

# **Basic Policy on Corporate Governance**

## **I. General Provisions**

### **1. Purpose**

This policy sets forth the basic items and guidelines for corporate governance of Index, and aims to establish effective governance through steady implementation of this policy and its timely review and improvement, and to contribute to sustainable growth and medium to long-term enhancement of corporate value under transparent, fair, prompt, and decisive decision making.

### **2. Corporate philosophy, management strategy, and management plan**

Index has established the following corporate philosophy as a set of values to be shared by all directors and employees as the basis of its corporate governance efforts. Members who agree with this philosophy understand and respect each other's differences and strengths, and work together to promote projects toward this vision.

## **Corporate Philosophy**

**Always with the SHIKKAI spirit, making SHIKKAI effort**

**Assuring mutual and social benefit**

**Making the future bright for the next generation**

Index's basic growth strategy is to enhance the Group's corporate value through sound and sustainable growth. As a long-term management strategy target, Index aims to achieve consolidated net sales of 5 billion yen and an operating margin of 15% or more by FY2025.

SHIKKAI means "Everything. All. " In the Edo period (1603-1868), there was a profession called "SHIKKAI-YA" that undertook all aspects of kimono production. We, as project managers, are inspired by the SHIKKAI-YA, who responds to every request.

### **3. Basic approach to corporate governance**

Index believes that it is necessary to raise corporate value over the medium to long term while simultaneously achieving qualitative improvements in organizational

culture, such as the penetration of our corporate philosophy and corporate governance, and quantitative growth in terms of numerical and business performance, such as improved profitability.

We will work to establish corporate governance based on our corporate philosophy by making flexible decisions based on the principles of management decision-making to both improve management efficiency and ensure transparency, strengthen accountability and thoroughly uphold corporate ethics.

## **II Corporate Governance Structure**

### **1. Directors and board of directors**

#### **(1) Roles and Responsibilities of Directors and Board of Directors**

Directors and the Board of Directors shall oversee the development and operation of the risk management system, monitor the status of execution by management and provide support for its decision-making, and achieve governance that emphasizes prompt and decisive decision-making.

Based on the above, the Board of Directors shall deliberate, decide, and appropriately supervise important management matters to be resolved by the

Board of Directors, such as the formulation of management strategies and plans, changes in business portfolios and group structures, and the execution of M&A and investment projects, in accordance with the Company Law and other laws and regulations, and the agenda criteria stipulated in internal regulations such as the Rules of the Board of Directors and Rules of Authority for Decision Making. The Board of Directors deliberates and decides on, and appropriately supervises, important management matters to be resolved by the Board of Directors, such as the formulation of management strategies and plans, changes in the business portfolio and group structure, and the execution of M&A and investment projects.

In companies within Index Group that do not have a board of directors, the General Meeting of Shareholders will assume the roles and responsibilities of the board of directors as described in this policy.

## **(2) Delegation to and support of management**

The Board of Directors delegates to the management team the judgment and decision-making on important matters concerning the execution of business operations, excluding matters to be discussed at the Board of Directors meetings.

Decisions on the execution of delegated matters and the determination of the content of matters to be brought before the Board of Directors are made based on

the deliberations of the Strategy Committee, which is composed of the executive officers of Index Group.

From the perspective of promoting aggressive governance, the Board of Directors will examine and review from time to time the criteria for submission of proposals to the Board of Directors and the scope of delegation to the management team.

The Board of Directors will work to create the necessary environment and support to enable management to promptly and decisively execute the decisions of the Board of Directors and matters delegated to it. The Board of Directors also receives and monitors reports from management on the status of execution of decisions made by the Board of Directors and matters delegated to it by the Board of Directors.

### **(3) Composition of the Board of Directors**

The Board of Directors will nominate candidates for the Board of Directors who have the strong will and ability to commit to the realization of the corporate philosophy and the enhancement of corporate value, and will seek to enhance the composition of the Board of Directors by ensuring diversity, including gender, internationality, professional experience, and age. In addition, the Board of Directors will continuously deliberate on the combination of skills, including experience, knowledge, and expertise that the Board of Directors should possess, as well as the

skills possessed by each director.

#### **(4) Operation of the Board of Directors**

The Board of Directors shall be operated in such a way that all directors actively express their own opinions and listen to the opinions of others based on their respective management experience and expertise, thereby invigorating and deepening the deliberations of the Board of Directors, and reaching objective and rational conclusions in accordance with the corporate philosophy, management strategies, and management plans.

The Board of Directors, in its operation, shall

- Distribute board meeting materials several days in advance of the meeting and provide explanations of agenda items when necessary or requested by directors.
- The dates of the quarterly board meetings at which directors are asked to attend will be finalized by the start of the new fiscal year.
- The Company will ensure that items for deliberation are systematically brought before the Board of Directors and that there is not excessive or insufficient time for deliberation at the Board of Directors meetings.

## **(5) Evaluation of the effectiveness of the Board of Directors**

The Board of Directors shall analyze and evaluate the operation of the Board of Directors and other matters in order to ensure the effectiveness of the Board of Directors.

## **2. Monitoring of directors and management**

### **(1) Compensation of Directors and Management**

The compensation structure for directors and executive officers consists of the following two items

- Base remuneration (fixed remuneration): Fixed remuneration paid in a fixed amount each month
- Performance-based compensation: compensation linked to short-term results, status of job performance, etc.

Outside directors shall receive only base remuneration (fixed remuneration).

### **(2) Election and dismissal of directors and management**

Policies and procedures for the nomination and removal of directors are as follows

#### **<Election of Directors**

Through its deliberations, the Board of Directors deliberates and selects

management personnel with a strong will and ability to commit to the realization of the corporate philosophy and the enhancement of corporate value as candidates for the Board of Directors.

#### **<Dismissal of directors**

- If the Board of Directors determines through its deliberations that a director lacks the qualifications and aptitude for management or is otherwise unqualified, the Board of Directors deliberates and decides on such matters as the dismissal of the director concerned, giving reasons for its decision.

Policies and procedures for the selection and dismissal of executive officers are as follows

#### **<Appointment of Executive Officers**

- The Board of Directors, through its deliberations, selects from among representatives of business subsidiaries, managers of companies, and other executives who are highly ambitious and bold, and who particularly excel in management skills and expertise, as candidates for Executive Officers.

#### **<Dismissal of Executive Officer>**

- If the Board of Directors determines through its deliberations that an



executive officer lacks the qualities and aptitude to serve as an executive, it will decide on the dismissal or removal of the executive officer concerned, giving reasons for its decision.

The reasons for the election or dismissal of individual directors will be stated in the notice convening the general meeting of shareholders.

### **(3) Succession planning**

The President will work to develop potential successors for directors (excluding outside directors) and executive officers, and review and improve the content and progress of such efforts as appropriate.

### **(4) Review and formulation of management plan**

As a management plan, Index establishes medium- and long-term performance targets and plans for single fiscal years. In formulating a new management plan, the Board of Directors will identify the cost of capital and summarize the previous management plan and reflect it in the new management plan. An overview, the status of business portfolio review, allocation of management resources (R&D investments, investments in human capital and intellectual property, etc.), and sustainability initiatives will be formulated along with various policies, etc.

### **(5) Development of risk management system**

The Board of Directors shall establish an appropriate risk management system for the establishment of compliance and implementation of risk management, and supervise its operation.

### **(6) Related Party Transactions**

Whenever Index Group enters into a transaction between a director and the Company, the transaction shall be approved by the Board of Directors and the results of the transaction shall be reported to the Board of Directors, in accordance with the conflict of interest regulations stipulated in the Companies Act.

## **3. Auditor**

### **(1) Roles and Responsibilities of Corporate Auditors**

The corporate auditors will make their best efforts to effectively fulfill their roles and responsibilities, etc., by actively exercising their authority, the independence of the corporate auditors, and the information-gathering capabilities of the full-time corporate auditors, as well as by cooperating with the outside directors.

### **(2) Appointment of Corporate Auditors**

The Board of Directors will nominate candidates for corporate auditor who have a

broad management perspective, knowledge of finance, accounting, legal affairs, etc., and management experience.

The reasons for the appointment of each corporate auditor (including substitute corporate auditor) shall be stated in the notice of convocation of the General Meeting of Shareholders.

#### **4. Independent outside directors**

##### **(1) Use of Independent Outside Directors**

Index Group believes that the use of independent outside directors who are distanced from the execution of business operations is effective for the Board of Directors to effectively fulfill its roles and responsibilities, and therefore appoints independent outside directors.

Taking advantage of opportunities to attend meetings of the Board of Directors and other meeting bodies, outside directors closely communicate with each other both in the meeting room and in the waiting room for outside directors, exchanging necessary information and sharing recognition. In addition, they will each maintain smooth and good communication with the President and other members of the management team, and will also have regular opportunities to exchange opinions

with the full-time Corporate Auditors.

## **(2) Criteria for independence**

The Board of Directors carefully determines the eligibility of an independent outside director in light of the outside requirements set forth in the Companies Act and, with the consent of the individual, appoints him or her.

## **(3) Concurrent directorships in other companies**

To ensure that outside directors can appropriately fulfill their roles and responsibilities, Index Group, when nominating outside directors, ascertains their concurrent positions at other listed companies and similar companies and organizations, and confirms that they are within the scope that does not impede their attendance at board meetings or the performance of their duties.

## **5. Support for directors and corporate auditors**

Directors and corporate auditors will request additional information from the company as necessary, as well as seek appropriate advice from outside experts.

The Board of Directors and Corporate Auditors will ensure that the information and support required by the Directors and Corporate Auditors is provided by the Company in a timely and appropriate manner.

### **III Relationship with Stakeholders**

#### **1. Basic policy**

##### **(1) Basic Policy on Communication with Stakeholders**

Index Group believes that sustainable growth and solutions to social issues are only possible when we have the understanding and trust of our stakeholders, and we will take various opportunities to deepen communication with them.

##### **(2) Basic Policy on Information Disclosure**

Index Group will actively disseminate information through the websites of each Group company and through social networking services such as LinkedIn, taking into consideration user-friendliness and ease of understanding. We will also work to disseminate information in English through English-language pages on the websites of each company and SNS postings in English.

#### **2. Relationship with Stakeholders**

##### **(1) Measures to address issues surrounding sustainability**

Index Group conducts business activities with the mission of contributing to the resolution of social issues based on the principles of "Aiming for three-way society

(client, client, and user)" and "Realizing Shining Japan for the Next Generation". We have established the Environmental Policy and Human Rights Policy to address issues surrounding sustainability, including global environmental problems, natural disasters, human rights, safety, and health, in cooperation with all executives and employees of Index Group and our stakeholders.

## **(2) Implementation of Credo (Action Guidelines)**

Index Group aims to achieve sound and sustainable growth of the Group, with "DNA that says NO," "pioneering spirit," and "diversity" as the mindset of its employees.

### **DNA to say NO**

Based on our corporate philosophy of "Aiming for three-way society (good for the client, good for the client, and good for the user)," Index Group pursues what is the best option for our clients and society and makes necessary proposals and improvements not only to private sector but also to governments, local governments, and overseas governments who require various profit calibrations, including the realization of fiscal and public benefits. To this end, we encourage a free and vigorous exchange of opinions and constructive discussions within the company that transcends careers and positions.

## **Pioneering spirit**

From interior project management, which has been our business since our founding, to the most recent project management of social and public infrastructure in Japan and overseas, Index Group has always taken a sincere interest in the needs of our clients and the changes in society, and the entire group has been pioneering new fields of business. With its pioneering spirit and relentless challenge, the Group will continue to create new businesses in the future.

## **Diversity**

Index Group values the diversity of the human resources that support our business and provides equal opportunities to all employees, respecting nationality, race, color, religion, age, language, disability, gender, pregnancy, marital status, sexual orientation, gender identity and expression, and political or personal beliefs. In addition, we will work to promote diversity by establishing priority issues at each level and in each area of the company, including policies related to the recruitment and training of human resources and the development of the internal environment, as well as the appointment of core personnel.

## **(3) Maintenance of Compliance Helpline**

Index strives to instill and establish corporate ethics in all employees throughout its business activities and has established the Compliance Helpline for the early detection and recurrence prevention of suspected violations of laws, regulations, and corporate ethics, and of the fact of such violations. This system accepts reports not only from Index Group employees but also from a wide range of internal and external stakeholders, who can report directly to the internal Corporate Ethics Committee members as well as to external legal counsel. The Board of Directors will take sufficient care to ensure that whistleblowers will not be disadvantaged because of their use of this system.

The Board of Directors receives regular reports and reviews important matters related to corporate ethics, including matters reported by whistleblowers.

#### **(4) Compliance with the Code of Conduct**

Index Group has established the Index Group Code of Conduct as a specific code of conduct to be observed by all officers and employees, consisting of 10 items: sustainable economic growth and resolution of social issues, fair business activities, avoidance of conflicts of interest, intellectual property and information management, respect for human rights, enhancement of work style and work environment, environmental conservation, social contribution, international contribution, and



thorough implementation of the code of conduct. The Code of Conduct of the Index Group is comprised of the following 10 items. Directors and executive officers shall take the initiative in embodying the Code of Conduct themselves, and shall repeatedly educate employees on the importance of compliance with the Code of Conduct to ensure that they are fully aware of it.

The Board of Directors shall deliberate and decide on the systemic revision of the Code of Conduct, and shall receive regular reports and reviews on the status of operation of each item stipulated in the Code of Conduct.

Index Group\*.

Index, Inc.

Index Consulting, Inc.

Index Strategy, Inc.

Index Facilities, Inc.

Social System Design, Inc.

18th May 2023

Index Group

CEO Kimikazu Uemura