

Corporate Governance

JSW recognizes that it must earn the trust of shareholders, customers, employees, and other stakeholders to aim to enhance enterprise value and thereby contribute to the economy and society as a whole.

We therefore created a corporate governance setup that encompasses a management organization and framework to implement essential measures and pursues fair disclosure to ensure business transparency.

On November 18, 2015, we formulated “Corporate Governance Policy of The Japan Steel Works, Ltd.” based on a resolution of the Board of Directors. The aim of the Policy is to clarify our basic stance, initiatives, and approach with respect to corporate governance. The Policy can be found at the following website: <https://www.jsw.co.jp/en/ir/governance.html>

Overview of Corporate Governance Structure

We employ an audit & supervisor board member system comprising nine directors, two of whom are independent, and four audit & supervisory board members, two of whom are external.

The term of office of directors is one year. We maintain an executive officer system: separate decision-making and oversight from the executive functions of executive officers. The goal is to accelerate decision-making and enhance oversight and execution.

In principle, the Board of Directors convenes once monthly to decide and report on basic operational policies, legally stipulated matters, and other important management issues. Managing executive officers and above attend these meetings, positioning the Board as a vehicle for mutual oversight of directors and executive officers.

The Executive Board—consisting of two representative directors, executive officers nominated by the president, two outside directors, and an audit & supervisory board member (chosen by rotation)—meets once a week to deliberate and decide on important management matters and important business execution decisions made by directors and executive officers in addition to discussing, reporting on, and monitoring overall operational matters.

Our Management Council also convenes once monthly, in principle. Members include directors, audit &

supervisory board members, divisional heads, general plant managers, headquarters managers, and executive officers. This body’s tasks include assessing the business environment and monitoring the progress of the Company’s business plan. Its goals are to share such knowledge throughout management and reflect it in their decisions as well as to ensure risk management and compliance.

The Audit & Supervisory Board comprises four audit & supervisory board members, two of whom are external as part-time. These members attend meetings of the Board of Directors, the Executive Board, the Management Council, and other important gatherings. In principle, they visit the Company’s plants and offices as well as major subsidiaries once every six months. The members receive divisional reports as necessary and exchange opinions with directors, executive officers, and key employees. Based on these efforts, the members express their views to management from an objective and neutral perspective, and exercise strict oversight with regard to the execution of directors’ duties.

Seeking to ensure fairness and transparency of decision-making processes related to executive nomination and remuneration, the Company established the Nomination Advisory Committee and the Remuneration Advisory Committee. Consisting of five members, including several outside executives, the committees serve as advisory bodies to the Board of Directors. The Nomination Advisory Committee deliberates on matters related to appointment and dismissal of directors, audit &

supervisory board members, and executive officers and reports to the Board of Directors. Likewise, the Remuneration Advisory Committee deliberates on matters related to remuneration of directors and executive officers and

reports to the Board of Directors.

The constituent members of each entity are as follows.

Constituent members

Name	Title	Board of Directors	Executive Board	Management Council	Audit & Supervisory Board	Nomination Advisory Committee	Remuneration Advisory Committee
Naotaka Miyauchi	Representative Director & President	○ (Chairman)	○ (Chairman)	○ (Chairman)	—	○ (Chairman)	○ (Chairman)
Yutaka Higashizumi	Representative Director & Executive Vice President	○	○	○	—	—	—
Takashi Shibata	Director, Managing Executive Officer	○	○	○	—	—	—
Masao Oshita	Director, Managing Executive Officer	○	○	○	—	—	—
Toshio Matsuo	Director, Managing Executive Officer	○	○	○	—	—	—
Junichiro Deguchi	Director, Managing Executive Officer	○	○	○	—	○	○
Takashi Iwamoto	Director, Executive Officer	○	○	○	—	—	—
Nobuo Mochida	Director (Note 1)	○	○ (Notes 4)	○	—	○	○
Sadao Degawa	Director (Note 1)	○	○ (Notes 4)	○	—	○	○
Kenji Watanabe	Audit & Supervisory Board Members (full-time)	○	○ (Notes 3 & 4)	○	○ (Chairman)	—	—
Toru Nishiyama	Audit & Supervisory Board Members (full-time)	○	○ (Notes 3 & 4)	○	○	—	—
Itaru Masuda	Audit & Supervisory Board Members (Note 2)	○	—	○	○	○ (Notes 5)	—
Fumihiko Yazawa	Audit & Supervisory Board Members (Note 2)	○	—	○	○	—	○ (Notes 5)
Toyohiko Kagawa	Managing Executive Officer (Notes 4)	○	—	○	—	—	—
Yoshitaka Sato	Executive Officer	—	—	○	—	—	—
Shingo Mito	Executive Officer	—	—	○	—	—	—
Hiroki Kikuchi	Executive Officer	—	—	○	—	—	—
Shigeki Inoue	Executive Officer	—	—	○	—	—	—
Other constituent members		—	—	Divisional heads, deputy director of heads, general plant managers, headquarters managers	—	—	—

Notes: 1. Nobuo Mochida and Sadao Degawa are outside directors. 2. Itaru Masuda and Fumihiko Yazawa are outside audit & supervisory board members. 3. One audit & supervisory board member attends by rotation. 4. Attends as an observer. 5. Attends as an advisor.

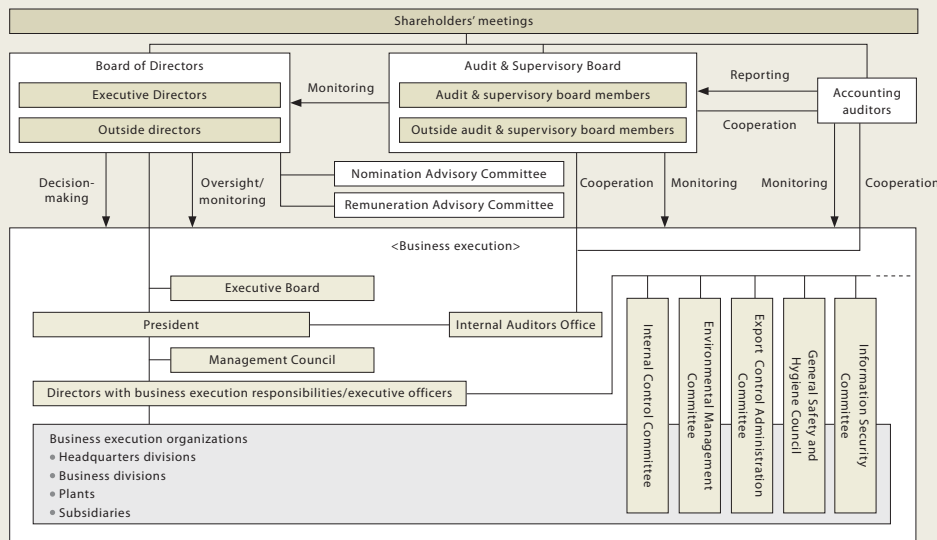
Reason for Adopting the Corporate Governance Structure

Each director reports on the business execution status at important meetings of the Board of Directors, the Executive Board, the Management Council, and other bodies, which ensures mutual oversight of directors. Ten executive officers, five of which concurrently serve as directors, are appointed at the meeting of the Board of Directors. They execute business operations and make business-related decisions to the extent delegated, and report on the business execution status at meetings of the above-mentioned Executive Board, Management Council, and other bodies, thereby ensuring oversight of executive officers by directors. Outside directors also attend each of important meetings mentioned above, participating in the decision-making process of management as well

as expressing opinions to management from an objective and neutral perspective.

In addition to attending aforementioned important meetings as well as other meetings, each audit & supervisory board member conducts audits of headquarters divisions, business divisions, subsidiaries, and other organizations on a regular basis. When deemed necessary, they receive reports on information related to risk management, compliance, and other matters from respective departments. By exchanging opinions with directors, executive officers, and key employees, they keep tabs on the business execution status of directors and express opinions to management from an objective and neutral perspective.

The Company believes these measures ensure the current corporate governance structure to fully exert the oversight function over management.



Status of Internal Control System

The Company recognizes the importance of its management responsibilities with respect to establishing and properly managing the necessary systems to ensure appropriate business operations. Based on this recognition, it has set up a specialist unit to supervise internal controls, and its Internal Control Committee also meets as necessary. The Company is working to improve its internal control system in line with its Basic Policy on Internal Control Systems, adopted by the Board of Directors, as described below.

1. Adhering to laws and regulations and the Articles of Incorporation relating to the execution of duties by directors and employees

- At the Company, compliance extends beyond preventing fraud and adhering to laws and regulations and in-house rules. It also encompasses the fulfillment of broad social responsibilities and establishment of various compliance-related rules. The essence of its compliance activities centers on directors and executive officers taking the lead and practicing integrity and raising employee awareness of compliance issues through education and training.
- The Company established the Internal Audit Division to ensure that all of its corporate operations comply with all laws and regulations and in-house rules. The Division conducts regular and spot audits and submits the results of its audits to the president and to other relevant parties as appropriate, including the Board of Directors, the Executive Board, the Management Council, and audit & supervisory board members.
- The Company ensures multiple ways, including internal and external channels, for reporting and discussing compliance-related problems uncovered by employees, based on a guarantee of protection for

whistleblowers.

- The Company clearly stipulates in its Corporate Code of Behavior the thorough enforcement of organizational crisis management against anti-social forces, and firmly rejects unwarranted demands from them in accordance with the law and in collaboration with relevant authorities.

2. Safeguarding and managing information relating to the execution of duties by directors

- The Company appoints a director or an executive officer as the person responsible for safeguarding and managing information. Adhering to document and information management rules and regulations, the Company stores and manages important information relating to the execution of duties by directors and executive officers as printed or digital records. This information includes the minutes of important meetings and written requests for approvals. Further, directors and audit & supervisory board members may review or copy this information as needed.
- The Company discloses financial and important management information in an appropriate and timely manner.

3. Rules on managing risk of losses

- Directors, executive officers, and employees concurrently serving as general managers identify and evaluate risks arising in the course of business. They address these risks in keeping with regulations and the management approval system. The Board of Directors and the Executive Board deliberate on key risks.
- The Company maintains risk management rules and a Companywide risk management system. Divisions overseeing risks in such areas as safety and hygiene, environmental management, information security, and export control administration set up committees and create and administer rules for properly

managing such risks throughout the Company. The Company also appoints a director or an executive officer as the person responsible for risk management. In collaboration with the Internal Audit Division, that person monitors the progress of risk management and reports to the Board of Directors or the Executive Board as appropriate.

- At key headquarters divisions, business divisions, and plants, the Company has risk managers who evaluate measures and identify daily risks. It also has a crisis management headquarters to handle critical situations. Accordingly, the Company is prepared for both ordinary and emergency situations.

4. Ensuring the efficient execution of duties by directors

- The Company ensures rapid decision-making and flexible and efficient business execution by having the president act as chief executive officer, with directors overseeing key headquarters divisions and business units. Under this command and management structure, executive officers appointed by the Board of Directors perform the duties assigned to them. Directors and executive officers deliberate, decide, and report on important matters in meetings of the Board of Directors and the Executive Board.
- The Board of Directors formulates the medium-term management plan and annual business plans as Companywide objectives for directors, executive officers, and employees. Directors and executive officers plan and implement specific policies for reaching goals, segregating tasks in line with in-house rules. They also evaluate the results, review progress, and submit periodic and spot reports to the Board of Directors, the Executive Board, and the Management Council.

5. Ensuring appropriate conduct at Group companies

- The Company encourages Group subsidiaries to work to establish and build Companywide internal controls according to JSW's Vision, Management Philosophy, and Corporate Code of Behavior. The Company also supports Group subsidiaries to strive for efficient business execution and autonomous management by ensuring proper division of duties and clarification of decision-making authority based on their own in-house rules.
- The Company has formulated operational and management rules for subsidiaries and defined the related management responsibilities and leadership structures. The Company maintains a system for reporting, notifying, and gathering information about subsidiary decisions on important matters and important facts.
- In addition to dispatching directors and audit & supervisory board members to Group subsidiaries, the Company ensures that subsidiaries comply with all laws and regulations and in-house rules by mandating periodic and spot internal audits through relevant departments or the Internal Audit Division. It also audits operations directly and instructs subsidiaries on internal control improvements.
- The Company supports the efforts of Group subsidiaries to establish systems to identify and evaluate risks according to division of duties determined independently based on rules concerning risk management.

6. Appointing audit & supervisory board member assistants, securing their independence from directors, and ensuring the effectiveness of instructions given to them

- On request from audit & supervisory board members, the Company offers employees as assistants. The Company seeks the opinions and consent of these members for appointments, dismissals, evaluations, and other personnel treatment regarding these assistants to secure their independence from directors and executive officers.
- The Company ensures that employees assigned as assistants can perform their duties according to the directions and instructions of audit & supervisory board members.

7. Reporting to audit & supervisory board members by directors and employees of the Company and its subsidiaries, other structures for reporting to audit & supervisory board members, and preventing unfavorable treatment based on the content of what is reported

- Audit & supervisory board members are guaranteed the opportunity to attend meetings of the Board of Directors, the Executive Board, the Management Council, and other managerial meetings that deliberate, decide, and report on important matters.
- Based on its management approval system, the Company presents approval records to audit & supervisory board members. Audit & supervisory board members can at any time request reports from directors, executive officers, and employees of the Company and Group subsidiaries. Also, persons who have received reports from directors, executive officers, and employees of the Company and Group subsidiaries can convey such reports to audit & supervisory board members.

- The Company guarantees that persons making reports to audit & supervisory board members are not subject to unfavorable treatment based on the content of such reports.

8. Policies on advance payment and compensation pertaining to costs and obligations incurred in the execution of duties by audit & supervisory board members

- The Company assumes responsibility for any necessary costs incurred in the execution of duties by audit & supervisory board members.

9. Ensuring the effectiveness of audits conducted by audit & supervisory board members

- The Company encourages directors, executive officers, and employees to recognize the importance and value of audits conducted by audit & supervisory board members and to accord them their fullest cooperation. These members can request assistance from the Internal Audit Division, headquarters divisions, and all other divisions for auditing tasks.
- The Company enables audit & supervisory board members to collaborate closely with the accounting auditor and the Internal Audit Division.
- Audit & supervisory board members have the discretion to employ the services of legal advisors and other outside experts.

10. Ensuring reliable financial reporting

- The Company evaluates the effectiveness of internal controls for financial reports in keeping with basic policies for such controls. The Board of Directors and the Executive Board deliberate and report on the findings of such evaluations.

Outline of Liability Limitation Agreement

In accordance with Article 427, Paragraph 1 of the Companies Act as well as Articles 28 and 36 of the Articles of Incorporation, the Company has concluded a Liability Limitation Agreement with two outside directors and four audit & supervisory board members as stipulated in Article 423, Paragraph 1 of the Companies Act. The liability limit based on this agreement shall be the amount stipulated in the act.

Liability limitation will be applicable only when the execution of duties by outside directors and audit & supervisory board members giving rise to such liabilities is recognized to have been carried out in good faith and with no gross negligence.

Number of Directors

The Articles of Incorporation stipulates the number of directors to be 10 or less.

Requirements for Resolution for Election of Directors

The Articles of Incorporation stipulates that the resolution for the election of directors shall require the presence of shareholders holding one-third or more of the voting rights of shareholders who can exercise voting rights as well as a majority vote of such shareholders, and that no cumulative voting shall be accepted for the resolution.

Special Resolution Requirements of the Meeting of Shareholders

The Articles of Incorporation stipulates that the resolution stipulated by Article 309, Paragraph 2 of the Companies Act shall require the presence of shareholders holding one-third or more of the voting rights of shareholders who can exercise voting rights as well as a two-thirds majority of such voting rights. The aim for the requirement is to smoothly lead the meeting of shareholders by relaxing the quorum for special resolutions at shareholder meetings.

Shareholder Meeting Resolutions That Can Be Resolved at Meetings of the Board of Directors

- Acquisition of treasury stock**
 - To execute a flexible capital policy, the Articles of Incorporation allows the acquisition of treasury stock by a resolution of the Board of Directors in accordance with Article 165, Paragraph 2 of the Companies Act.
- Interim dividends**
 - The Articles of Incorporation stipulates the payment of interim dividends with September 30 as the record date by a resolution of the Board of Directors in accordance with Article 454, Paragraph 5 of the Companies Act. The aim is to enable the swift return of profits to shareholders.

Board of Directors, Audit & Supervisory Board Members, and Executive Officers

Board of Directors

	As of September 1, 2019
Representative Director & President	Naotaka Miyauchi
Representative Director & Executive Vice President	Yutaka Higashiizumi
Directors, Managing Executive Officers	Takashi Shibata Masao Oshita Toshio Matsuo Junichiro Deguchi
Directors, Executive Officers	Takashi Iwamoto
Directors	Nobuo Mochida (Outside) Sadao Degawa (Outside)

Audit & Supervisory Board Members

	As of September 1, 2019
Audit & Supervisory Board Members	Kenji Watanabe Toru Nishiyama Itaru Masuda (Outside) Fumihiko Tanizawa (Outside)

Executive Officers

	As of September 1, 2019
Managing Executive Officer	Toyohiko Kagawa
Executive Officers	Yoshitaka Sato Shingo Mito Hiroki Kikuchi Shigeki Inoue

Organization

