

Corporate Governance

Daido Steel positions strengthening corporate governance as one of its highest priorities and is taking numerous actions. The company views this as essential to improving management efficiency and accelerating decision-making, as well as to ensuring the transparency of management. Additionally, measures are being taken to build a framework that makes Daido Steel a responsible corporate citizen. In particular, the company has set up a Crisis Management, Ethics and Compliance Committee and has established a corporate Code of Ethics.

Corporate Governance System as of March 31, 2005

Internal controls

Compliance, environmental management, safety management, quality assurance and other control-related activities are performed by departments established for this purpose. Daido Steel's Internal Auditing Department constantly monitors these activities to verify that controls are functioning in a manner that is legal, effective and efficient. Furthermore, each department performs its own periodic self-inspections to confirm that operations conform with regulations and are proper in all other respects. The Internal Auditing Department frequently submits reports concerning audits and self-inspections to senior management.

Daido Steel's Internal Auditing Department takes steps to upgrade internal control at all Group companies. Actions include conducting periodic audits at Group companies to confirm that internal controls are functioning properly.

Audits by corporate auditors

Daido Steel has a management system that uses corporate auditors. The Company has two external corporate auditors and one external director. These individuals use their respective viewpoints to enhance corporate governance by auditing and supervising the activities of the directors. In the past fiscal year, Daido Steel's corporate auditors were also named auditors of certain subsidiaries for the purpose of strengthening the Group oversight audit framework.

Compliance and risk management

The Daido Steel Crisis Management, Ethics and Compliance Committee meets regularly to discuss measures to eliminate and prevent certain anticipated risks as well as responses in the event of a crisis. Another role is to ensure that compliance is an important element of management activities. During the past fiscal year, one of the major areas addressed by the committee was systems to respond to a major earthquake in the Tokai area, which includes the prefectures of Shizuoka, Aichi (Nagoya), Mie and Gifu.

The Committee maintains a hotline providing direct contact with the Daido Steel director in charge of compliance and an external attorney. Daido Steel has also formulated a corporate Code of Ethics and a code of conduct and makes certain that employees of all Group companies fully understand these codes. Additionally, Daido Steel and Group companies are identifying and studying all latent risks to determine proper countermeasures. Through these actions, the entire Group is working on reinforcing its ability to manage risk.

One of Daido Steel's highest priorities is disclosing quarterly and full-year financial information to investors with speed and transparency. The Company is committed to making further improvements concerning the openness and speed of its management.

On April 1, 2005, Japan began enforcing all elements of the Personal Information Protection Law. In response, Daido Steel is conducting training activities based on a Company-wide information protection framework and preparing internal regulations and manuals.