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## Corporate Governance Report

CORPORATE GOVERNANCE

FINDEX Inc.

<b>Latest Revision:</b>	March 29, 2024
<b>Company:</b>	FINDEX Inc.
<b>Representative:</b>	Teruo Aibara President & CEO
<b>Contact:</b>	Takashi Murakami Finance & Investor Relations Business Strategy Dept.
<b>TSE Code:</b>	3649 <a href="https://findex.co.jp">https://findex.co.jp</a>

The corporate governance of FINDEX Inc. (the “Company”) is described below.

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

#### 1. Basic Views

The Company regards corporate governance as a management governance function to maximize corporate value for stakeholders and recognizes that strengthening corporate governance is an important management responsibility.

In order to respond appropriately and flexibly to changes in economic conditions and the market environment, the Company will strive to strengthen corporate governance by enhancing the functions of the Board of Directors, monitoring and supervising business execution, and further enhancing internal controls, while striving to disclose timely and appropriate information to stakeholders and respecting the rights of shareholders.

#### Reasons for Not Implementing the Principles of the Corporate Governance Code

[Supplementary Principle 4.8.2 – The Effective Utilization of Independent External Directors]

Each of the Independent Outside Directors has a high professionalism, knowledge, and a wide range of experience, and is expected to provide advice from an independent standpoint. However, the Company does not believe that it is necessary to have a lead independent outside director, as this could lead to the development of a sense of hierarchy and dependency.

#### Disclosure Based on the Principles of the Corporate Governance Code **Updated**

[Principle 1.4 Cross-Shareholdings]

The Company does not hold any cross-shareholdings. When the Company holds any cross-shareholdings in the future, the Board of Directors will examine the rationale for holding them, such as business alliances and maintaining and strengthening business transactions and will confirm the rationale for cross-shareholdings at the end of the fiscal year.

[Principle 1.7 Related Party Transactions]

When a director executes a transaction with the Company, the Company monitors the transaction by establishing a structure that requires a factual explanation and approval resolution by the Board of Directors in advance regarding the rationality of the transaction and its terms and conditions, in accordance with laws and regulations and the Related Party Transaction Management Regulations.

In the event that such transactions are executed, the facts of such transactions are required to be reported to the Board of Directors.

With respect to the existence of transactions between related parties and the Company, a quarterly documented interview survey is conducted with all directors, and the existence of such transactions is verified through cross-checking with the transaction data of the accounting department.

Furthermore, the Audit Committee monitors and verifies whether or not there are any facts that violate the directors’ duty of prudence and duty of loyalty with regard to conflict-of-interest transactions and competing business transactions.

[Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion of Core Human Resources]

In recent corporate management, there is an urgent need to build an organization that respects diversity.

The scope of such efforts is not limited to the conventional promotion of women’s activities, but also covers a wide range of issues such as dealing with nationality, religion, and sexual minorities.

The Company will seriously take the challenges of the new era and fulfill its social responsibility as a company that protects people's mental and physical health through building and maintaining a diversity-friendly work environment and promoting inclusive recruitment.

In the area of human resources development, the Company actively recruits employees for key positions, regardless of gender, nationality, or age, in accordance with their past achievements and preferences.

In addition, the transfer of authority is actively carried out, providing many opportunities to take on new challenges, such as considering new business opportunities and exploring new business fields.

Approximately 98% of our directors and managers are mid-career professionals. The ratio of mid-career professionals to management positions may decrease in the future as more experienced employees are promoted to management positions, but it is expected to remain high, and therefore the Company has not set a goal for the voluntary and measurable promotion of mid-career professionals to management positions.

Regarding the recruitment of foreign management professionals, the Company recognizes that it will be an upcoming issue to recruit foreign nationals as needed, as well as to promote them to management positions and set voluntary and measurable goals, in consideration of the future business development of the Company.

Regarding the promotion of women to management positions, the Company has formulated an action plan based on the Law for the Act on the Promotion of Women's Active Engagement in Professional Life, as well as disclosed the plan below.

<https://index.co.jp/company/actionplan.html>

Our action plan based on the Law for the Act on the Promotion of Women's Active Engagement in Professional Life sets a target of increasing the ratio of women in management positions to 9% by 2026 and 18% by 2030 (8.6% as of December 31, 2023, and 3.8% as of December 31, 2022).

Starting in March 2023, the Company will evaluate the effectiveness of these measures annually and achieve the targets while promoting specific measures, such as providing training and learning opportunities for female employees who wish to be promoted to managerial positions.

In addition to increasing the ratio of female managers, the Company has achieved the "Kurumin" certification in early 2024, which is a recognition for companies providing excellent support for childcare, and is aiming for "Eruboshi" and "Outstanding Health and Productivity Management Organization" certification to ensure diversity and to publicize the Company as an employee-centric company.

#### [Principle 2.6 Role of Corporate Pension Funds as Asset Owners]

Currently, the Company has no corporate pension fund plan.

When adopting the plan, the Company will take appropriate measures in both personnel and management to fulfill its expected functions as an asset owner and will disclose the related information.

The Company will also appropriately manage any conflicts of interest between the beneficiaries of the corporate pension fund plan and the Company that may arise during the management of the plan.

#### [Principle 3.1 Full Disclosure]

- (i) Corporate philosophy, management policy, mid- and long-term initiatives, business strategies, etc. are described on the Company's website.
- (ii) Basic policy on corporate governance is described on the Company's website and is also included in this report, "I. 1. Basic View".
- (iii) The policy regarding the remuneration of Directors is described in this report "II.1.[Director Remuneration] Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof".
- (iv) For greater fairness and transparency, nominations of Director candidates are deliberated by Human Resources & Remuneration Committee (chaired by the Representative Director and consisting of three independent outside directors), a majority of which are composed of Outside Directors, and the final selection is made by the Board of Directors, respecting the report of the Human Resources & Remuneration Committee.
- (v) Reasons for the nomination of Outside Directors are described in the Notice of Annual General Meeting of Shareholders along with their brief CVs. For Internal Directors, brief CVs are provided to enable recognition of their career paths in the Company and their areas of expertise, thereby providing the reasons for their nominations.

#### [Supplementary Principle 3.1.3 Initiatives, etc. on Sustainability]

As an organization engaged in businesses with high public interest, the Company places a strong emphasis on fulfilling our responsibility to society. It establishes fundamental policies to realize a sustainable society, and initiatives related to sustainability are deliberated, formulated, and evaluated by the "Sustainability Committee", overseen by a chairman appointed by the Board of Directors. In matters of importance, reports are submitted to the Board of Directors from this Committee for discussion and final decision-making. The Company's sustainability policies and specific initiatives are disclosed on its website.

<https://index.co.jp/en/sustainability/index.html>

The Company's initiatives regarding the Task Force on Climate-related Financial Disclosures (TCFD) and our approach to human capital are detailed in our Annual Securities Report.

In addition, as a software developer, the Company recognizes that human capital and intellectual property are core assets and has been actively investing in these areas for a long time. Accordingly, the Company will continue investing aggressively in these areas.

[Supplementary Principle 4.1.1 Scope of Authority Delegated to the Management]

The Board of Directors discusses matters stipulated by law and the Articles of Incorporation as well as important matters of the Company and decides the major direction of the Company's management. Specific execution of matters decided by the Board of Directors is delegated to Representative Director and Executive Directors, and the Board of Directors supervises the execution of such matters.

Also, the Board of Directors Regulations, Organization Regulations, Segregation of Duties Regulations, Administrative Authority Regulations, and Approval Rules clarify the matters to be resolved by the Board of Directors and the administrative authority of President, Executive Directors, and each department.

[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

The Company shall make decisions regarding the nomination of Independent Outside Directors by taking into consideration Article 2, Item 15 of the Companies Act and the criteria for determining independence as stipulated by the Tokyo Stock Exchange.

When nominating Outside Directors, the Company selects candidates who have a high level of expertise and knowledge as well as a wealth of experience, and who are able to actively engage in discussions at the Board of Directors meetings. Specific skills and experience are annually described in the Notice of the Annual General Meeting of Shareholders, started from March 2022.

[Supplementary Principle 4.10.1 Use of Optional Approach]

The Company has established Human Resources & Remuneration Committee (chaired by the Representative Director and consisting of Three Independent Outside Directors), the majority of which are composed of Outside Directors, to consult and report on drafts regarding the nomination and remuneration of senior management, including Directors. (Succession planning is also included.)

Nominations of Directors and others are decided by respecting the Board of Directors' report. The remuneration of Directors must be decided by the Representative Director in accordance with the contents of the report.

It is our policy that the majority of the members of the committee shall be Independent Outside Directors and that the committee shall consist of all Independent Outside Directors in order to incorporate diverse opinions rather than nominating a specific Independent Outside Director.

In principle, the Committee meets in April (Remuneration) and December (Evaluation of Human Resources and the effectiveness of the Board of Directors), and as necessary on an ad hoc basis.

[Supplementary Principle 4.11.1 Prerequisites for Ensuring the Effectiveness of the Board of Directors]

After identifying the skills that each director should possess relative to the management strategy, a skills matrix listing the knowledge, experience, and abilities of each Director is prepared and disclosed in the Notice of the Annual General Meeting of Shareholders, started from March 2022. The Board of Directors is well balanced in order to fulfill its supervisory function and to ensure healthy and sustainable growth. The policies and procedures for the nomination of Directors are as described in Principle 3-1 (iv). Independent Outside Directors include persons with management experience at other companies.

[Supplementary Principle 4.11.2 Status of Concurrent Positions of Directors]

The Company discloses the status of directors' concurrent positions every year through the Notice of the Annual General Meeting of Shareholders, the Annual Securities Report, and the Corporate Governance Report. Directors who concurrently serve at other listed companies are limited to the extent that it does not interfere with their attendance at Board of Directors meetings.

[Supplementary Principle 4.11.3 Summary of Analysis and Evaluation Results of Effectiveness of Board of Directors]

The Company evaluates the effectiveness of the Board of Directors through analysis of the attendance ratio at Board of Directors meetings and the comments of each Director. In addition, Human Resources & Remuneration Committee (chaired by the Representative Director and consisting of Three Independent Outside Directors), the majority of which are composed of Outside Directors, discusses the effectiveness of the Board of Directors and points for improvement, and provides advice to enhance the effectiveness of the Board of Directors.

Currently, the Board of Directors meetings are highly attended and have appropriate agendas, allowing sufficient time (One to two hours per meeting) for discussion and active proposals from Directors, including Outside Directors. Therefore, the Company evaluates that the effectiveness of the Board of Directors meetings is sufficiently ensured.

[Supplementary Principle 4.14.2 Training Policy for Directors]

New Directors elected from outside the Company are briefed by Representative Director or other Directors regarding the Company's overview and issues. Newly elected Directors elected from within the Company are encouraged to actively utilize external training programs to acquire the knowledge required to perform the role of a director.

[Principle 5.1 Dialogue with Shareholders]

The Board of Directors has decided to respond to requests for communication from shareholders in a reasonable and

positive manner and to engage in active and constructive communication. Also, President and CEO is responsible for communicating with shareholders, and it is the policy of top management to actively engage in communication with shareholders. In addition, the Company has appointed an officer responsible for its Finance and Investor Relations to actively engage in dialogue with shareholders.

[Supplementary Principle 5.1.2 Policy for Constructive Dialogue with Shareholders]

The Company has traditionally emphasized communication with shareholders in order to build trustful relationships, and the Representative Director and the Officer responsible for the Finance and Investor Relations actively engage in communication and interviews with shareholders.

For analysts and institutional investors, the Company holds earnings briefings every six months and sets up sequential small meetings and individual meetings.

On the quarterly earnings release date, the Company discloses supplementary materials along with the financial results.

Opinions and concerns of shareholders identified through communication are reported to the Board of Directors and the Management Committee, and appropriate actions are taken by the Committee in a timely manner.

In addition, the Company has established insider trading management rules and conducts periodic training sessions to ensure the management of insider information.

[Measures towards Achieving Management Conscious of Cost of Capital and Share Price]

The Company has set “Engaging in business/social contribution activities towards the healthy and sustainable society” as its management policy. In 2021, the Company announced in its “Vision for 2025” that it would apply its technology and knowledge accumulated through research and development efforts to the medical software, medical devices, and solutions for the local governments. Despite the need to revise sales and operating profit plans due to the impact of the COVID-19 pandemic, the Company’s approach to maximizing corporate value for stakeholders remains consistent.

The Company conservatively assumes its cost of capital to be around 10%. This assumption takes into account factors such as the high stock beta, attributed to the elevated share price volatility observed in the past. However, the Company’s return on equity (ROE) for 2023 was 23.9%, surpassing the cost of capital, and its equity spread has remained positive.

Moving forward, the Company will continue aiming for the maintenance and improvement of ROE by enhancing profitability and asset efficiency. This includes increasing profitability through the creation of new businesses that leverage research and development achievements, improving value-added through investment in talent development, and effectively utilizing capital as well as executing capital policies through investments and M&A. On the other hand, if effective investments cannot be executed, the Company plans to consider the share price situation and implement measures such as enhancing shareholder returns.

## 2. Capital Structure

Foreign Shareholding Ratio **Updated** 10% or more and less than 20%

### Status of Major Shareholders **Updated**

Name or Designation	Number of Shares Held	Shareholding Ratio (%)
Teruo Aibara	7,707,600	29.87
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,631,500	10.20
Mizuho Trust & Banking Co., Ltd. Securities Custody Trust 0700068	1,440,000	5.58
Mizuho Trust & Banking Co., Ltd. Securities Custody Trust 0700067	1,440,000	5.58
CACEIS BANK/QUINTET LUXEMBOURG SUB AC/UCITS CUSTOMERS ACCOUNT(Standing Proxy: HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, Tokyo)	1,004,600	3.89
Custody Bank of Japan, Ltd. (Trust Account)	970,600	3.76
The Ehime Bank, Ltd.	967,200	3.75
THE BANK OF NEW YORK MELLON 140040 (Standing Proxy: Settlement Sales Division, Mizuho Bank, Ltd.)	867,946	3.36
Keiji Takemura	761,000	2.95
SCBHK AC LIECHTENSTEINISCHE LANDESBANK AG (Standing Proxy: MUFG Bank, Ltd.)	275,000	1.07

Controlling Shareholders (excluding Parent Company)	-
Existence of Parent Company	None

Supplementary information

### 3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	December
Category of Business	Information, Telecommunications
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	100 or more and fewer than 500
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	Less than ¥10 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

### 4. Guideline for Measures to Protect Minority Shareholders when Conducting Transactions with Controlling Shareholders

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### 5. Other Special Circumstances that may have a Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Matters regarding Organizational Structure and Operations, etc.

Organization Form	Company with Audit and Supervisory Committee
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#### Directors

Number of Directors Stipulated in Articles of Incorporation	12
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of Directors	8
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Outside Directors Designated as Independent Officers	3

## Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Takashi Kitada	From another company									△		
Akira Yamada	From another company											
Akira Ono	From another company											

\*Selection criteria regarding relationship with the Company

○: Shows the item is/was applicable to the Outside Director either currently or until recently

△: Shows the item was applicable to the Outside Director in the past

●: Shows the item is/was applicable to a close relative of the Outside Director either currently or until recently

▲: Shows the item was applicable to a close relative of the Outside Director in the past

a. Executive of the Company or its subsidiary

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 Company or an executive thereof

f. Consultant, accountant, or legal professional who receives a large amount of monetary compensation or other property from the Company besides compensation as a Director/Audit & Supervisory Committee member

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 Audit & Supervisory Committee member himself/herself only)

i. Executive of a company, between which and the Company Outside Directors/Audit & Supervisory Committee member 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	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Takashi Kitada	○	○	N/A	As of the date of submission of this report, Mr. Kitada holds 1,000 shares of the Company's share, but there are no personal or other interests between him and the Company. The Company has elected him as an Outside Director based on his professional knowledge of finance and accounting as a certified public accountant, as well as his ability to appropriately execute the duties of an Outside Director.
Akira Yamada	○	○	N/A	As of the date of submission of this report, there are no personal or other interests between the Company and Mr. Yamada. He has long work experience at a medical institution and possesses expertise and broad insight as a company manager in the nursing care business. Accordingly, his diverse perspectives and appropriate advice and recommendations will strengthen the corporate governance of our group, hence he has been nominated for the position.
Akira Ono		○	N/A	As of the date of submission of this report, there are no personal or other interests between the Company and Mr. Ono. He has extensive insight into industrial policy, enterprise advancement, and international business affairs. The Company has nominated him for the position as he will be able to provide appropriate advice and supervision to the management of the Group from the perspectives of both governance and business promotion.

## Audit and Supervisory Committee

### Composition of Supervisory Committee and Attributes of the Chairperson

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

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Not Appointed
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### Matters Concerning Independence of Said Directors and/or Staff from Executive Officers

In the event that the Audit & Supervisory Committee requests the appointment of Directors and employees to assist in the performance of its duties, appropriate assistants will be assigned. The Company will determine the assignment of assistants after listening to the opinions of the Audit & Supervisory Committee. The assistant shall be subject to the instructions and orders of the Audit & Supervisory Committee, shall assist Audit & Supervisory Committee in its duties in accordance with instructions of the Audit & Supervisory Committee, and shall have the authority to conduct investigations (including monitoring) necessary for such duties.

### Cooperation among the Audit & Supervisory Committee, Financial Auditors and Internal Auditing Department

The Audit & Supervisory Committee conducts audits of the effectiveness of internal controls, observes internal audits, exchanges opinions with the account auditors, and listens to audit results to enhance the effectiveness of audits.

## Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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### Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other Members	Chairperson
Voluntarily Established Committee Equivalent to Nominating Committee	Human Resources and Remuneration Committee	4	1	1	3	0	0	Inside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Human Resources and Remuneration Committee	4	1	1	3	0	0	Inside Director

### Supplementary Explanation

The Company has established Human Resources & Remuneration Committee (chaired by the Representative Director and consisting of Three Independent Outside Directors), the majority of which are composed of Outside directors, to consult and report on drafts regarding the nomination and remuneration of senior management, including Directors. (Succession planning is also included.)

Nominations of Directors and others are decided by respecting the Board of Directors' report. The remuneration of Directors must be decided by the Representative Director in accordance with the contents of the report.

It is our policy that the majority of the members of the committee shall be Independent Outside Directors and that the committee shall consist of all independent Outside Directors in order to incorporate diverse opinions rather than nominating a specific Independent Outside Director.

In principle, the Committee meets in April (Remuneration) and December (Evaluation of Human Resources & the effectiveness of the Board of Directors), and as necessary on an ad hoc basis.

### Independent Directors

Number of Independent Directors	3
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Other Matters Concerning Independent Directors

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### Incentives

Implementation of Measures to Provide Incentives to Directors	Other
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Supplementary Explanation for Applicable Items

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The Company introduced a restricted stock compensation plan for Directors excluding those who are members of the Audit Committee and Outside Directors with incentives to continuously enhance the Company's corporate value and to further promote value sharing with shareholders.

Recipients of Stock Options	---
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Supplementary Explanation for Applicable Items

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### Director Remuneration

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation for Applicable Items

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The total amount of remuneration for Executive Directors and the Audit & Supervisory Committee members has been disclosed respectively.

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

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The Company's basic policy is to link the remuneration of Directors to shareholder's profit to functions as an incentive to continuously increase corporate value, and to set the remuneration of Individual Directors at an appropriate level based on their respective responsibilities in determining their remuneration.

Specifically, remuneration for Executive Directors consists of a fixed and consists of base remuneration and stock-based compensation, while Outside Directors and Audit Committee members, who are responsible for supervisory functions, are paid only base remuneration in consideration of their duties.

The basic remuneration of the Company's Directors is a fixed monthly amount, which is determined by the Board of Directors based on the report of the Human Resources & Remuneration Committee (chaired by the Representative Director and consisting of Three Independent Outside Directors), after comprehensively considering the Company's business performance, position, responsibilities, and their time in office.

However, the remuneration for Directors who are members of the Audit Committee is determined through discussions among members of the Audit Committee.

The base remuneration is a fixed remuneration as compensation for "fulfillment of responsibilities" and to stabilize the basis of livelihood, and the amount divided by 12 shall be paid in monetary terms at the end of each month.

The base remuneration is reviewed every year by April, and the reviewed base remuneration is applied from the payment in April.



Non-monetary compensation, etc. consists of restricted stock, which in principle is granted every year. In addition to the number of non-monetary compensation shares is determined by the Board of Directors based on the report of the Human Resources & Remuneration Committee after comprehensively considering the Company's performance, position, responsibilities, and their time in office.

The Human Resources & Remuneration Committee considers the ratio of remuneration for each type of Executive Director based on the Company's performance level and the remuneration levels of benchmarks set by other companies of the same type and size as the Company.

The Board of Directors respects the report of the Human Resources & Remuneration Committee and determines the details of individual remuneration for each Director based on the types of proposed remuneration described in the report.

As for the ratio of each type of remuneration, for full-time Directors, in principle, monetary remuneration is 80% to 90% and non-monetary remuneration is 10% to 20%. The ratio is determined by the Board of Directors based on the report of the Human Resources & Remuneration Committee after comprehensively considering the Company's performance, position, responsibilities, and their years served.

In addition, regarding the details of individual directors' remuneration etc., the Board of Directors consults the Human Resources & Remuneration Committee for drafts, and the Board of Directors decides the details based on the Committee's report.

### **Support System for Outside Directors**

Head of Administration reports in advance on the date of the Board of Directors' meeting, agenda items, and details of the meeting as well as the Executive Directors provide sufficient information to enable a more rapid exchange of information and opinions on business conditions.

## **2. Matters on Functions such as Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)**

### Business Execution

The Board of Directors, the management decision-making entity, consists of eight (8) Directors and holds twice a month in principle. The Board of Directors reviews the progress of sales activities and budgets, examines earnings forecasts and implements other measures as necessary, and actively discusses important management matters to invigorate the Board of Directors and ensure mutual checks and balances.

### Audit & Supervisory

The Company is a company with an Audit & Supervisory Committee, and the Audit & Supervisory Committee consists of one Internal Director and two Outside Directors. The Audit & Supervisory Committee members participate in important meetings such as the Board of Directors meetings and exchange information with each other at the monthly Audit & Supervisory Committee meetings to further enhance the audit function.

### Internal Audits

In order to strengthen the compliance structure, the Company has established an Internal Audit Department under the direct control of the Representative Director and appoints a manager of the Internal Audit Department and a person in charge of auditing from other divisions in accordance with the contents of the audit. The manager of the Internal Audit Department and the person in charge of auditing conduct audits of all departments from the perspective of whether business is being conducted efficiently and whether internal controls are functioning effectively in accordance with laws and regulations and the rules established by the Company. Audit results are reported to the Representative Director and recommendations, advice, etc. are made as necessary to contribute to the improvement of business activities and appropriate management. In addition, the Company conducts more effective audits by cooperating with Audit & Supervisory Committee members and accounting auditors, as necessary.

### Financial Audit

The Company has appointed Deloitte Touche Tohmatsu LLC as its accounting auditor to conduct accounting audits in accordance with the provisions of the Financial Instruments and Exchange Law, and to provide consultation and exchange opinions as necessary. There are no interests between the Company and Deloitte Touche Tohmatsu LLC.

### 3. Reasons for Adopting the Current Corporate Governance Structure

The Company is a company with an Audit & Supervisory Committee, and two of the three Directors are Outside Directors, who are members of the Audit & Supervisory Committee. The Board of Directors, which is the management decision-making body consists of eight Directors, including three Outside Directors, and meets twice a month in principle.

In addition, the Board of Directors actively discusses regarding the important management matters that considering the business outlook and taking necessary measures along with confirming the sales activities and the progress of budgets. The Company has introduced the current structure because the Company believes that this is the management system to ensure fairness and transparency attempting mutual check-and-balance or activation by asking Outside Directors to monitor the Company's business execution from an objective perspective.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Shareholders Meeting	The Company keeps in mind to send out the notice of General Meeting of Shareholders approximately three weeks prior to the date of the General Meeting of Shareholders to ensure that shareholders have sufficient time to consider the agenda, as well as post it early on the Company website and Tokyo Stock Exchange website, etc.
Scheduling of General Shareholders Meeting During Non-Peak Days	The Company's fiscal year ends on December 31, which avoids a concentration of shareholder meetings.
Allowing Electronic Exercise of Voting Rights	The Company accepts voting rights both in writing and via the Internet to allow as many shareholders as possible to exercise their voting rights.
Participating the Electronic Voting Platform and Other Efforts to Encourage Institutional Investors to Exercise their Voting Rights	The Company participates in the "electronic exercise of voting rights platform operated by ICJ, Inc.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The Company posts the English translation, which is a summarized version of the Japanese original on its website and the Tokyo Stock Exchange website at nearly the same time.

### 2. Status of IR-related Activities

	Supplementary Explanation	Explanation by Representative
Preparation and Publication of Disclosure Policies	IR policies including basic policy are posted on the Company website. <a href="https://findex.co.jp/en/ir/policy/index.html">https://findex.co.jp/en/ir/policy/index.html</a>	
Regular Investor Briefings for Analysts and Institutional Investors	Holding financial results briefings for analysts and institutional investors twice a year	Yes
Disclosure of IR Information on the Company's website	Financial results, Annual Securities Reports, and other timely disclosure materials are disclosed on the Company website. <a href="https://findex.co.jp/en/ir/index.html">https://findex.co.jp/en/ir/index.html</a>	
Establishment of Department and/or Appointment of a Manager in Charge of Investor Relations	Finance & Investor Relations unit has been established within the Business Strategy Department directly managed by the President & CEO.	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Under the management philosophy of “Enriching Society with Technologies and Creation”, the Company contributes to society by creating “what is needed in the market” and “new ideas and technologies that do not yet exist” and constantly providing innovative solutions. In addition, the Company fulfills its responsibilities as a corporation supporting the mental and physical wellbeing of people, through concentration of management resources, acceleration of R&D and investment in human capital.
Implementation of Environmental Conservation Activities, CSR Activities, etc.	Since 2013, the Company has been conducting CSR activities by partially outsourcing operations to a “Support for continuous employment - Type B”, which provides support for job training with simple tasks for those who have difficulty working under a regular employment contract due to disabilities or other reasons. Other initiatives to achieve the sustainability goals and specific efforts related to environmental, social, and governance issues are disclosed on the Company website. <a href="https://findex.co.jp/en/sustainability/index.html">https://findex.co.jp/en/sustainability/index.html</a>
Development of Policies on Information Provision to Stakeholders	From the perspective of stakeholder protection and fairness of transactions, the Company’s basic policy on information disclosure is to comply with applicable laws and disclosure regulations stipulated by Tokyo Stock Exchange and disclose information that forms the basis for investment decisions in a timely and appropriate manner.

## IV. Matters Concerning the Internal Control System

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

#### (1) System to ensure that the execution of duties by Directors and employees complies with laws and regulations as well as the Articles of Incorporation

The Company’s Directors and employees are required to perform their duties with a high sense of ethics and conscience, and to comply with laws, regulations, and internal rules and regulations, as well as to behave in a responsible manner in accordance with social norms. In addition, the Company has established an internal reporting system that allows employees to directly provide information on violations of laws, regulations, and internal rules and regulations, and is making efforts to enhance a more substantive control system.

#### (2) System for storage and management of information related to execution of duties by Directors

The Company’s Directors appropriately store and manage important information, such as minutes of general meeting of shareholders and Board of Directors’ meetings, in accordance with their respective duties and internal regulations. In addition, other important information and documents related to the execution of duties by Directors are appropriately stored and managed in accordance with the Document Management Regulations and are maintained in a condition that allows access as necessary.

#### (3) Rules and other systems for managing risk of loss

The Company manages risks within the authority granted to each department, and cross-company risks are managed by the Administration Department. The Company takes necessary measures to prevent the occurrence of risks and eliminates and mitigates business risks after investigation and deliberation. In the unlikely event of the occurrence of a risk that could have a significant impact on the Company overall, a management-level risk task force chaired by the Representative Director has been established and a system is in place to ensure that a prompt and appropriate response is implemented.

#### (4) System to ensure that the duties of the Directors are being carried out efficiently

To ensure the efficiency and appropriateness of the Board of Directors, the Company has established regulations regarding the operation of the Board of Directors. In order to better monitor, supervise, and execute business operations, the Board of Directors delegates duties to CEO, Executive Directors, and Corporate Officers, and makes necessary decisions on matters to which it has delegated business execution decisions, in accordance with the organization or procedures stipulated in internal rules and regulations. In principle, the Board of Directors reviews the rules and regulations as necessary for the revision or abolition of laws and regulations and for the improvement of efficiency in the execution of duties.

(5) System to ensure the properness of business operations of the corporate group composed of the Company and its subsidiaries

The Company manages and operates its subsidiaries in accordance with the “Regulations for Management of Subsidiaries and Affiliates of the Company”.

The Company’s subsidiaries are required to be audited by the Company’s Internal Audit Department.

The Company has a system in place to ensure that important matters affecting the Company and its group companies are reviewed from multiple perspectives at the Executive Committee before being deliberated by the Board of Directors of the Company.

As a system for reporting to the Company on the execution of duties by Directors of subsidiaries, the Company requires subsidiaries to report to the Company on a regular and ad hoc basis, including prior discussions on important matters. The Company requires subsidiaries to submit important management matters to the Board of Directors of the Company in advance in accordance with the “Regulations for Management of Subsidiaries and Affiliates of the Company”.

The Audit & Supervisory Committee members, either by themselves or through the Audit & Supervisory Committee, have established an appropriate system, including close cooperation with the accounting auditor and the Internal Audit Department of the Company, to monitor and audit the Company’s subsidiaries efficiently and appropriately.

(6) Matters related to employees to assist the Audit & Supervisory Committee in the event that the Audit & Supervisory Committee requests the appointment of such employees to assist the Audit & Supervisory Committee in the performance of its duties, Matters related to ensuring the effectiveness of instructions given by the Audit & Supervisory Committee to such employees and matters related to the independence of such employees from Directors

(Excluding Directors who are members of the Audit & Supervisory Committee)

In the event that the Audit & Supervisory Committee assigns employees to assist it in the performance of its duties, to ensure the effectiveness of the Audit & Supervisory Committee’s instructions to such employees, the employees shall not be subject to the direction or orders of Directors (excluding Directors who are members of the Audit & Supervisory Committee) or other employees, etc. in the performance of their duties. In addition, the Company has a system in place to take necessary measures to ensure independence, such as requiring the consent of the Audit & Supervisory Committee for the transfer, evaluation, and disciplinary action of employees who provide support.

(7) System for Directors (excluding Directors who are members of the Audit & Supervisory Committee) and Employees to Report to the Audit & Supervisory Committee and Other systems for reporting to the Audit & Supervisory Committee and systems to ensure that persons reporting to the Audit & Supervisory Committee will not be treated unfavorably because of such reporting

The Company’s Representative Director and Executive Directors shall report at Board of Directors meetings on the execution of business operations under their responsibility as well as important matters concerning the Group at appropriate times.

If any violation of laws or ordinances, etc. or any other fact that may cause material damage to the Company or the Group is discovered, the Company’s Directors (excluding Directors who are members of the Audit & Supervisory Committee) and employees, etc. are required to immediately report such violation to the Audit & Supervisory Committee.

Directors, corporate auditors, and employees of the Company’s subsidiaries are required to immediately report to the Audit & Supervisory Committee any violations of laws and regulations or other facts that may cause material damage to the Group.

In addition, regarding the status of internal control over financial reporting and accounting standards, etc., a system is maintained to enable Directors (excluding directors who are members of the Audit & Supervisory Committee) and employees to respond appropriately to requests for explanations from the Audit & Supervisory Committee. Furthermore, the Company ensures that persons who report to the Audit & Supervisory Committee are not subjected to any disadvantageous treatment in terms of personnel affairs because of such reports.

(8) Other systems to ensure that audits by the Audit & Supervisory Committee are conducted effectively and Matters related to the policy for the treatment of expenses or debts incurred in the execution of duties by Audit Committee members

The Audit & Supervisory Committee participates in important meetings, conducts audits of the effectiveness of internal controls, attends internal audits, exchanges opinions with auditing firms, and listens to audit results to enhance its auditing activities.

In the event that an Audit & Supervisory Committee member requests advance payment or reimbursement of expenses incurred in the performance of their duties, the Company will pay such expenses, unless the payment is deemed unnecessary for the Audit & Supervisory Committee member’s duties.

## **2. Basic Views on Eliminating Anti-Social Forces and Progress of Development**

The Company and the Group recognize that the elimination of anti-social forces is an important management issue from the perspective of corporate social responsibility and corporate defense.

The Company and the Group shall reject all relationships, including business transactions and support, with anti-social forces. The Company shall not accept any unreasonable requests from anti-social forces and shall take resolute action in

cooperation with the police and other relevant agencies in the event of interference with management activities, slander, or other damage. In addition, to prevent and restrain transactions with anti-social forces, the Company has defined a clause for the elimination of organized crime groups to reject any relationship with such groups, and regularly educates its Directors, Officers, and employees to ensure that they are fully aware of this clause.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	No
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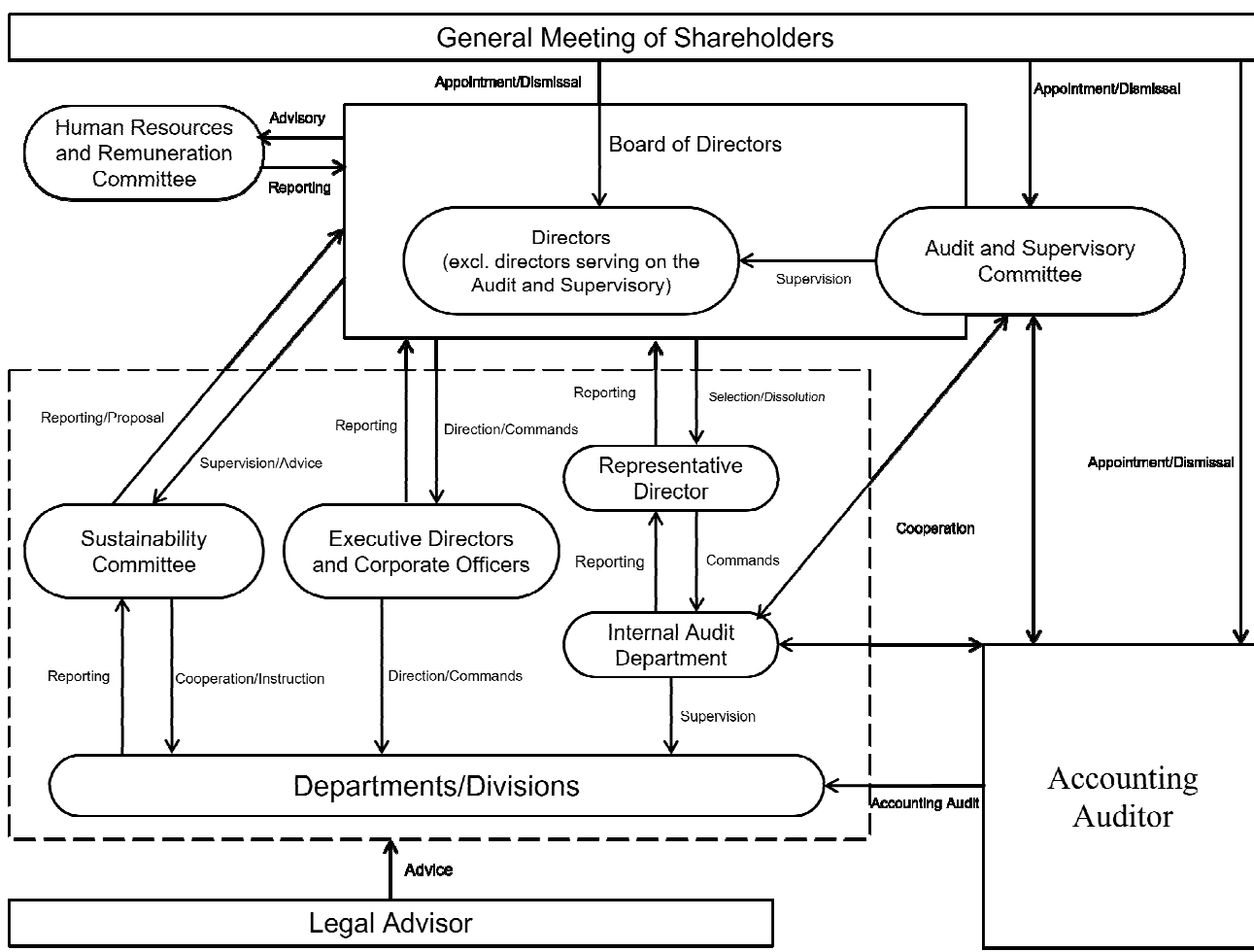
Supplementary Explanation for Applicable Items

Currently, the Company has not adopted any anti-takeover measures.

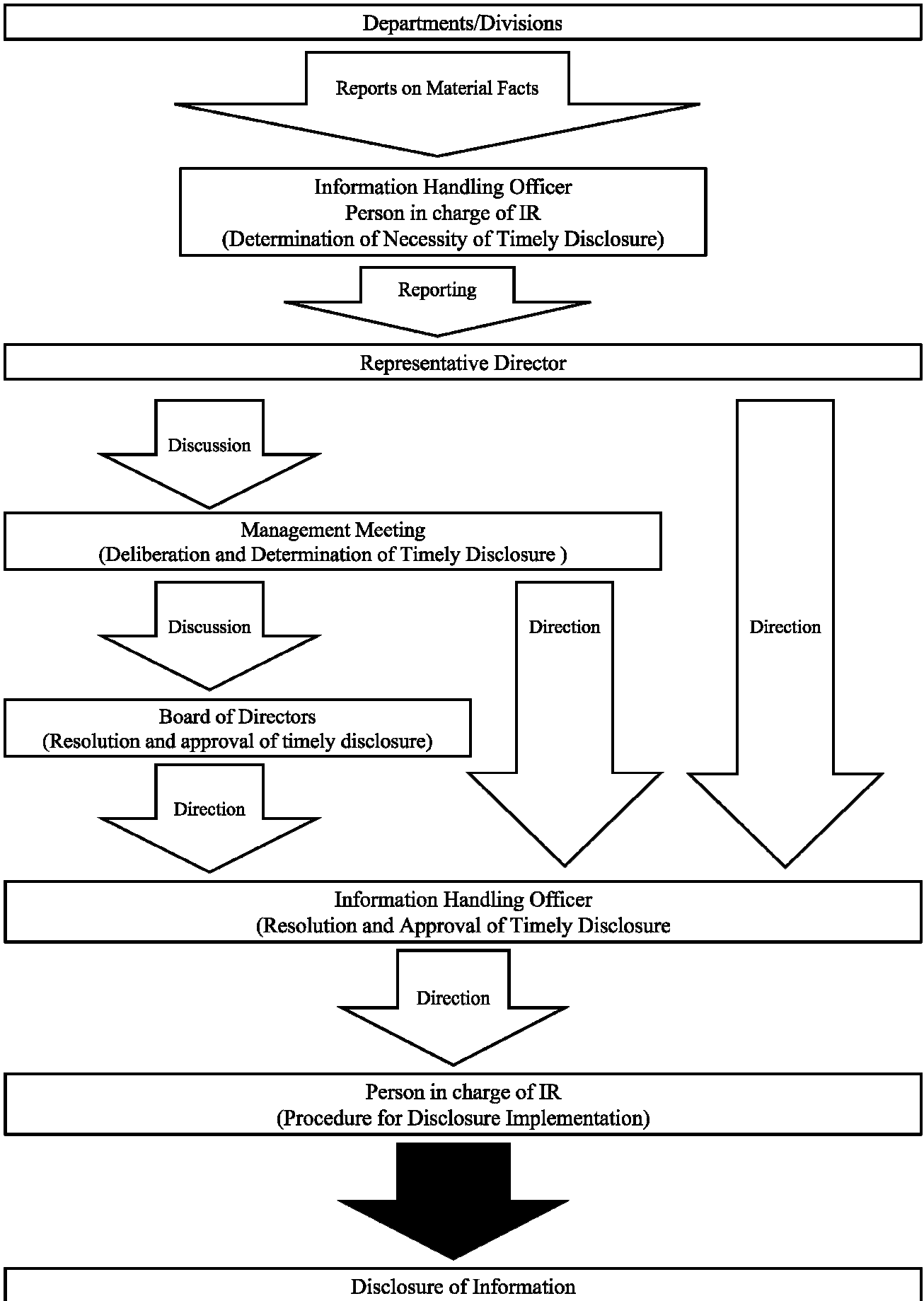
### 2. Other Matters Concerning the Corporate Governance System

N/A

#### Corporate Governance System



**Timely Disclosure System**



END