

## 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. At the 91st Shareholders' Meeting held on June 26, 2015, an amendment to the articles of incorporation stipulated that there be a maximum of 15 directors (from the previous maximum of 30), Board of Directors meetings, a maximum of 4 Audit & Supervisory Board members and meetings of the Audit & Supervisory Board and corporate auditors. Based on these changes to the articles of incorporation, Daido Steel reduced the number of its directors from 21 to 9. 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.

In addition, where there had conventionally been one external director at Daido Steel, two external directors were appointed at the 91st Shareholders' Meeting to strengthen the Board of Directors' supervisory functions.

By using a system that oversees and supervises 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.

## 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 also appoints 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*

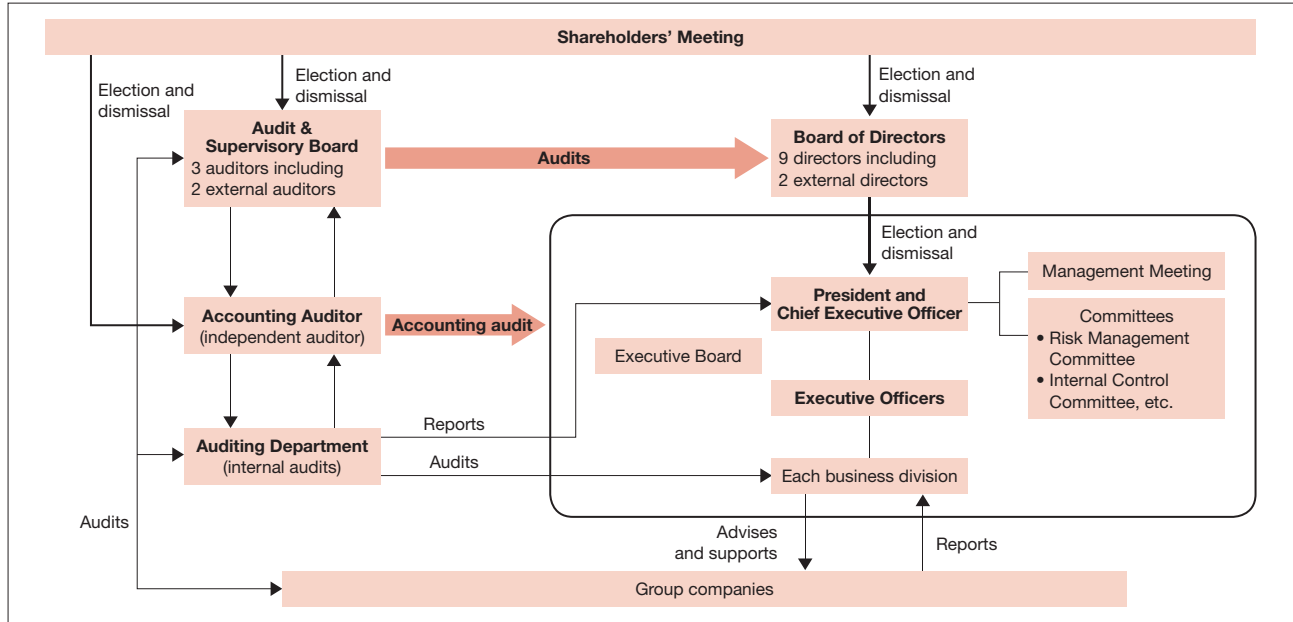
Daido Steel has established the Daido Steel Corporate Code of Ethics and the Daido Steel Code of Conduct, and works to disseminate them to all employees and Group companies. The Company also maintains a hotline for consultation and reporting by employees regarding compliance, as well as directors in charge of compliance and risk management, 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 26, 2015)



**OFFICERS**

**PRESIDENT & CEO,  
REPRESENTATIVE  
EXECUTIVE  
DIRECTOR**



Tadashi Shima

**REPRESENTATIVE EXECUTIVE DIRECTORS,  
EXECUTIVE VICE PRESIDENTS**



Michio Okabe



Motoshi Shinkai



Takeshi Ishiguro

**DIRECTORS,  
MANAGING EXECUTIVE OFFICERS**



Akira Miyajima



Yasuhiro Itazuri

**MANAGING EXECUTIVE OFFICERS**



Hajime Takahashi



Kazuto Tachibana



Tsukasa Nishimura



Satoshi Tsujimoto

**DIRECTOR,  
MANAGING  
EXECUTIVE OFFICER**



Susumu Shimura



Shinji Naruse



Shinji Fujino



Hitoshi Tanemura

**DIRECTORS  
(OUTSIDE DIRECTORS)**

**EXECUTIVE OFFICERS**

Shuji Matsubuchi  
Takeshi Muto  
Kazuhiko Hirabayashi  
Hajime Amano

Yoshiaki Mori  
Hiroataka Yoshinaga  
Atsumi Hatano  
Yuji Kamiya

Tomoki Hanyuda  
Kimihiko Seki

**AUDIT & SUPERVISORY BOARD MEMBERS**

Toshinori Koike  
Shigenobu Tokuoka  
Yukichi Ozawa