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Corporate Governance Report

Last Update: October 31, 2024
Visional, Inc.
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The corporate governance of Visional, 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’s basic views on corporate governance is to enhance its corporate value on a long-term basis by optimizing management and creating customer value, as well as increasing transparency by proactively disclosing corporate information to build long-term relationships of trust with all stakeholders including our shareholders. Accordingly, the Company strives to strengthen corporate governance placing importance on the rights of shareholders and other stakeholders, responding to the social trust, and achieving sustainable growth and development.

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

[Supplementary Principle 2.4.1: Ensuring Diversity, Including Active Participation of Women]
The Group has not set measurable targets for ensuring diversity in the appointment of core human resources, including the appointment of women, foreign nationals, and mid-career hires to management positions. In the Group, however, “people” are considered the most important asset which serves as a source of competitiveness needed to continue business growth. Through recruiting various talent with diverse backgrounds regardless of sex or nationality and supporting their career path after recruitment, the Company strives to create a safe working environment where every employee can fully demonstrate his or her potential. The Company will continue to provide a workplace environment so that diverse talent can thrive and succeed as its core human resources.

[Disclosure Based on each Principle of the Corporate Governance Code] **Updated**

[Principle 1.4: Cross-Shareholdings]
Based on the business strategy of the Group, the Company may engage in the cross holding of shares when it is deemed necessary for sustainable growth and the increase of corporate value over the mid-to long-term. However, after reviewing the purpose of holding the shares, if it is determined that there is no rationality in continuing to hold the shares, the Company shall proceed with the sale of such shares or make other efforts as necessary.
When exercising voting rights on its cross-shareholdings, the Company decides whether to vote for or against proposals after examining them individually from the comprehensive perspective of ensuring consistency with the Company’s cross-shareholding policy and contributing to the enhancement of corporate value of the issuing company.

[Principle 1.7: Related Party Transactions]

The Company has established internal rules with respect to related party transactions, and when it engages in transactions with its directors or major shareholders, the Company ensures that the conditions of such transactions are reasonable through a resolution of the Board of Directors or based on a predetermined resolution procedure.

[Principle 2.6: Roles of Corporate Pension Funds as Asset Owners]

Since the Company has not introduced a corporate pension system, there are no opportunities to perform a role as an asset owner of corporate pension funds.

[Principle 3.1: Full Disclosure]

- i) Company objectives (e.g., business principles), business strategies and business plans
These are as stated in “1. Management Policy, Business Environment, Issues to Address” of “II. Overview of Business” of the Annual Securities Report. The Mission and Value statement of the Group is also disclosed on the Company’s website.
Japanese: <https://www.visional.inc/ja/visional-way.html>
English: <https://www.visional.inc/en/visional-way.html>
- ii) Basic views and guidelines on corporate governance based on each of the principles of the Corporate Governance Code
These are as stated in “4. Corporate Governance” of “IV. Information about Reporting Company” of the Annual Securities Report. The Policy towards Corporate Governance is also disclosed on the Company’s website.
Japanese: https://www.visional.inc/ja/ir/management/corporate_governance.html
English: https://www.visional.inc/en/ir/management/corporate_governance.html
- iii) Board policies and procedures in determining the remuneration of the senior management and directors
These are as stated in “Disclosure of Policy on Determining Compensation Amounts and Calculation Methods” in “II. 1. Organizational Composition and Operation” of this Report.
- iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of Director candidates
The Company has made it a policy to appoint personnel equipped with sufficient knowledge, capability, and experience required to achieve the Group’s Mission of “Persistent Creation of New Possibilities” while taking into consideration the Group’s business strategy and governance structure. Candidates for Director are examined and selected each fiscal year through consultation among representative director and other management executives.
- v) Explanations with respect to the individual appointments/dismissals and nominations based on iv)
Reasons of appointment as candidate for Director are stated in detail in the Reference Documents for the General Meeting of Shareholders where a resolution of the election of Directors is proposed for each candidate. Explanations with respect to their dismissals shall be disclosed as necessary.

[Supplementary Principle 3.1.3: Full Disclosure]

As the Group aims to realize its Mission of “Persistent Creation of New Possibilities” through business expansion, it has identified materiality initiatives as priority issues in order to enhance corporate value and to contribute to a sustainable society.

Five materiality items have been identified as follows:

- People as a source of competitiveness;
- Strengthening governance to “Do the right things in the right way”;
- Safe and secure service operation through the use of technology;
- Transforming social obstacles through creation of new business; and
- Our responsibilities to the global environment.

In addition to materiality, the Commitment to Sustainability by the Representative Director and CEO, and Director and CFO, as well as ESG-related activities and data are also disclosed on the Company’s website.

Japanese: <https://www.visional.inc/ja/sustainability/sustainability.html>

English: <https://www.visional.inc/en/sustainability/sustainability.html>

Based on the materiality assessment as mentioned above, it has been concluded that a material impact of climate change on the Group's business is not anticipated at this moment. Accordingly, the Group does not disclose information based on the TCFD (Task Force on Climate-related Financial Disclosure) recommendations. However, the Group recognizes its responsibility as a member of society to protect the global environment, which is the foundation of the Group's business activities, and strives to mitigate environmental impact and contribute to sustainable social and economic growth through, for example, reduction of greenhouse gas emissions from its business operations. The Company will closely monitor any development regarding standards or exposure drafts that are published and scheduled to be applied in the future, and will respond appropriately to any information disclosure requirements by the International Sustainability Standards Board (ISSB) and the Sustainability Standards Board of Japan (SSBJ). Details of current specific initiatives are disclosed on the Company's website.

Japanese: <https://www.visional.inc/ja/sustainability/environment.html>

English: <https://www.visional.inc/en/sustainability/environment.html>

[Supplementary Principle 4.1.1: Roles and Responsibilities of the Board (1)]

The Board of Directors makes decisions regarding important matters as stipulated in the Board of Directors Regulations as well as other matters stipulated by laws and regulations or the articles of incorporation and carries out audits on business execution by each Director. Other decision-making responsibilities regarding business execution are delegated to each Director and Executive Officer, and the scope of delegation is clearly specified in internal rules.

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

The Company has selected Outside Directors who serve as Independent Directors in accordance with the Companies Act and the criteria for independence set forth by the Tokyo Stock Exchange.

[Supplementary Principle 4.10.1: Use of Optional Approach]

As stated in "Committee's Name, Composition, and Attributes of Chairperson" of "II. 1. Organizational Composition and Operation" of this Report.

[Supplementary Principle 4.11.1: Preconditions for Board and Kansayaku Board Effectiveness]

From the perspective that the Board of Directors should be comprised of members with diverse viewpoints and experiences, the Company selects candidates for Director who are equipped with necessary expertise and skills while taking into consideration the balance of experience and skills. Currently, three Directors out of seven are Independent Outside Directors, three of whom are female. The experience and skills possessed by each Director and reason for nomination as candidate for Director of the Company are stated in the Reference Documents for the General Meeting of Shareholders.

[Supplementary Principle 4.11.2: Preconditions for Board and Kansayaku Board Effectiveness]

Concurrent positions of each Director where he or she serves as an officer of another listed company are disclosed in the Reference Documents for the General Meeting of Shareholders and the Annual Securities Report. It has been confirmed that each of the current Directors is in a situation where he or she can fully fulfill the roles expected by the Group.

[Supplementary Principle 4.11.3: Preconditions for Board and Kansayaku Board Effectiveness]

In addition to meeting statutory requirements, the Board of Directors provides appropriate supervision to ensure legal compliance and appropriateness of the Company's decision-making and business execution processes, which includes having each Director, as necessary, explain the background of important business execution in terms of management and facilitating open discussion based on Q&A sessions, as necessary. The Company evaluates that the Board's effectiveness is ensured through the discussion processes at Board of Directors' meetings.

[Supplementary Principle 4.14.2: Director and Kansayaku Training]

The Company makes it a basic policy that each Director should acquire necessary knowledge, by his or her own decision, to fulfill expected roles and responsibilities. Nevertheless, the Company takes additional measures, if necessary, such as providing training on important matters in terms of risk management of the Group and organizing briefing opportunities at Board of Directors' meetings where responsible officers explain the details of the business they are in charge of.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]

The Company recognizes the importance of engaging in constructive dialogue with shareholders and investors in order to contribute to sustainable growth and the increase of corporate value over the mid- to long-term. In accordance with this principle and its IR Policies, the Company promotes IR activities under the direction of the Director and CFO. Furthermore, information disclosure for shareholders and investors is strengthened through cooperation among related departments. In the IR Policies, it is stated that the Company aims to disclose information to shareholders and investors in a fair, timely, and appropriate manner and will disclose information that is deemed important in relation to its business activities as actively and fairly as possible, based on the purpose of the applicable Fair Disclosure Rules. The aforementioned IR Policies are disclosed on the Company's website.

Japanese: https://www.visional.inc/ja/ir/ir_policy.html

English: https://www.visional.inc/en/ir/ir_policy.html

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price]

To maximize its long-term corporate value, the Group is committed to achieving sustained growth and profit expansion of BizReach, the seamless integration of BizReach and HRMOS to build a data-driven HCM ecosystem, and the continuous incubation of new businesses and use of M&A. Furthermore, growth in net sales and operating profit is used as an important management indicator to address each management issue. The Group will strive to maintain high capital efficiency and growth by increasing BizReach's net sales and profit with the mid-term net sales growth target of 15%, and adjusted operating profit margin (before corporate expense allocation) target of 40%, while actively investing in other businesses and M&A.

In terms of shareholder returns, the Company believes that the Group currently remains in its growth phase, and that the most appropriate way to return profit to shareholders is through the allocation of capital to proactive investments aimed at sustainable growth and increasing long-term corporate value.

The Company's management strategy and capital allocation policy are disclosed in the Presentation for FY2024.7 FY Financial Release.

https://www.visional.inc/en/ir/library/ir_library/main/0/teaserItems1/0117/linkList/00/link/FY24_FY_Financial_Release_ENG.pdf

[Status of Dialogue with Shareholders, etc.]

IR activities during the fiscal year ended July 31, 2024 include direct visits by the Director and CFO to overseas institutional investors, and two-way dialogue between the Representative Director and CEO, Director and CFO and the IR department and investors. In addition, the Company held financial results briefings twice for institutional investors and analysts.

2. Capital Structure

Foreign Shareholding Ratio	30% or more
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[Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
Soichiro Minami	14,169,600	35.74
STATE STREET BANK AND TRUST COMPANY 505001	3,629,030	9.15
Master Trust Bank of Japan, Ltd. (Trust account)	3,606,834	9.09
YJ2 Investment Partnership	1,721,400	4.34
Custody Bank of Japan, Ltd. (Trust account)	1,545,300	3.89
MSIP CLIENT SECURITIES	860,906	2.17
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	769,160	1.94
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	509,636	1.28
GOLDMAN, SACHS & CO. REG	498,784	1.25
Makoto Nagata	494,800	1.24

Controlling Shareholder (except for Parent Company)	-
Parent Company	N/A

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime
Fiscal Year-End	July
Type of Business	Information & Communication
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year Updated	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have 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. Organizational Composition and Operation

Organization Form	Company with an audit and supervisory committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	13
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	CEO
Number of Directors	7
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company* ¹										
		a	b	c	d	e	f	g	h	i	j	k
Naoko Harima	CPA											
Tadatsugu Ishimoto	Tax Accountant											
Maiko Chihara	Lawyer											

*¹ Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- 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/audit & supervisory board 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 director himself/herself only)
- i. Executive of a company, between which and the Company's outside directors/audit & supervisory board 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 Relationship	Reasons of Appointment
Naoko Harima	○	○	-	<p>(Reasons of appointment as Outside Director) In addition to her professional knowledge in finance and accounting as a CPA, Ms. Harima has experience in management supervision of general business corporations as an outside director. The Company has appointed Ms. Harima as Outside Director with the expectation that she could draw on her knowledge and experience in monitoring the Company's management.</p> <p>(Reasons of designation as independent director) The Company judges that Ms. Harima meets the criteria for independence set forth by the Tokyo Stock Exchange, and her independence and objectivity as an independent director are adequately ensured; thus designated her as an independent director.</p>
Tadatsugu Ishimoto	○	○	-	<p>(Reasons of appointment as Outside Director) In addition to his professional knowledge in finance and accounting as a tax accountant, Mr. Ishimoto has experience in management supervision of general business corporations as an outside director. The Company has appointed Mr. Ishimoto as Outside Director with the expectation that he could draw on his knowledge and experience in monitoring the Company's management.</p> <p>(Reasons of designation as independent director) The Company judges that Mr. Ishimoto meets the criteria for independence set forth by the Tokyo Stock Exchange, and his independence and objectivity as an independent director are adequately ensured; thus designated him as an independent director.</p>

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Maiko Chihara	○	○	-	<p>(Reasons of appointment as Outside Director)</p> <p>In addition to her professional insight in corporate legal affairs, corporate legal risk management and compliance systems as a lawyer, Ms. Chihara has experience in management supervision of general business corporations as an outside director. The Company has appointed Ms. Chihara as Outside Director with the expectation that she could draw on her knowledge and experience in monitoring the Company's management.</p> <p>(Reasons of designation as independent director)</p> <p>The Company judges that Ms. Chihara meets the criteria for independence set forth by the Tokyo Stock Exchange, and her independence and objectivity as an independent director are adequately ensured; thus designated her as an independent director.</p>

[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Internal Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	0	3	Outside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee

Appointed

Matters Relating to the Independence of Such Directors and/or Staff from Executive Directors

To support the duties of the Audit and Supervisory Committee, the Company assigns employees who possess the knowledge and abilities necessary to support the duties of the Audit and Supervisory Committee (the "Support Staff").

The Support Staff perform their duties only under the direction and orders of the Audit and Supervisory Committee, ensuring their independence from the executive Directors. The appointment, transfer, evaluation, and disciplinary action, etc. of the Support Staff require the prior consent of the Audit and Supervisory Committee.

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

The Audit and Supervisory Committee utilizes the Company's internal control system, etc., and conducts audits in close cooperation with the Internal Audit Department and others. In addition, the Internal Audit Department, the Audit and Supervisory Committee Members, and the accounting auditor facilitate their mutual coordination through holding three-party meetings periodically for the purpose of sharing information such as on audit plans, findings, areas for improvement, etc., and exchanging opinions regarding topics including whether there are any audit-related problems and issues.

[Voluntary Establishment of Nomination/Compensation Committee]

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

	Committee's Name	All Committee Members	Full-time Members	Internal Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	-	-	-	-	-	-	-	-
Committee Corresponding to Compensation Committee	Directors' Compensation Committee	4	0	1	3	0	0	Internal Director

Supplementary Explanation

The Company reinforces the independence, objectivity, and accountability of its Board of Directors' functions by securing transparency and objectivity in the process of evaluating and determining directors' compensation. With the objective of further enhancing the Group's corporate governance system, the Company has established the Directors' Compensation Committee, a voluntary compensation committee.

The Directors' Compensation Committee consists of a total of four members, comprised of the Representative Director and CEO and three Outside Directors, and is chaired by the Representative Director and CEO. Committee meetings are held as necessary upon consultation from the Board of Directors, to deliberate on matters listed below and submit recommendations to the Board of Directors:

- (1) Proposed policy for determining the compensation, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members)
- (2) Drafts for a proposal on compensation, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members) to be discussed at a general meeting of shareholders
- (3) Proposed policy for determining the compensation, etc. for each of the Directors (excluding Directors who are Audit and Supervisory Committee Members)
- (4) Proposed details on the compensation, etc. for each of the Directors (excluding Directors who are Audit and Supervisory Committee Members)

[Independent Directors]

Number of Independent Directors	3
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Matter relating to Independent Directors

The Company designates all of its Outside Directors who meet the independence criteria as independent directors.

[Incentives]

Incentive Policies for Directors	Stock Options
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Supplementary Explanation

The Company has introduced stock options as an incentive for improving the Groups' performance and corporate value.

Recipients of Stock Options	Internal Directors / Outside Directors / Employees / Subsidiaries' Directors / Subsidiaries' Employees
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Supplementary Explanation

Stock options are granted within the limit of the amount approved at a general meeting of shareholders, according to the respective positions and expected roles of recipients.

[Director Compensation]

Disclosure of Individual Directors' Compensation	No Individual Disclosure
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Supplementary Explanation

There are no Directors whose amount of compensation, etc. totals 100 million yen or more, thus no disclosure has been made for individual compensation.
The compensation for Directors is disclosed in the total amount per category.

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

Compensation, etc. for individual Directors (excluding Directors who are Audit and Supervisory Committee Members) is determined by the Board of Directors within the limit of the aggregate amount of compensation determined by resolution of a general meeting of shareholders, respecting the recommendations of the

Directors' Compensation Committee, a voluntary compensation committee, submitted to the Board of Directors by taking into account the role, responsibilities and level of contribution to formulating and controlling Group-wide strategies of each Director (excluding Directors who are Audit and Supervisory Committee Members).

Compensation for Directors who are Audit and Supervisory Committee Members is decided by consultation among Directors who are Audit and Supervisory Committee Members within the limit of the aggregate amount of compensation set by a general meeting of shareholders, taking into account each Member's level of contribution in audits by the Audit and Supervisory Committee.

[Supporting System for Outside Directors] Updated

The Legal Department and the Support Staff for the Audit and Supervisory Committee offer support to Outside Directors.

Prior to a Board of Directors' meeting, materials, etc. are distributed in order to provide Outside Directors with ample time for reviewing, and also give briefings prior to the meeting as necessary.

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

The overview of the Company's corporate governance system is as follows:

(Board of Directors)

Board of Directors' meetings are held monthly, in principle, to make decisions on the Group's management policies, management plans, annual budgets, and other important matters of each Group company. The Board of Directors also oversees business execution through examining reports on monthly budget control, monthly business performance, and other important business matters from each Group company. The Board of Directors of the Company consists of four Directors (excluding Directors who are Audit and Supervisory Committee Members) (namely Soichiro Minami, Satoshi Murata, Tetsuya Sakai and Risako Suefuji) and three Directors who are Audit and Supervisory Committee Members (namely Naoko Harima, Tadatsugu Ishimoto, and Maiko Chihara) and is chaired by the Representative Director and CEO Soichiro Minami.

(Audit and Supervisory Committee)

The Audit and Supervisory Committee of the Company consists of three Directors who are Audit and Supervisory Committee Members (namely Naoko Harima, Tadatsugu Ishimoto, and Maiko Chihara), all of which are Outside Directors. Committee meetings are held monthly, in principle, to discuss matters stipulated by laws and regulations and the articles of incorporation, as well as matters regarding important audit operations. In addition to attending Board of Directors' meetings, Full-time Audit and Supervisory Committee Member also attends important management meetings to audit and supervise the status of business execution by Directors. Furthermore, the committee works closely with the Internal Audit Department, the internal audit division, to conduct necessary audits on the status of internal control, compliance, and others.

The Audit and Supervisory Committee formulates audit policies, audit items, and audit plans, etc. and conduct statutory audits, as well as carry out audits on business execution by Directors while placing an emphasis on strengthening management supervisory functions. The committee receives periodic reports on the status of audits conducted by the accounting auditor, based on which the committee conducts audits effectively in collaboration with the Internal Audit Department.

Furthermore, Full-time Audit and Supervisory Committee Members attend important meetings, liaises with the Internal Audit Department, etc., and conducts one-on-one interviews with Directors who are not Audit and Supervisory Committee Members, among other activities. They also request the executive divisions to submit reports as necessary for the purpose of collecting information on the status of the Company's business execution, and by providing timely reports to other Audit and Supervisory Committee Members, they strive to improve the supervisory functions of the committee.

(Directors' Compensation Committee)

The Directors' Compensation Committee of the Company is chaired by the Representative Director and CEO Soichiro Minami, and consists of a total of four members: Naoko Harima, Tadatsugu Ishimoto, and Maiko Chihara, who are Outside Directors (Audit and Supervisory Committee Members). The Directors' Compensation Committee submits its recommendations to the Board of Directors on the compensation of Directors (excluding

those who are Audit and Supervisory Committee Members) within the limit of the aggregate amount of compensation resolved at a general meeting of shareholders by taking into account the role, responsibilities and level of contribution to formulating and controlling Group-wide strategies of each Director as necessary.

(Executive Committee / Group Executive Committee)

The Executive Committee of the Company is chaired by the Representative Director and CEO Soichiro Minami, and consists of Directors Satoshi Murata, Tetsuya Sakai, and Risako Suefuji, executive officers, and other individuals convened by the chairperson as needed. Its meetings are convened by the Representative Directors and CEO as needed to have a preliminary discussion on matters to be resolved at a Board of Directors' meeting and matters requiring the approval of representative directors, and to deliberate and decide other operational policies of the Company.

The Group Executive Committee, which oversees the group management of the Group under the Board of Directors, is chaired by the Representative Director and CEO Soichiro Minami, and consists of Directors Satoshi Murata, Tetsuya Sakai, and Risako Suefuji, executive officers, and other individuals convened by the chairperson as needed. Its meetings are convened by the Representative Director and CEO once a week, in principle, to have a preliminary discussion on matters to be resolved at a Board of Directors' meeting and matters requiring the approval of representative directors, and to deliberate and decide other operational policies of the Group.

Outside Directors (Full-time Audit and Supervisory Committee Members) attend Executive Committee meetings and Group Executive Committee meetings as observers to monitor business operation.

(Internal Audit)

The Internal Audit Department, which is under direct control of the Representative Director, is responsible for the internal audit of the Company, and one staff member is appointed to perform such duties. In accordance with the Company's "Internal Audit Regulations" and an annual internal audit plan that was approved by the Representative Director and CEO, the office carries out internal audits periodically to confirm whether each of the Group companies operate their business in compliance with their respective internal rules and regulations, whether they operate their business efficiently, and whether they maintain compliance. The Head of the Internal Audit Department reports the outcome of these audits to representative directors, gives comments to improve operations and on other issues to each of the business divisions that were audited, and follows up on the status of improvement at a later date.

(Status of Accounting Audits)

The Company entered into an audit contract with Deloitte Touche Tohmatsu LLC. There are no special interests between the Company and Deloitte Touche Tohmatsu LLC or its engagement partners who are in charge of the Company's auditing.

(Liability Limitation Agreement)

Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with three Outside Directors who are Audit and Supervisory Committee Members to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act to the amount stipulated by laws and regulations.

3. Reasons for Adoption of Current Corporate Governance System

In order to keep a good balance between making prompt management judgements and establishing a system that enables transparent, fair, speedy, and bold decision-making, the Company became a company with an audit and supervisory committee.

In addition to appointing three Outside Directors who are Audit and Supervisory Committee Members, the Company segregated the supervisory body that oversees management decision-making and business execution from the executing body to accelerate decision-making and ensure the function of monitoring management. The current system is considered best suited for the Company.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of Convocation of General Meeting of Shareholders	In order to ensure sufficient time for shareholders to review proposed agendas prior to exercising their voting rights, the Company strives for the early dispatch of convocation notices of general meetings of shareholders.
Scheduling AGMs Avoiding the Peak Day	Since the Company's fiscal year ends in July and the Ordinary General Meeting of Shareholders is held in October every year, we do not consider this to be a concentrated date.
Allowing Electronic Exercise of Voting Rights	Voting rights can be exercised via the Internet and other means.
Participation in Electronic Voting Platform	A platform for the electronic exercising of voting rights operated by ICJ, Inc. is adopted.
Providing Convocation Notice in English	The English version of the Convocation Notice is posted on the Company's website at the same time as the Japanese version.

2. IR Activities

	Supplementary Explanations	Briefings hosted by Representative Directors
Preparation and Publication of Disclosure Policy	Disclosed on the Company's website under a page dedicated to IR.	
Regular Investor Briefings for Individual Investors	The Company plans to hold financial result briefings and attend conferences, etc. Details are to be discussed going forward.	No
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial result briefings for analysts and institutional investors. The briefings are available on the Company's website under a page dedicated to IR.	Yes
Regular Investor Briefings for Overseas Investors	The Company holds financial result briefings for analysts and institutional investors with simultaneous interpretation. The presentation is available on the Company's website under a page dedicated to IR.	Yes
Posting of IR Materials on Website	Financial information, timely disclosure information, and more are available on the Company's website under a page dedicated to IR.	
Establishment of Department and/or Manager in Charge of IR	The Corporate Planning Department has staffs in charge of IR.	

3. Measures to Ensure Due Respect for Stakeholders **Updated**

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>Pursuant to compliance regulations, the Company upholds “Visional Group Code of Conduct” as a basic policy concerning compliance. It constitutes a basic code of conduct which stipulates that all individuals engaging in operations of the Group shall comply with laws, regulations, social norms and other rules in order to practice sound and appropriate management and business execution when performing their respective duties. The Visional Group Code of Conduct stipulates detailed matters to be complied with in the relationships with each of the following stakeholders:</p> <ul style="list-style-type: none"> • Society • Clients and business partners • Competitors and rights holders • Shareholders • Company • Employees <p>The Company gains an understanding of the status of the Groups’ compliance through the Group Risk Compliance Committee in order to mainly discuss and deliberate matters concerning the establishment and promotion of the Group’s system on compliance. The committee meets once every three months and consists of the Company’s Directors (excluding Outside Directors), Executive Officers, and persons in charge of compliance of each Group company (Representative Director and CEO of each company) to deliberate and examine important issues concerning the Group’s compliance.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company has a “Sustainability” page on our corporate website https://www.visional.inc/en/sustainability/sustainability.html</p>
Development of Policies on Information Provision to Stakeholders	<p>The Company strives to comply with the Companies Act, other relevant laws including the Financial Instruments and Exchange Act, and the regulation set forth by the Tokyo Stock Exchange, and undertakes efforts mainly to enhance its internal system and IR activities. In doing so, the Company is committed to disclosing prompt, accurate, and fair corporate information from a stakeholder’s viewpoint.</p>

IV. Matters Related to the Internal Control System

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

At a meeting held on February 3, 2020, the Board of Directors passed a resolution concerning the establishment of the “Basic Policy on the Internal Control System” as a system to ensure the appropriateness of the Company’s business operation. Currently, the Company operates its internal control system in accordance with the said basic policy. A summary of the policy is described as follows:

1. System to ensure that directors and employees of the corporate group, which consists of the Company and its consolidated subsidiaries (the “Visional Group”), execute their duties in compliance with laws, regulations and the articles of incorporation

- (1) For the objective of operating fair corporate activities and enhancing social trust in the Visional Group, the Company shall develop and implement rules and regulations to ensure thorough compliance, and shall comply with laws, regulations articles of incorporation, rules and regulations in every aspect of performing duties.
- (2) While developing and implementing an organizational system such as the Group Compliance Committee to ensure thorough compliance, the Company shall inspect the Visional Group’s status of legal compliance periodically and take appropriate measures to address the results of the inspection.
- (3) The Company shall develop and implement an internal reporting system in an effort to early detect and correct violations of laws and regulations as well as to appropriately protect whistleblowers that report violations of laws and regulations. To prevent whistleblowers who made reports to the Company via the internal reporting system or other appropriate means from being unfairly treated for making the report, the Company shall develop and implement necessary systems such as clarifying in related rules and regulations that such treatment is prohibited.
- (4) For appropriate operations of the Board of Directors, the Company shall formulate the “Board of Directors Regulations,” based on which Board of Directors’ meetings shall be held once a month in principle to make decisions on important business executions upon sufficient deliberations. The Company shall receive reports from Directors on the status of their execution of duties appropriately.
- (5) The Company shall ensure objectivity and further improve reasonableness of determination regarding business execution by inviting Outside Directors to attend the Board of Directors’ meetings and take part in deliberation.
- (6) The Company shall establish an Internal Audit Department responsible for internal audits. The Internal Audit Department shall conduct audits independently from each division.
- (7) The Company shall develop and implement an internal control system to ensure the reliability of its financial reporting. The Company shall evaluate the effectiveness of the system annually and make corrections as necessary.
- (8) In order to eliminate any relations with anti-social forces, the Company shall stipulate the “Rules for Eliminating Anti-Social Forces,” based on which each company within the Visional Group (“Each Group Company”) develops and implements rules and regulations suitable for its own business practice and thoroughly complies with the said rules and regulations.

2. System for storage and management of information concerning the execution of duties by the Company’s Directors and staff (employees)

- (1) Information regarding the execution of duties by Directors shall be recorded as a written document or on electromagnetic media (the “Documents, etc.”), and the Company shall develop and implement rules and regulations concerning the creation and management, etc. of the Documents, etc.
- (2) The Company shall prevent unauthorized use, disclosure or leakage of corporate information. The Company shall develop and implement rules and regulations concerning proper treatment of confidential and personal information. In addition, the Company shall hold internal training sessions, etc. to have employees thoroughly comply with the said rules and regulations.
- (3) In addition to preparing materials including business reports, financial statements, and annual securities reports appropriately in accordance with the Companies Act, Financial Instruments and Exchange Act, and timely disclosure rules set forth by securities exchanges, the Company shall disclose corporate information in a timely and appropriate manner.

3. Rules and other systems concerning management of the Visional Group’s risk of loss

- (1) In order to prevent risks from arising as well as to maintain and improve a system for mitigating damages in the event of risks materializing, the Company shall establish “risk management rules,” based on which

- the Company performs self-inspections on the status of risk management, identifies material risks requiring priority countermeasures, and implements risk management under detailed action plans.
- (2) Policies for dealing with material risks concerning management and other important matters concerning risk management shall be reported to the Board of Directors and the Audit and Supervisory Committee.
 - (3) The Company shall promote internal control to prevent fraud, errors and losses in the course of business execution, and shall develop and implement systems and rules and regulations necessary to achieve this.
4. System to ensure the efficient execution of duties by the Company's Directors and employees
- (1) The "Organization Rules," "Rules for Administrative Authority," and "Rules for Segregation of Duties" shall stipulate details about management bodies, organization of positions, segregation of duties, and matters to be approved and approval authorities per position so that duties are executed efficiently.
 - (2) Regular meetings of the Board of Directors shall be held once a month to make decisions on important matters and oversee the status of business execution by Directors. In order to improve the efficiency of the Board of Directors' management, meetings of the Executive Committee shall be held, attended by Directors and individuals appointed by representative directors, as a system that facilitates flexible decision-making on fundamental and significant matters regarding business execution.
 - (3) In addition to setting out management plans, the Company shall develop and implement management control systems such as a budget system and a target control system.
 - (4) The Company shall build and implement an IT system that would be best suited from standpoints including proper information management, standardization and streamlining of operations, and strengthening of internal control.
5. Visional Group's system to ensure the appropriateness of business operations of the corporate group
- (1) The "Visional Group Code of Conduct" is formulated as the philosophy and standards of behavior common to Each Group Company, and the Company shall strive to inculcate and thoroughly implement it within the Group.
 - (2) The Group's management plans shall be adequately set out by the Company's Board of Directors and Executive Committee. Furthermore, for the objective of appropriate decision-making on matters regarding business execution at each of the Visional Group's subsidiaries ("Each Group Subsidiary"), the Company's personnel may be dispatched as directors of the subsidiaries, and when necessary, officers and employees of Each Group Subsidiary shall attend important meeting bodies of the Company.
 - (3) Of matters regarding business execution at Each Group Subsidiary, the "Rules for Administrative Authority" stipulates those that shall be resolved by, approved by, or reported to the Board of Directors, the Executive Committee and important meeting bodies of the Company, and the rules shall be implemented appropriately.
 - (4) The "Subsidiaries and Affiliates Management Regulations" stipulate basic matters concerning Group management such as the basic roles and the authoritative system of decision-making of the Company and its affiliated companies including Each Group Subsidiary. In addition, the Company shall develop and implement rules and regulations that should apply to the entire Visional Group, and ensure that they are shared and thoroughly complied with among Each Group Company.
6. System to ensure effective auditing by the Company's Audit and Supervisory Committee
- (1) The Company shall respect the audit plans set forth by the Audit and Supervisory Committee, and cooperate so they can perform audits smoothly and improve the audit environment.
 - (2) The Company shall adopt necessary measures to enable Audit and Supervisory Committee Members to attend important meeting bodies such as Executive Committee meetings in order for them to gain an understanding of the process of important decision-making and the status of business execution. The Company shall also develop and implement a system for Each Group Company to make appropriate reports on matters required by the Audit and Supervisory Committee Members.
 - (3) The Company shall develop and implement a system for Each Group Company to immediately report to the Audit and Supervisory Committee on issues including the occurrence of significant violations of laws, regulations and the articles of incorporation, misconduct, or activity that may potentially cause significant damage to the Company at the time of their discovery.
 - (4) Representative directors and other management executives shall meet with the Audit and Supervisory Committee Members as necessary to exchange opinions regarding matters such as the Visional Group's management issues.

- (5) The Internal Audit Department responsible for internal audits shall work in close cooperation with the Audit and Supervisory Committee such as through exchanging opinions regarding audit plans and audit results.
- (6) The Company may appoint staff to assist the duties of Audit and Supervisory Committee Members when needed, and opinions of the Audit and Supervisory Committee Members shall be respected when selecting such staff. Personnel affairs such as evaluation and transfer of such staff shall be decided through prior consultation with Full-time Audit and Supervisory Committee Members in order to ensure the effectiveness of instructions given to such staff.
- (7) Pursuant to Article 399-2, Paragraph 4 of the Companies Act, any expenses or liabilities incurred through the execution of duties by the Audit and Supervisory Committee Members shall be borne appropriately by the Company upon receiving a claim from the Audit and Supervisory Committee Members.

2. Basic Views on Eliminating Anti-Social Forces

(1) Basic policy for relations with anti-social forces

The “Visional Group Code of Conduct,” the Group’s basic policy for compliance, primarily stipulates that the Group shall not have any relations, including business transactions, with anti-social forces in any circumstances, and shall reject unwarranted demands from anti-social forces, and never provide them with funding.

(2) Status of development of an internal system to eliminate anti-social forces and detailed measures

The Group has established and implements the “Rules for Eliminating Anti-Social Forces” and “Manual for Eliminating Anti-Social Forces.” Specifically, any unwarranted demands, etc. from anti-social forces shall be consulted with external professional bodies, etc. In addition, the Company’s department in charge of the matter shall investigate to check whether or not its business partners fall under anti-social forces.

Furthermore, contracts and other documents used in transactions shall contain an anti-social forces elimination clause in order to facilitate the elimination of transactions and cancellation of contracts with anti-social forces.

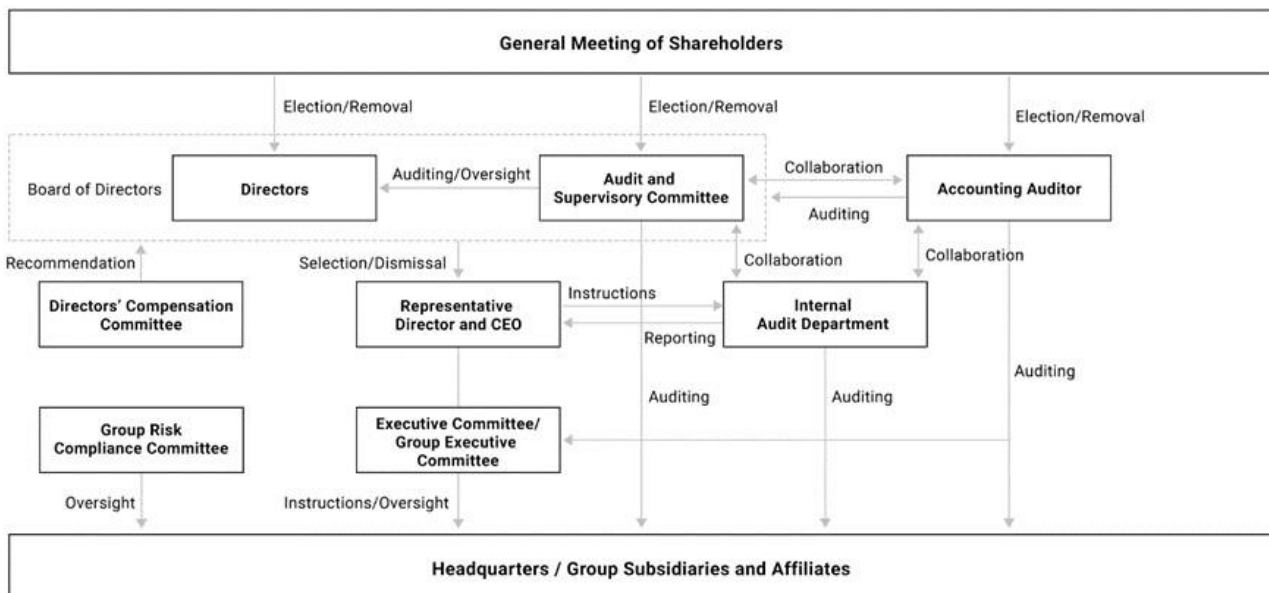
V. Other

1. Adoption of Anti-Takeover Measures

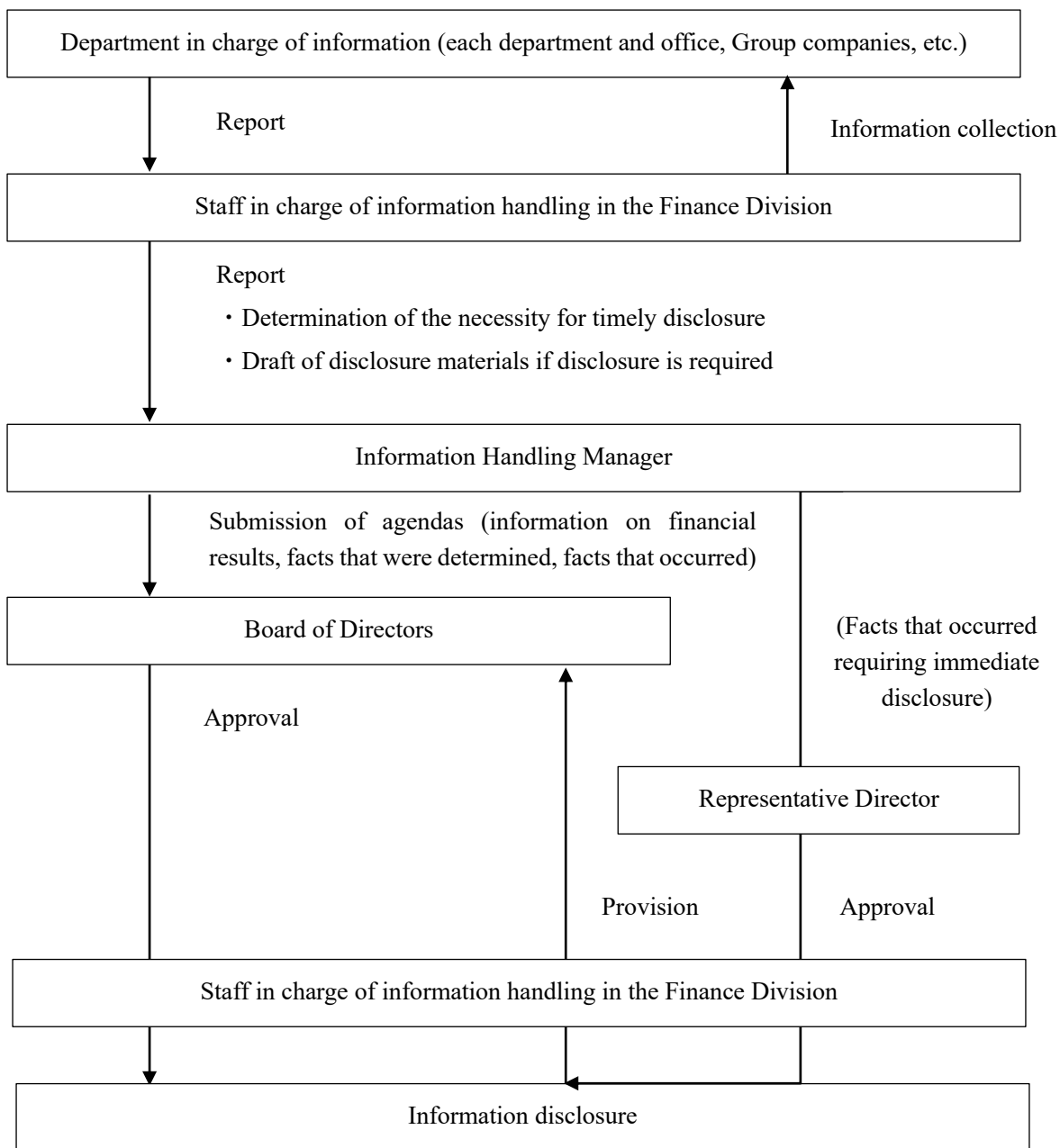
Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	
-	

2. Other Matters Concerning to Corporate Governance System **Updated**

Attached are the flowcharts that illustrate the Company's corporate governance system and timely disclosure procedures for reference.



[Overview of Timely Disclosure Structure (Flowchart)]



Information is disclosed on TDnet, EDINET, the Company’s website, etc.