Basic Policy

Daido Steel views corporate governance as one of the key issues for management in today's rapidly changing business environment. We strive to increase management efficiency, accelerate and improve decision-making, and ensure management transparency.

In addition to determining the Daido Steel Group Management Philosophy and Guidelines, the Company has also established the Daido Steel Corporate Code of Ethics to clarify its responsibilities as a corporation that contributes to society. Through these measures, the Company endeavors to maintain its foundation as a corporation that is open to society.

Governance System

Daido Steel uses an Audit & Supervisory Board system. By using a system that supervises and oversees business execution through a Board of Directors, including three external directors, and an Audit & Supervisory Board, including two external Audit & Supervisory Board members, Daido Steel enhances its corporate governance, optimizes and accelerates decision-making and secures fair and transparent management.

Internal Control System

Risk Management Initiatives

Daido Steel emphasizes risk management and legal compliance in its management. Specifically, the Company has set out basic points for risk management in the Risk Management Regulations. In addition, we have established a Corporate Risk Management (CRM) Committee to discuss management of projected upcoming and latent risks within the Group.

The Company has appointed a director who is responsible for the Company-wide supervision of risk management and compliance.

The Company has formulated regulations for emergency countermeasures in the event of a major accident or other issue, with the purpose of promptly sharing information with concerned parties, speedy and smooth response to the issue, and minimizing the impact on business activities. The Company disseminated the regulations to all employees and Group companies while determining rules for emergency countermeasures and contact systems with the Group companies. The Company and Group companies also participate in Group CRM study sessions for information exchange and the study of auditing techniques related to risk management, compliance, internal controls and other topics.
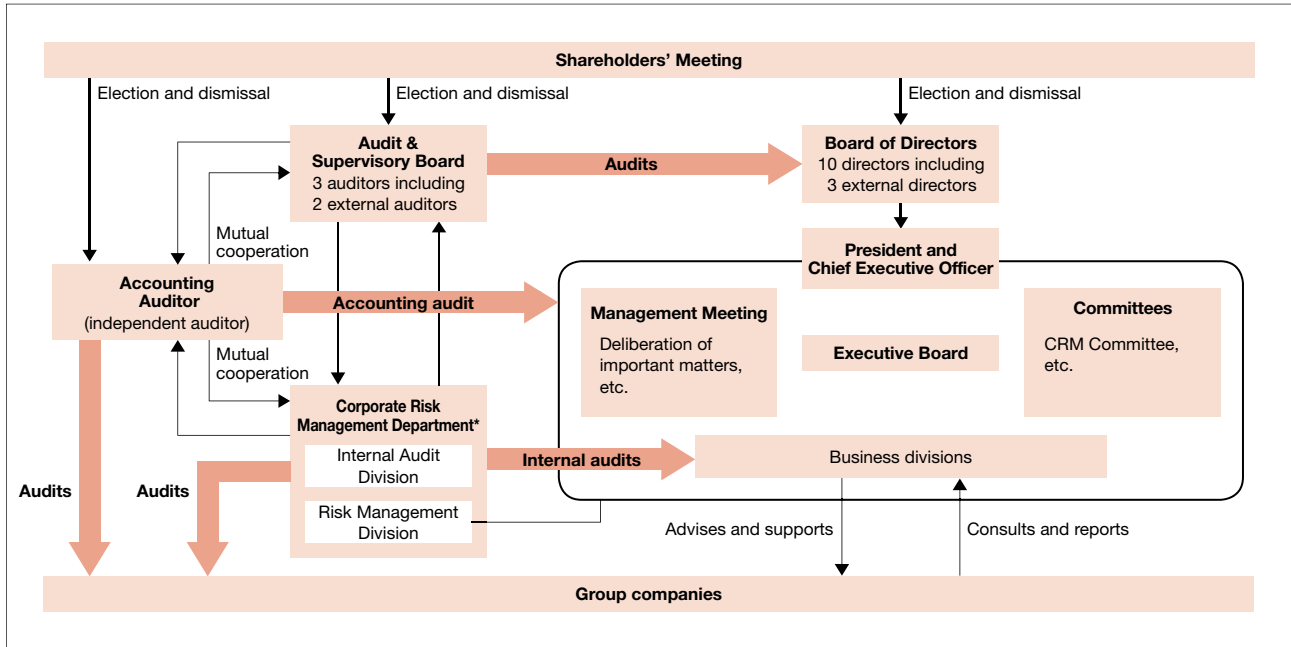
Efforts to Enhance Compliance

Daido Steel has established the Daido Steel Corporate Code of Ethics and the Daido Steel Code of Conduct, and works to disseminate them to all employees and Group companies. The Company also maintains a hotline for the purpose of consultation and reporting on compliance for employees in charge of risk management and compliance, as well as directors in charge of management, divisions in charge, and outside attorneys.

Efforts to Ensure the Reliability of Financial Reporting

The Daido Steel Group prescribes the basic points for system improvement and operation in the Internal Control Regulations to ensure the reliability of financial reporting and enhance the level of response of the Company and Group companies to J-SOX, and has established a CRM Committee.

MECHANISM FOR BUSINESS EXECUTION, AUDIT, SUPERVISION AND INTERNAL CONTROL

(As of June 26, 2019)

Shareholders' Meeting

Election and dismissal — Election and dismissal — Election and dismissal

Audit & Supervisory Board
3 auditors including 2 external auditors

Audits →

Board of Directors
10 directors including 3 external directors

Accounting Auditor (independent auditor)

Mutual cooperation

Accounting audit →

President and Chief Executive Officer

Mutual cooperation

Corporate Risk Management Department*
- Internal Audit Division
- Risk Management Division

Management Meeting
Deliberation of important matters, etc.

Executive Board

Committees
CRM Committee, etc.

Internal audits → Business divisions

Audits — **Audits**

Advises and supports — Consults and reports

Group companies

OFFICERS

CHAIRPERSON OF THE BOARD OF DIRECTORS, REPRESENTATIVE EXECUTIVE DIRECTOR

Tadashi Shimao

PRESIDENT & CEO, REPRESENTATIVE EXECUTIVE DIRECTOR

Takeshi Ishiguro

REPRESENTATIVE EXECUTIVE DIRECTORS, EXECUTIVE VICE PRESIDENTS

Tsukasa Nishimura

Kazuto Tachibana

DIRECTORS, MANAGING EXECUTIVE OFFICERS

Satoshi Yoshida

Hajime Amano

DIRECTOR, EXECUTIVE OFFICER

Akihito Kajita

DIRECTORS (OUTSIDE DIRECTORS)

Shuji Soma

Hitoshi Tanemura

Mutsuko Jinbo

MANAGING EXECUTIVE OFFICERS
Kazuhiko Hirabayashi
Yoshiaki Mori
Hirotaka Yoshinaga
Takaaki Taketsuru

EXECUTIVE OFFICERS
Hiroshi Matsui
Tetsuya Shimizu
Kazuhiro Toshimitsu
Yuji Noguchi

Toshiaki Yamashita
Tadayuki Kashima
Tatsushi Iwata
Tatsuya Ishihama

Ikuo Sugie
Hisashi Hirose

AUDIT AND SUPERVISORY BOARD MEMBERS
Susumu Shimura
Kiyoshi Mizutani
Kenji Matsuo