

## 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, in order to clarify our responsibilities as a company contributing to society, Daido Steel has established a Risk Management Committee. The Company has also implemented the Daido Steel Corporate Code of Ethics, and is working to improve its basic structure as a company open to society. In order to ensure the reliability of its financial reporting, the Company has set up an Internal Control Committee.

## 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 two 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.

At the 91st Shareholders' Meeting held on June 26, 2015, the Company also instituted an executive officer system to clearly distinguish the responsibilities of strategy formulation and management oversight functions and business execution.

## Internal Control System

### ***Risk Management Initiatives***

Daido Steel emphasizes risk management and legal compliance in its management. To this end, the Company has set out basic points for risk management in the Risk Management Regulations. In addition, the Risk Management Committee discusses 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.

In preparation for a major accident or other problem, relevant information is shared with all concerned people, and speedy and smooth countermeasures are formulated. The Company has also formulated regulations for emergency countermeasures in the event of a major accident, aimed at minimizing the impact of the accident or other problem on business activities, and disseminated the regulations to all employees and Group companies.

Furthermore, in response to any major share-purchase activity (for example, purchases of the Company's shares aimed at increasing the voting rights of a specific shareholders' group to over 20%), Daido Steel will implement takeover defense measures from the perspective of ensuring and improving corporate value and, by extension, the shared beneficial interests of all shareholders.

### ***Efforts to Enhance Compliance***

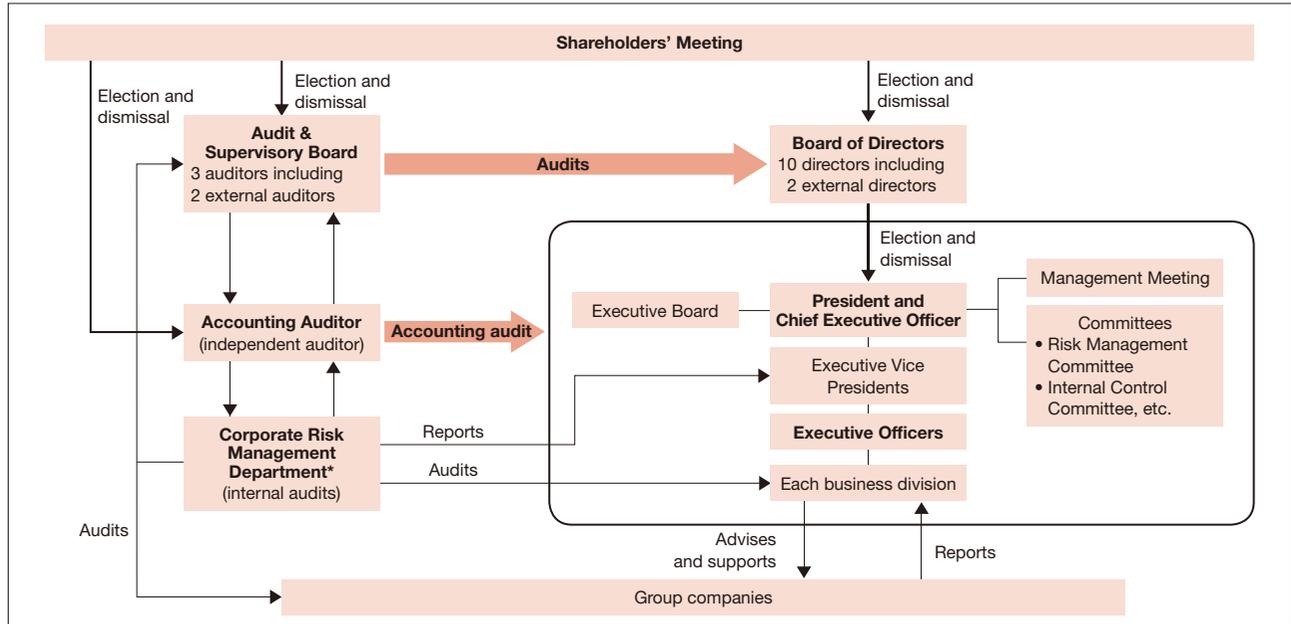
Daido Steel has established the Daido Steel Corporate Code of Ethics and the Daido Steel Code of Conduct, and works to disseminate them to all employees and Group companies. The Company also maintains a hotline for consultation and reporting by employees regarding compliance, as well as directors in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

### ***Efforts to Ensure the Reliability of Financial Reporting***

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

**MECHANISM FOR BUSINESS EXECUTION, AUDIT, SUPERVISION AND INTERNAL CONTROL**

(As of June 28, 2017)



\* As of June 28, 2017, Daido has realigned its organization to strengthen the auditing and risk management operations, and changed the Auditing Department to the Corporate Risk Management Department.

**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



Satoshi Tsujimoto



Susumu Shimura



Takeshi Muto

**MANAGING EXECUTIVE OFFICERS**



Kazuhiko Hirabayashi



Hajime Amano



Yoshiaki Mori

**DIRECTORS (OUTSIDE DIRECTORS)**



Tadashi Imai



Hitoshi Tanemura

**EXECUTIVE OFFICERS**

Hiroataka Yoshinaga  
Tomoki Hanyuda  
Kimihiro Seki  
Hiroshi Matsui

Kunihito Kawanishi  
Takaaki Taketsuru  
Tetsuya Shimizu  
Kazuhiro Toshimitsu

Akihito Kajita  
Yuji Noguchi  
Toshiaki Yamashita

**STANDING CORPORATE AUDITORS**

Toshinori Koike  
Shinichi Nishikawa

**CORPORATE AUDITOR**

Kenji Matsuo