

Last Update: December 27, 2018

Nadex Co., Ltd.

Toshiyuki Takada, President & Representative Director

Contact: Daisuke Shindo, Director & General Manager - Corporate Administration

Securities Code: 7435

<http://www.nadex.co.jp/>

The corporate governance of Nadex Co., Ltd. (the "Company") is described below.

I Basic Views on Corporate Governance and Basic Information on Capital Structure, Corporate Attributes and Other Matters

1. Basic Views

Based on the recognition that establishment of the corporate governance is extremely important for improving the long-term corporate performance, the Company makes it the basic policy to enhance the management checking function for quick and fair management decision and for keeping the transparency of the corporate management, and to promptly disclose the business status.

Understanding that the Company is in the era of speed and innovative changes, the Company adopts the business management system adaptable to the age, enhances compliance, transparency and fairness, and aims at corporate governance-conscious management system.

【Reasons for Non-compliance with the Principles of the Corporate Governance Code】

As a JASDAQ-listed company, the Company has implemented all the Principles of the Corporate Governance Code.

2. Capital Structure

Foreign shareholding ratio	10% or higher and less than 20%
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【Status of major shareholders】 UPDATED

Name / Company Name	Number of Shares Owned	Percentage (%)
Art Gallery Fujimi Co., Ltd.	1,400,000	15.15
BBH FOR FIELDITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUPPORTFOLIO) (Standing proxy agent: MUFG Bank Ltd.)	795,500	8.61
Japan Trustee Services Bank, Ltd. (Trust Account)	368,200	3.98
Michiko Furukawa	285,600	3.09
Yoshiaki Furukawa	222,000	2.40
Masataka Furukawa	213,918	2.31
Nadex Employee Stock Ownership Plan	194,500	2.10
The Master Trust Bank of Japan, Ltd. (Trust Account)	180,300	1.95
Nomura Securities Co., Ltd.	165,600	1.79
Sumitomo Mitsui Banking Corporation	152,000	1.64

Controlling Shareholder (except for Parent Company)	—
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Parent Company	N/A
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Supplementary Explanation: **UPDATED**

In addition to the above, there are 367,435 treasury shares owned by the Company.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo JASDAQ
Fiscal Year-end	April
Type of Business	Wholesale Trade
Number of Employees (consolidated) as of the end of the Previous Fiscal Year	500 or more and less than 1000

Sales (consolidated) as of the end of the Previous Fiscal Year	10 billion yen or more and less than 100 billion yen
Number of Consolidated Subsidiaries as of the end of the Previous Fiscal Year	Less than 10

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

5. Other Special Circumstances which may have Material Impact on Corporate Governance

None.

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

1. Organizational Composition and Operation

Organizational Composition	Company with Audit & Supervisory Board
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【Directors】

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office of Directors Stipulated in Articles of Incorporation	2 years
Chairperson of the Board of Directors	President & Representative Director
Number of Directors	7
Appointment of Outside Directors	Appointed
Number of Outside Directors	1
Number of Independent Directors	1

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company *												
		a	b	c	d	e	f	g	h	i	j	k		
Yoko Noguchi (Current family name: Haruma)	Lawyer													

* 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 Officer of the listed company or its subsidiary

b Executive Officer or Non-executive Director of the parent company of the listed company

c Executive Officer of the listed company's sister company

d A person whose major trading partner is the listed company, or an Executive Officer of such company

e Major trading partner of the listed company, or its Executive Officer

f Consultant, accounting professional or legal professional who earns a large monetary or other compensation from the listed company other than the compensation for serving as a Director of the listed company

g Major shareholder of the listed company (or Executive Officer of an entity that is a major shareholder)

h Executive Officer of a trading partner of the listed company (if neither d, e nor f applies) (This is marked only when it applies to the named person himself/herself)

i Executive of a company where an executive of the listed company sits at the board as an outside member in exchange. (This is marked only when it applies to the named person only.)

j Executive Officer of a company to which the listed company makes contribution. (This is marked only when it applies to the named person only)

k Others

Outside Directors' Relationship with the Company (2)

Name	Independent Director	Supplementary Information about the Marked Category	Reason for Appointment
Yoko Noguchi (Current family name: Haruma)	Yes	<p>Outside Audit & Supervisory Board Member of Geo Holdings Co., Ltd. (There is no special relationship with the Company.)</p> <p>Outside Audit & Supervisory Board Member of Japan Materials Corporation (There is no special relationship with the Company.)</p> <p>Outside Director of Ichibanya Co., Ltd. (There is no special relationship with the Company.)</p>	<p>Ms. Yoko Noguchi is appointed from the professional point of view as a lawyer to supervise the execution of duties by Directors and to make comment, advice, etc. necessary for deliberation of agenda at Board of Directors Meetings.</p> <p>There are no personal relationships, capital relationships, business relationships or other interests between Ms. Noguchi and the Company.</p> <p>Ms. Noguchi is an Outside Audit & Supervisory Board Member of Geo Holdings Corporation and Japan Material Co., Ltd. as well as an Outside Director of Ichibanya Co., Ltd. There are no personal relationships, capital relationships, business relationships or other interests between the Company and any of those companies.</p>

Establishment of Voluntary Committee(s) Corresponding to Nomination Committee or Remuneration Committee	N/A
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[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	3

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Department

Accounting Auditors periodically report an audit plan and the result of the audit, etc. to Audit & Supervisory Board. In addition, Internal Audit Department keeps close relationship and exchanges information with Audit & Supervisory Board.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	2

Outside Audit & Supervisory Board Member's Relationship with the Company (1)

Name	Attribute	Relationship with the Company *												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Toyohiko Ito	From another company										△			
Yuya Ichihara	CPA										△			

- * 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 Officer of the listed company or its subsidiary
- b Non-executive Director or Accounting Advisor of the listed company or its subsidiary
- c Executive Officer or Non-executive Director of the parent company of the listed company
- d Audit & Supervisory Board Member of the parent company of the listed company
- e Executive Officer of the listed company’s sister company
- f A person whose major trading partner is the listed company, or an Executive Officer of such company
- g Major trading partner of the listed company, or its Executive Officer
- h Consultant, accounting professional or legal professional who earns a large monetary or other compensation from the listed company other than the compensation for serving as a Director of the listed company
- i Major shareholder of the listed company (or Executive Officer of an entity that is a major shareholder)
- j Executive of a trading partner of the listed company (if neither d, e nor f applies) (This is marked only when it applies to the named person only.)
- k Executive Officer of a company where an Executive Officer of the listed company sits at the Board as an outside member in exchange. (This is marked only when it applies to the named person only.)
- l Executive of a company to which the listed company makes contribution. (This is marked only when it applies to the named person only.)
- m Others

Outside Audit & Supervisory Board Member's Relationship with the Company (2)

Name	Independent Director	Supplementary Information about the Marked Category	Reason for Appointment
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Toyohiko Ito	Yes	He was a former Director and Senior Managing Executive Officer of Denso Wave Co., Ltd.	<p>Mr. Toyohiko Ito is appointed in consideration of his experience in corporate management to audit and supervise the execution of duties by Directors and make comments, advice, etc. necessary for deliberation of agenda at Board of Directors Meetings.</p> <p>There are no personal relationships, capital relationships, business relationships or other interests between Mr. Ito and the Company.</p> <p>He assumed office as Director and Senior Managing Executive Officer of Denso Wave Co., Ltd. that has a business relationship with the Company until June 2011. However, the purchase from the company in the Company's total purchase is small and the transactions with the company were made under the general conditions applied to other transactions, and therefore the Company judges that it is unlikely that conflict of interest with general shareholders arise from his appointment.</p>
Yuya Ichihara	Yes	<p>He worked for Deloitte Touche Tohmatsu LLC</p> <p>Outside Audit & Supervisory Board Member of Nagoya Electric Works Co., Ltd.</p> <p>Outside Audit & Supervisory Board Member of MUT Business Outsourcing Co., Ltd.</p>	<p>Mr. Yuya Ichihara is appointed from the professional point of view as a CPA to audit and supervise the execution of duties by Directors and to make comments, advice, etc. necessary for deliberation of agenda at the Board of Directors Meetings.</p> <p>There are no personal relationships, capital relationships, business relationships or other interests between Mr. Ichihara and the Company.</p> <p>He worked for Deloitte Touche Tohmatsu LLC from which the Company requests accounting audit until December 2011. However, he was not engaged in the accounting audit of the Company and the service fee paid by the Company in the total sales of the said audit corporation is insignificant, and therefore the Company judges that it is unlikely that conflict of interest with general shareholders arise from his appointment.</p> <p>Mr. Ichihara concurrently serves as an Outside Audit & Supervisory Board Member of Nagoya Electric Works Co., Ltd., which has a business relationship with the Company. However, the proportion of the number of shares of said company owned by the Company is as small as 0.01%, and the Company's sales to the company is small and the transactions with the company are made under the general conditions applied to other transactions, and therefore the Company judges that it is unlikely that conflict of interest with general shareholders arise from his appointment. In addition, he concurrently serves as an Outside Audit & Supervisory Board Member of MUT Business Outsourcing Co., Ltd., but there is no relationship between the company and the Company such as human relations, capital relationships or business relationships and other interests.</p>

【 Independent Directors/Audit & Supervisory Board Members】

Number of Independent Directors/Audit & Supervisory Board Members	3
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Matters relating to Independent Directors/Audit & Supervisory Board Members

The Company appoints all Outside Directors/Audit & Supervisory Board Members, who meets a qualification set by the TSE, as Independent Directors/Audit & Supervisory Board Members.

【Incentives】

Incentive Policies for Directors	Others
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Supplementary Explanation

The remuneration to Directors/Audit & Supervisory Board Members of the Company consists of base remuneration based on internal rules, bonus linked to short-term performance and restricted stock linked to medium-term performance.

Recipients of Stock Options	
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Supplementary Explanation

【 Director Remuneration】

Supplementary Explanation

The amount of remuneration for the 68th term (from May 1, 2017 to April 30, 2018) was as follows:

Amount of remuneration for Directors 148,077,000 yen (7 persons)

(including the amount of remuneration for Outside Director 3,050,000 yen (1 person))

Amount of remuneration for Audit & Supervisory Board Members 18,551,000 yen (3 persons)

(including amount of remuneration for Outside Audit & Supervisory Board Members, 7,415,000 yen (2 persons))

- (Notes) 1. By resolution of the Ordinary General Meeting of Shareholders (revision 7/25/2006), the upper limit of the total annual remuneration for Directors (excluding salaries for services as employees or Executive Officers for those Directors who serve as such.) was set at 150,000,000 yen. By resolution of the Ordinary General Meeting of Shareholders held on July 25, 2017, the upper limit of the total annual amount of restricted stock for Directors (excluding Outside Directors) was set at 30,000,000 yen. By resolution of the Ordinary General Meeting of Shareholders (revision 7/23/1991), the upper limit of the total annual remuneration for Audit & Supervisory Board Members was set at 20,000,000 yen.
2. The total amount of remuneration includes bonuses for Directors 49,700,000 yen (47,460,000 for Directors (including 420,000 yen for Outside Directors) and 2,240,000 yen for Audit & Supervisory Board Members (including 840,000 yen for Outside Audit & Supervisory Board Members) resolved at the Ordinary General Meeting of Shareholders held on July 24, 2018.
3. The total amount of remuneration includes the provision for reserve for Directors' retirement benefits for the current fiscal year of 3,960,000 yen (3,567,000 yen for Directors (including 50,000 yen for Outside Directors) and 392,000 yen for Audit & Supervisory Board Members (including 125,000 yen for Outside Audit & Supervisory Board Members).
4. The total amount of remuneration includes 11,779,000 yen charged to expense as the restricted stock awarded to Directors other than Outside Directors for the current fiscal year.
5. The total amount of remuneration does not include salaries for services as employees or Executive Officers for those Directors who serve as such.
6. In addition to the above amount of remuneration, the remuneration paid for the Outside Audit & Supervisory Board Members by the Company's subsidiaries for their services as Directors of the subsidiaries is 850,000 yen.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The remuneration to Directors/Audit & Supervisory Board Members of the Company consists of base remuneration based on internal rules, bonus linked to short-term performance and restricted stock linked to medium-term performance. Base remuneration is a fixed remuneration based on the position of respective Director. Total amount of bonuses is based on the calculation taking the net income of the previous term into consideration. Restricted stock compensation is aiming at promoting greater value sharing with shareholders through long-term stable holding of the Company's stock by Directors.

The Company abolished the Directors' retirement benefit system at the end of the 67th Ordinary General Meeting of Shareholders held on July 25, 2017. The amount of remuneration of each Director is decided by the resolution of Board of Directors and the amount of remuneration of each Audit & Supervisory Board Member is decided through consultation with Auditor & Supervisory Board.

The Company resolved at the Ordinary General Meeting of Shareholders that the upper limit of the total annual remuneration for Directors (excluding salaries for services as employees or Executive Officers for those Directors who serve as such.) would be 150,000,000 yen (revision 7/25/2006), the upper limit of the total annual remuneration for Audit & Supervisory Board Members would be 20,000,000 yen, and the upper limit of the total annual amount of restricted stock for Directors (excluding Outside Directors) would be 30,000,000 yen.

【Supporting System for Outside Directors and Audit & Supervisory Board Members】

The Company provides Outside Directors and Outside Audit & Supervisory Board Members with notice, agenda, reference materials, etc. of each Board of Directors Meeting, prior to the meeting.

Pursuant to the regulations and other provisions of Audit & Supervisory Board, the Company makes necessary reports and provides necessary information about status of activities of the organizational units in charge of internal control system establishment, announcement on business performance and forecast, and contents of other important disclosure documents in response to the request of each Audit & Supervisory Board Member.

When Audit & Supervisory Board Members seek to place employees who should support their duties, the Company consults with Audit & Supervisory Board to hold necessary employees.

【Status of Persons who retired from President & Representative Director, etc.】

Name and Other Information of Senior Advisors, Advisors, etc. who have formerly served as President & Representative Director, etc.

Name	Title / Position	Duties	Terms of Employment (full-time / part-time, compensation, etc.)	Date Retired from the President, etc.	Term of Office
Yoshinori Ota	Senior Advisor	Advice on technical matters	Full-time, with remuneration	07/28/2015	Annual contract

Total Number of Senior Advisors/Advisors who is a former President & Representative Director, etc.

1

The Company decides selection and dismissal of Advisors and Senior Advisors by the resolution of Board of Directors. Advisors and Senior Advisors do not attend the Company's Board of Directors Meetings or Executive Committee Meetings, and do not have authority over the Company's management decisions.

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

The Company has adopted an Auditor & Supervisory Board system. Board of Directors oversees business execution and Audit & Supervisory Board conducts audit.

Board of Directors consists of seven Directors, and one Outside Director is appointed. The Company holds regular Board of Directors Meetings once a month in principle, and holds an extraordinary Board of Directors Meeting as necessary. In Board of Directors Meetings, Board of Directors resolves important matters stipulated in laws and regulations, Articles of Incorporation and Board of Directors Regulations, and supervises the execution of duties by Directors.

To audit the execution of duties by Directors from outside the Company, The Company has appointed two of the three Audit & Supervisory Board Members as Outside Members to audit the execution of duties by Directors from the viewpoint of outside the Company. In addition, the Company has appointed one Substitute Audit & Supervisory Board Member provided in Article 329, paragraph 3 of the Companies Act in preparation for the shortage of the number of Audit & Supervisory Board Members stipulated in the laws and regulations.

In addition, Executive Committee that consists of Internal Directors and full-time Audit & Supervisory Board Members has a meeting once a month. Executive Committee deliberates and resolves matters to be discussed by Board of Directors, matters dealt with by Board of Directors, and other important matters concerning management.

Internal Audit Department consisting of two members audits the business execution of each organizational unit including subsidiaries based on the annual plan, and regularly audits the inventory level of goods, products, etc., and long-term inventory, thereby striving for protection of corporate assets, enhancement of management efficiency, and early detection of abnormalities.

The Company concludes advisory service agreements with an attorney and a licensed tax accountant to receive advice as needed.

With respect to the accounting audit, the Company concludes audit agreement with Deloitte Touche Tohmatsu LLC. that conducts periodical audits, investigates accounting issues of the Company and provides the Company with proposals for improvement, thereby striving for proper accounting practices.

The names of certified public accountants who performed the accounting audit work and the composition of assistants in the accounting audit work in the 68th term (from May 1, 2017 to April 30, 2018) are as follows:

- Name of certified public accountant who performed the Company's accounting audit work
 - Kazuhiro Kido – CPA and Designated Limited Liability Employee & Engagement Partner
 - Hirokazu Miura – CPA and Designated Limited Liability Employee & Engagement Partner
- Composition of assistants pertaining to the Company's accounting audit work
 - CPA : 7 members
 - Others: 13 members

Regarding the policy for deciding audit fees, the Company decides on the consent of Audit & Supervisory Board, in consideration of the contents of the audit plan, the number of days required, and the number of persons engaged in the audit plan presented by the CPA Auditors, etc.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted an Audit & Supervisory Board system. Board of Directors oversees business execution and Audit & Supervisory Board conducts audit.

The Company nominates one Outside Director and two Outside Audit & Supervisory Board Members, who conduct audit or supervision of the business execution at Board of Directors Meetings, etc. from independent standpoint, thereby enhancing the fair management judgment and transparency of the management. The Company has adopted Audit & Supervisory Board system based on the judgment that the management system explained under item 2 "Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" could realize the proper corporate governance.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures for Vitalizing the General Meetings of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Meetings of Shareholders	The Company strives for early notification so that shareholders can ensure enough time for reviewing the agenda of the General Meeting of Shareholders. Date of General Meeting of Shareholders: July 24, 2018 Date of mailing out the Notice: July 6, 2018 Date of posting the Notice on Website: June 29, 2018
Set up date of General Meetings of Shareholders avoiding dates crowded with other companies' shareholders meetings	The Company has decided to hold an Ordinary General Meeting of Shareholders in July in "Articles of Incorporation". The Ordinary General Meeting of Shareholders for the fiscal year ended April 30, 2018 was held on July 24, 2018.
Others	The Company posts the notice of convocation, notice of resolutions, results of exercising voting rights on the website. In addition, the Company is promoting visualization by utilizing PowerPoint documents containing narration at General Meetings of Shareholders, thereby striving to make business reports easy for shareholders to understand.

2. IR Activities

	Supplementary Explanation	Explanation by Representative
Posting IR materials on the Website	URL: http://www.nadex.co.jp/ The progress of business results can be found in IR materials, financial results briefing, etc.	
Establishment of Organizational Units (Persons in Charge) in Charge of IR	Department in Charge of IR: Business Management & Legal Department Director in charge of IR: Daisuke Shindo - Director & General Manager Corporate Administration Person Responsible for Contact on IR Matters: Masataka Furukawa - Director & General Manager IR Department	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Implementation of Environmental Activities, CSR Activities, etc.	The Company has acquired ISO9001 and ISO14001 certification as a part of CSR activities. The Company is working to improve the quality of products, goods and services, and to comply with laws and regulations in accordance with ISO9001, and engaged in business activities in accordance with ISO14001, considering impacts on the global environment. The Company continues to make improvements in both initiatives to contribute to the society by improving customer satisfaction and harmonizing with local communities.
Development of Policies on Information Provision to Stakeholders	The Company pledges in "Nadex Group Business Code of Conduct" that the Company provides timely and appropriate disclosure of corporate information and ensures transparency of management.
Others	The Company is working on creating a comfortable working environment as a part of promotion of female employees' activities, and has established various regulations and rules concerning childbirth, childcare, etc. As of the date of submission of this report, there is one female Director, no Audit & Supervisory Board Members and five female managerial persons appointed as Chief or higher position.

IV Matters Related to the Internal Control System, etc.

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

The Company has resolved at a Board of Directors Meeting on the "systems to ensure the appropriateness of operations" stipulated in the Companies Act of Japan and the Ordinance for Enforcement of Companies Act. The outline is as follows:

- (1) Systems necessary to ensure that the execution of the duties by Directors and employees complies with the laws and regulations and the Articles of Incorporation
 - a. The Company makes Directors take the initiative in and familiarize all employees with complying with Nadex Group Business Code of Conduct and Nadex Group Employee Code of Conduct based on the Nadex Group's common management philosophy. Furthermore, in order to thoroughly enforce this throughout the Company, the Company has established Risk and Compliance Committee chaired by the President & Representative Director, placing responsible personnel in each organizational unit, thereby establishing, maintaining and promoting compliance structure.
 - b. The Company has established and made everyone familiarize the whistleblowing system with special communication route that can be used independently from ordinary communication routes so that Directors or employees can report any compliance violation or possible compliance violation when they become aware of it,
- (2) Systems for proper recordkeeping and information management concerning the execution of duties by Directors

The Company appropriately preserves and manages (including disposal) the information and documents concerning the execution of duties by Directors in accordance with the Company's internal regulations and rules, and verifies the status of the operation and reviews each regulation or rule as needed. Director in charge regularly reports these matters to Board of Directors.
- (3) Systems concerning management of the Company's exposure to the risk of loss and other systems
 - a. The Company has established Nadex Group Risk Management Regulations for the purpose of minimizing tangible and intangible damages to the Company and society by identifying, classifying and evaluating risks that impede the achievement of business goals, and taking appropriate measures when risk occurs. The Company is deploying organizational activities based on Nadex Group Risk Management Guideline stipulating concrete activities.
 - b. The Company has established Risk and Compliance Committee as an organization for promoting risk management to manage the risks to Nadex Group exhaustively and comprehensively and periodically review measures to mitigate the risks.
- (4) System to ensure efficient execution by the Company's Directors of their duties
 - a. As for the management of business plan, every business execution unit of the Company strives to achieve the goal based on the annual plan and three-year mid-term business plan developed the Company's management philosophy in mind. In addition, Director in charge periodically checks whether the activities towards the management goal are in progress as originally scheduled through monthly performance reporting.
 - b. Regarding management of business execution, matters stipulated by Board of Directors Regulations and matters falling under the rules for submitting proposals to Board of Directors are all transferred to Board of Directors that has a meeting once a month, and matters that have been commissioned by Board of Directors and other important matters concerning management are submitted to Executive Committee that has a meeting once a month, and prompt and accurate management decisions and a flexible business execution system are taken.
 - c. In carrying out duties in daily work, the authority is delegated according to Administrative Authority Regulation, Segregation of Duties Regulation, etc. and the person responsible at each level carries out business activities according to each regulation.
- (5) Systems to ensure the properness of business activities of the corporate group comprised of the Company and its subsidiaries
 - a. The Internal Audit Department conducts audits to find out risk information of subsidiaries and to prevent inappropriate transactions or accounting processes between the Company and its subsidiaries.
 - b. When a risk of loss is found at a subsidiary or an inadequate transaction or accounting processing between the Company and the subsidiary is discovered, General Manager of Internal Audit Department reports to President & Representative Director concerning the contents of the risk of loss discovered, magnitude of the loss and the influence on the Company, etc. without delay.
 - c. The Company conducts appropriate business management for major subsidiaries and affiliates according to the Affiliated Company Management Regulation.
 - d. Some of Directors, Audit & Supervisory Board Members or employees of the Company concurrently serve as Director or Audit & Supervisory Board Member of a subsidiary, attend Board of Directors Meetings, etc. of the subsidiary to be held on a regular basis and receives reports on business performance, financial condition and other important information.
 - e. Each business execution unit belonging to Corporate Administration Division and Global Business Division, etc. regularly provides support and guidance so that the operations of the subsidiaries are performed properly.
- (6) Matters concerning employees who are tasked to assist the execution of duties by Audit & Supervisory Board Members, matters concerning their independence from Directors, and matters concerning insurance of effectiveness of instructions to them
 - a. When Audit & Supervisory Board Members seek to place employees who should support their duties, the Company consults with Audit & Supervisory Board to hold necessary employees.
 - b. Employees who should support the duties of Audit & Supervisory Board Members shall not engage in the business of the Company, except in the case where the consent of Audit & Supervisory Board is obtained, and performs duties under the command and order of the Audit & Supervisory Board Members.
 - c. Decision on personnel changes, evaluations, disciplinary actions of the employees who should support the duties of Audit & Supervisory Board Members shall be subject to the prior consent of Audit & Supervisory Board.
- (7) Systems to ensure for Directors and employees of the Company, Directors, Audit & Supervisory Board Members and employees of subsidiaries, and persons who have received reports from them, to report to Audit & Supervisory Board of the Company, and to ensure other reporting to Audit & Supervisory Board, and to ensure effective audits by Audit & Supervisory Board of the Company.
 - a. Pursuant to the regulations and other provisions of Audit & Supervisory Board, Directors and employees of the Company, Directors, Audit & Supervisory Board Members and employees of subsidiaries, and persons who have received reports from them make necessary reports and provide necessary information about status of activities of the organizational unit in charge of internal control system establishment, announcement on business performance and forecast, and contents of other important disclosure documents in response to the request of each Audit & Supervisory Board Member.

- b. Audit & Supervisory Board Members attend Board of Directors Meetings and other important meetings of the Company and check business execution status, management status, etc., and request explanations from Directors or employees of the Company.
 - c. Audit & Supervisory Board receives reports from General Manager of Internal Audit Department about a plan of internal audit to be conducted by Internal Audit Department and the results thereof.
 - d. Audit & Supervisory Board Members convene meetings as necessary to exchange opinions with Directors and employees of the Company.
 - e. Audit & Supervisory Board Members exchange information with Internal Audit Department and Accounting Auditors to ensure close collaboration.
- (8) System to ensure that those who gave a report to Audit & Supervisory Board will not receive unfavorable treatment because of their reporting.
The Company stipulates, in Nadex Group Internal Reporting System Manual, that the Company shall not make dismissal, termination of employment contract or any other unfavorable treatment against the person who consulted or gave a whistleblowing report because of their act of consultation or whistleblowing.
- (9) Matters concerning policy on advance payment or reimbursement of expenses for execution of duties by Audit & Supervisory Board Members and other procedures on treatment of expenses and debts for execution of their duties
In the event that an Audit & Supervisory Board Member makes a request for advance payment or reimbursement of expenses for execution of duties, the Company promptly deals with such expenses or debts unless they are deemed not necessary for the execution of the duties of the Audit & Supervisory Board Member.
- (10) Systems to ensure the reliability of financial reporting
In order to ensure the reliability of financial reporting, the Company has established "Basic Plan and Policy of Internal Control over Financial Reporting", and a system whereby internal control over financial reporting is effectively and appropriately conducted. The Company continually operates and evaluates the system, and makes necessary improvement and takes necessary corrective action.
- (11) System to Eliminate Anti-social Forces
The Company has established "Nadex Group Corporate Code of Conduct" and "Nadex Group Employee Code of Conduct" and responds to anti-social forces and organizations that threaten the order and safety of civil society with a resolute attitude.

2. Basic Principles for Exclusion of Anti-social Forces and Status of their Implementation

The Company stipulates the attitude against anti-social forces in the "Nadex Group Corporate Code of Conduct" and "Nadex Group Employee Code of Conduct" as follows:

- Nadex Group Corporate Code of Conduct "Attitude against Anti-social Forces"
Nadex Group firmly confronts anti-social forces and organizations that pose a threat to the order and safety of civil society.
- Nadex Group Employee Code of Conduct
We respond to anti-social forces with a resolute attitude.
 - (1) If we receive unfair requests from anti-social forces such as corporate racketeers and crime syndicates, we respond with a resolute attitude instead of taking easy solution by paying money, etc.
 - (2) We do not conduct any transaction with anti-social forces or business partners related to anti-social forces.

Others

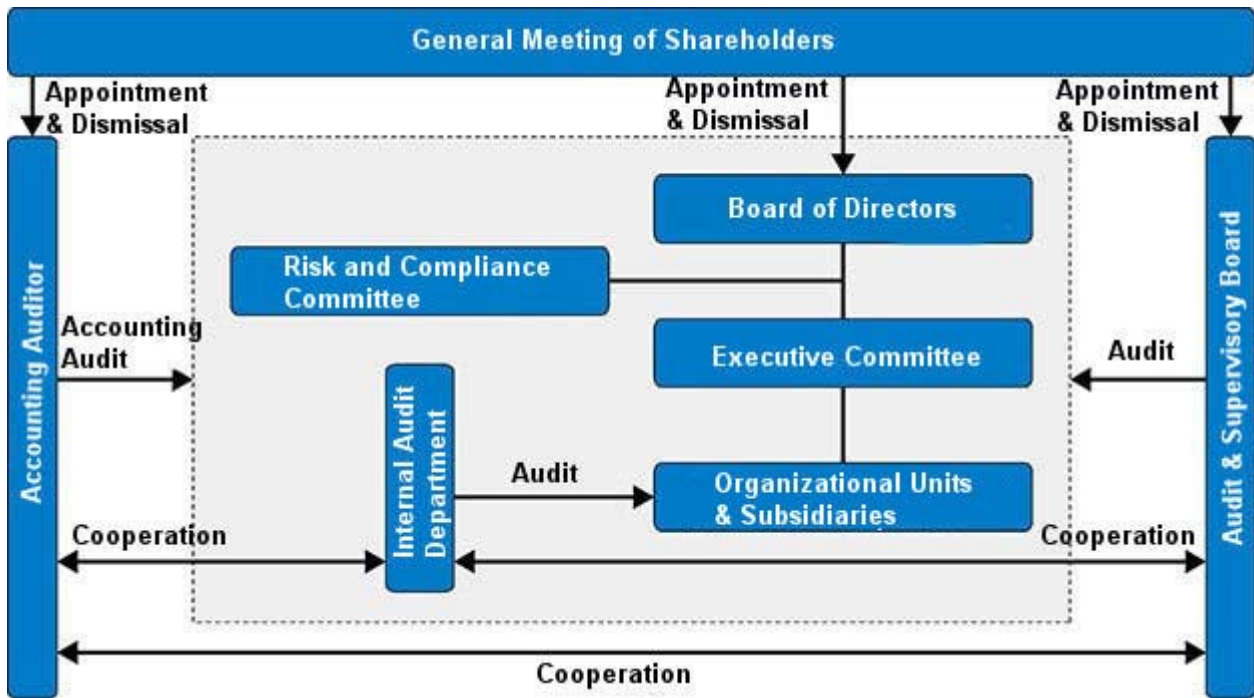
1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not adopted.

Supplementary Explanation

2. Other Matters Concerning Corporate Governance Systems, etc.



[Outline of the Corporate System for the Timely Disclosure of the Corporate Information (Schematic)]

