

Corporate Governance

Basic Stance on Corporate Governance

At JSW, we believe we must earn the trust of all our stakeholders, including our shareholders, clients and employees, not merely to raise our enterprise value, which comprises both the Company's economic value and its value to society in the broader sense, but to make possible our very existence.

We have, therefore, designed a set of management structures to ensure an effective system of corporate governance, and strive to facilitate appropriate disclosure of corporate information so as to achieve the level of management transparency demanded by investors today.

An Outline of Our Corporate Governance System

The Company employs the traditional statutory auditor system, comprising eight directors (one of whom is an outside director) and four statutory auditors (hereafter, "corporate auditors"), of whom two are outside auditors.

The term of office of directors is one year, and we have adopted the corporate officer system and separated the decision-making and oversight functions from the executive functions performed by the corporate officers. In this way, we have taken steps to speed up management decision-making and enhance the performance of both oversight and executive functions.

In principle, the Board of Directors' meeting is convened once a month. At the meeting, decisions and reports are made on matters of importance to the management of the Company, including basic management policies and matters stipulated by legal statute. Board of Directors' meetings are also attended by senior executive officers and those of higher rank, and are positioned as an oversight body with respect to the performance of their duties by the directors and corporate officers.

In addition, an Executive Board composed of four representative directors and other directors designated by the President meets once each week, with one outside director and one corporate auditor also in attendance (corporate auditor chosen by rotation), to discuss and make decisions on matters of management importance and other matters of importance to the

performance of their duties by the directors and corporate officers, as well as to discuss, report, and monitor matters relating to overall management of the Company.

In addition to these bodies, the Management Council, consisting of directors, corporate auditors, the heads of operating divisions, plant general managers and managers at corporate headquarters, and other persons with executive responsibility, convenes once a month in principle. The Management Council analyzes the business environment, monitors the progress of business plans, and ensures that knowledge is widely shared among the Company's management and is reflected in their decisions and that risk management and compliance are rigorously observed.

The Board of Corporate Auditors consists of four corporate auditors, of which two are outside corporate auditors with one serving full-time. The Company's corporate auditors attend meetings of the Board of Directors, the Executive Board, the Management Council and other important meetings. They also pay regular inspection visits to the Company's plants and key offices and to major Group subsidiaries once during each half of the fiscal year, as a general rule. Meanwhile, they receive important reports from respective divisions when needed and exchange views with directors and key employees. Based on these efforts, they express their views to management from an objective and neutral point of view, and exercise strict oversight with regard to the execution of Company directors' duties.

Our Internal Control and Risk Management System

JSW regards it as a management issue of crucial importance to have an effective internal control system in place to ensure the correct performance of business operations. We are, therefore, working to improve our system of internal control in line with our Basic Policy on Internal Control Systems resolved at the meetings of the Board of Directors, in addition to the Regulations Regarding the Promotion of Internal Control Activities (one of the Company's internal regulations). In addition, we will respond to social changes and work to achieve a more appropriate and efficient system by properly reviewing internal control issues and responses.

The points below delineate the fundamental stance adopted by the management of JSW toward the issue of internal control, and highlight the progress we have achieved thus far in strengthening the Company's internal control system.

1. Improving the internal control system

In addition to setting up a specialist unit dedicated to supervising the Company's internal control system, the Internal Control Committee holds meetings on an ad hoc basis, as deemed necessary.

2. Observance of legal regulations and the Company's Articles of Incorporation

JSW does not limit compliance to the prevention of illegal acts and the observance of legal regulations and the Company's in-house rules, but instead views compliance in the broader context of general social responsibilities and upholds a wide variety of rules and regulations. The key to success for compliance activities lies in having directors and corporate officers take the initiative in setting an example and practicing truthfulness, while raising employee awareness on compliance issues through education and training.

JSW has established a department responsible for internal audits to ensure that the Company's overall operations observe all laws and regulations, as well as in-house rules. In addition to periodic

audits, this department conducts spot audits, as deemed necessary. The results of these audits are reported to the president and relevant parties including, as appropriate, the Board of Directors, the Executive Board, the Management Council and the Corporate Auditors.

We have also created a system comprising internal and external routes for reporting and discussing compliance violations when discovered, which guarantees anonymity and protection from reprisal.

The Company has clarified in its Corporate Code of Conduct its policy of strict opposition to the activities of criminal organizations or individuals and it takes firm action to eliminate these anti-social forces through the establishment of a single dedicated office for the communication of relevant information and the management of countermeasures.

3. Safeguarding and management of information

The Company appoints a director or corporate officer to the task of ensuring the safeguarding and management of information. In accordance with rules and regulations governing the management of documents and information, the Company stores and manages important information related to the execution of directors' and corporate officers' duties including the minutes of important meetings and written requests for management decision approval (*ringisho*), and other important documents as written documents or as electronic records held for safekeeping.

Further, directors and corporate auditors are able to access and view or copy this information as needed.

The Company also discloses financial and important management information in a timely and appropriate manner.

4. Risk management

At JSW, directors, corporate officers and employees who concurrently serve as the managers understand and evaluate the risks involved in carrying out their duties in their divisions, and accordingly respond to

risks within the scope of their authority as stipulated by regulations and the system for management decision approval (*ringi* system).

Moreover, key risk factors are discussed at meetings of the Board of Directors or of the Executive Board.

The Company has established regulations for risk management and defined a Companywide risk management system. With respect to risk based on functions such as safety and hygiene, environmental management, information security, and security export controls, the relevant division in charge of those risks sets up committees or creates regulations for managing each of those risks across division boundaries and then appropriately manages them.

Moreover, a director or corporate officer of the Company has been placed in charge of risk management, and is accordingly tasked with monitoring such matters in collaboration with the department responsible for internal audits and reporting to the Board of Directors or the Executive Board.

Risk managers are assigned within each division at the headquarters, within each business unit, and at each plant. These risk managers ascertain the appropriateness of existing measures and work to identify everyday risks. In the case of critical risk situations, a crisis management headquarters is established to provide the appropriate response. In this way, we are addressing risks under both ordinary and extraordinary circumstances.

5. Ensuring efficient performance of duties

To ensure rapid decision-making and the flexible and efficient performance of management duties, the president has been made the chief executive officer, and directors have been put in charge of the performance of duties in key departments within headquarters and business units. Under their leadership and supervision, the corporate officers appointed by the Board of Directors perform the duties delegated to them.

Moreover, the directors and corporate officers discuss, decide and report important matters in meetings of the Board of Directors and the Executive

Board.

At JSW, Companywide goals applicable among directors, corporate officers and employees and incorporated into the Company's Medium-Term Management Plan and business plans are established at Board of Directors' meetings. Meanwhile, each director and corporate officer develops concrete measures for achieving these goals, while duties are segregated in line with in-house regulations and specific measures are planned and implemented.

Furthermore, directors and corporate officers conduct reviews of the results and provide periodic progress reports, as well as impromptu reports at meetings of the Board of Directors, the Executive Board and the Management Council.

6. Ensuring appropriate management conduct at Group companies

The Company encourages its subsidiaries to follow its Vision, Management Philosophy and Corporate Code of Conduct, and also create their own systems of internal controls. In addition, the Company supports the autonomy of their management.

The Company has drafted regulations concerning the operation and management of its subsidiaries and has clarified the system of management responsibility and leadership for them. Moreover, the Company is creating a system whereby reports and notifications can be made regarding subsidiaries' decisions on important issues and other matters of concern, and data can be collected. At the same time, the Company is careful to ensure a certain amount of management independence of its listed subsidiaries.

JSW dispatches its officers and employees as directors and corporate auditors to Group subsidiaries. Also, to ensure our subsidiaries' strict adherence to all laws and regulations, as well as in-house company regulations, we request that these companies conduct in-house audits, either periodic or spot audits, through the departments in charge of each subsidiary, and also by a department responsible for the internal auditing of subsidiaries. We also directly audit operations and provide guidance for improving internal controls of subsidiaries.

7. Appointing staff to assist corporate auditors, and ensuring the independence thereof

The Company appoints staff from among its employees to assist the corporate auditors in the performance of their duties, upon request. The opinions and consent of the corporate auditors themselves are sought with respect to the appointment and dismissal of the said staff and all other personnel-related measures such as performance evaluation and compensation packages, and no action is taken without the corporate auditors' agreement, so as to ensure the independence of the corporate auditors' assistants from the influence of the directors and corporate officers of the Company.

8. System for submission of reports to the corporate auditors by the directors and employees of the Company

At JSW, corporate auditors attend the Board of Directors, the Executive Board, the Management Council, and other managerial meetings where important matters are discussed, decided and reported. Corporate auditors are guaranteed opportunities to attend these meetings.

In keeping with the *ringi* system, corporate auditors are also shown the records of management decision approval (*ringisho*) for their perusal. Moreover, the corporate auditors may request reports from directors, corporate officers or employees at any time they deem necessary.

9. Ensuring effective performance of audits by the corporate auditors

We provide an environment in which directors, corporate officers and employees of the Company can recognize the importance and benefits of audits performed by corporate auditors, thereby enabling them to give the highest priority to cooperating with corporate auditors in their duties as far as possible.

The corporate auditors can request the collaboration and cooperation of the Company's Internal Audit Division, other head office divisions, and all other divisions of the Company in the performance of audits.

We provide an environment that enables

corporate auditors to enlist close collaboration with accounting auditors and the Internal Audit Division.

We also provide an environment that allows corporate auditors to employ the services of legal advisors and other outside experts at their own discretion.

10. System for ensuring the reliability of financial reports

The Company follows basic internal control policies for financial reports and evaluates the effectiveness of internal controls for financial reports. Such findings are accordingly reported to the Board of Directors and the Executive Board and discussed in their meetings.

Policy Regarding Large-Scale Purchases of Company Shares

By resolution of the meeting of the JSW Board of Directors held on September 10, 2007, the Company instituted a set of rules to be obeyed and procedures to be followed by any party seeking to purchase the shares issued and outstanding of the Company. These rules and procedures were adopted under the name of Measures against Large-Scale Share Acquisitions (takeover defense measures). Subsequent to this resolution, a partial amendment of these measures was presented at the Company's 82nd Regular General Meeting of Shareholders held on June 27, 2008, and the agenda item was approved and updated. After that, necessary amendments were made and then approved by shareholders at the Company's 85th Regular General Meeting of Shareholders held on June 24, 2011.