diagram (Reference Material)]

(Note) Please refer to the instructions for completion and insert the schematic diagram.

Also, please make sure to delete this note upon submission.

[Outline of the Timely Disclosure System (Schematic Diagram)]

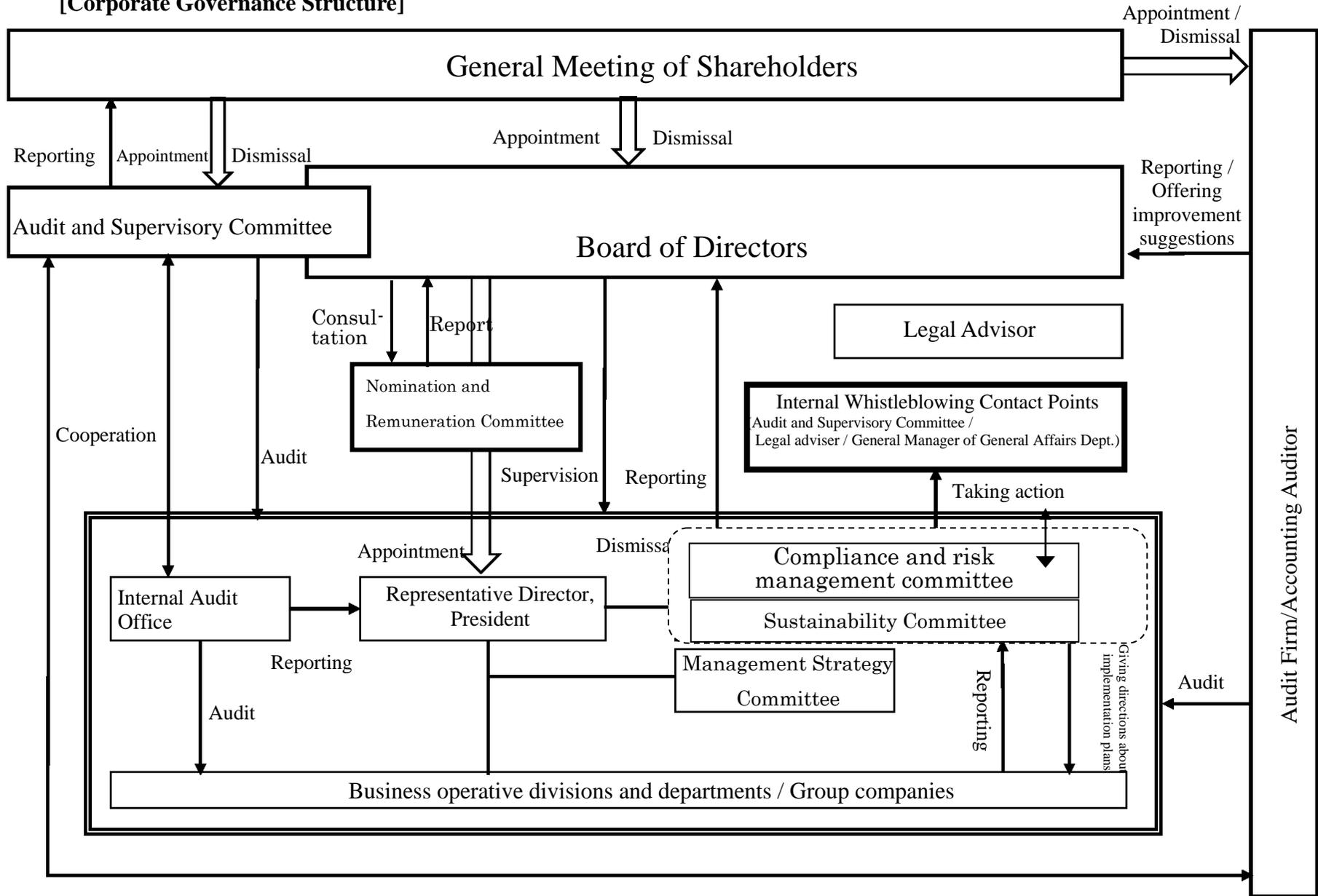
(Note) If available, please insert the schematic diagram outlining the timely disclosure system.

Also, please make sure to delete this note upon submission.

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[Corporate Governance Structure]



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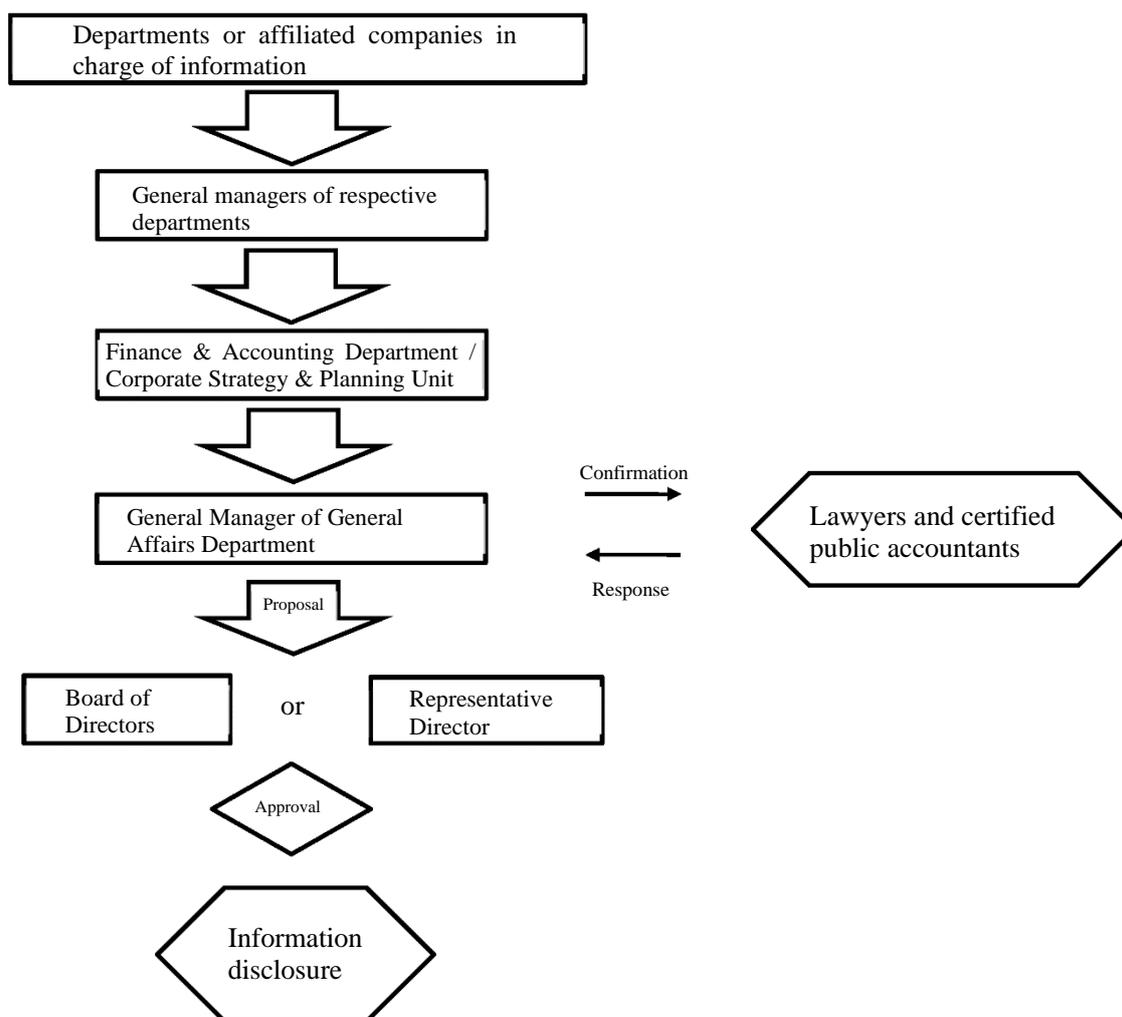
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[Outline of the Timely Disclosure System] **Update**

The Company has always strived to comply with laws and regulations such as the Financial Instruments and Exchange Act and the rules set out by the stock exchange on which our securities are listed and to disclose important information about our business in a timely manner, in order to promote the proper understanding and evaluation of the Company by our shareholders and investors, thereby becoming a company that all stakeholders, including customers, shareholders, employees, and suppliers, can be proud of.

Financial information is collected in the Finance & Accounting Department and management information is collected in the Corporate Strategy & Planning Unit. After being presented to the General Manager of the General Affairs Department, who is in charge of handling information, both categories of information are disclosed in a timely and appropriate manner based on decisions by the Board of Directors or the Representative Director.

[Flowchart for Timely Disclosure of Corporate Information] **Update**



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CORPORATE GOVERNANCE

[Director Skills Matrix]

Name of Director	Corporate management	Manufacturing and development	Sales and marketing	Finance, accounting and legal affairs	Environment and ESG	Internationalization and diversity
Akihiko Fujimori	○	○	○		○	
Taku Shimoda	○	○	○			○
Eishi Fuyama	○	○			○	○
Michihiko Sato			○	○	○	○
Norihiro Kusaka	○	○	○		○	
Kumi Izawa		○	○	○	○	
Nobuhiko Fujimori	○		○	○		○
Manabu Sakai	○	○		○	○	
Satoko Takeuchi			○	○	○	○

- Circle four areas of expertise or experience of each director that the Company considers to be particularly important