

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, three 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, three 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 six 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)
Toshio Matsuo	Representative Director & Executive Vice President	○	○	○	—	—	—
Takashi Shibata	Director, Managing Executive Officer	○	○	○	—	—	—
Junichiro Deguchi	Director, Managing Executive Officer	○	○	○	—	○	○
Takashi Iwamoto	Director, Managing Executive Officer	○	○	○	—	—	—
Hiroki Kikuchi	Director, Executive Officer	○	○	○	—	—	—
Sadao Degawa	Director (Note 1)	○	○ (Notes 4)	○	—	○	○
Yoshiyuki Nakanishi	Director (Note 1)	○	○ (Notes 4)	○	—	○	○
Hisao Mitsui	Director (Note 1)	○	○ (Notes 4)	○	—	○	○
Kenji Watanabe	Audit & Supervisory Board Member (full-time)	○	○ (Notes 3 & 4)	○	○ (Chairman)	—	—
Toru Nishiyama	Audit & Supervisory Board Member (full-time)	○	○ (Notes 3 & 4)	○	○	—	—
Fumihiko Tanizawa	Audit & Supervisory Board Member (Note 2)	○	—	○	○	○ (Notes 5)	—
Hiroshi Misawa	Audit & Supervisory Board Member (Note 2)	○	—	○	○	—	○ (Notes 5)
Masao Oshita	Managing Executive Officer	—	○	○	—	—	—
Toyohiko Kagawa	Managing Executive Officer	—	○	○	—	—	—
Yoshitaka Sato	Executive Officer	—	—	○	—	—	—
Shingo Mito	Executive Officer	—	—	○	—	—	—
Shigeki Inoue	Executive Officer	—	—	○	—	—	—
Seiji Umamoto	Executive Officer	—	—	○	—	—	—
Shoji Nunoshita	Executive Officer	—	—	○	—	—	—
Other constituent members		—	—	Divisional heads, deputy director of heads, general plant managers, headquarters managers, headquarters managers	—	—	—

Notes: 1. Sadao Degawa, Yoshiyuki Nakanishi, and Hisao Mitsui are outside directors. 2. Fumihiko Tanizawa and Hiroshi Misawa 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. Eleven executive officers, four of whom 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 abovementioned 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.

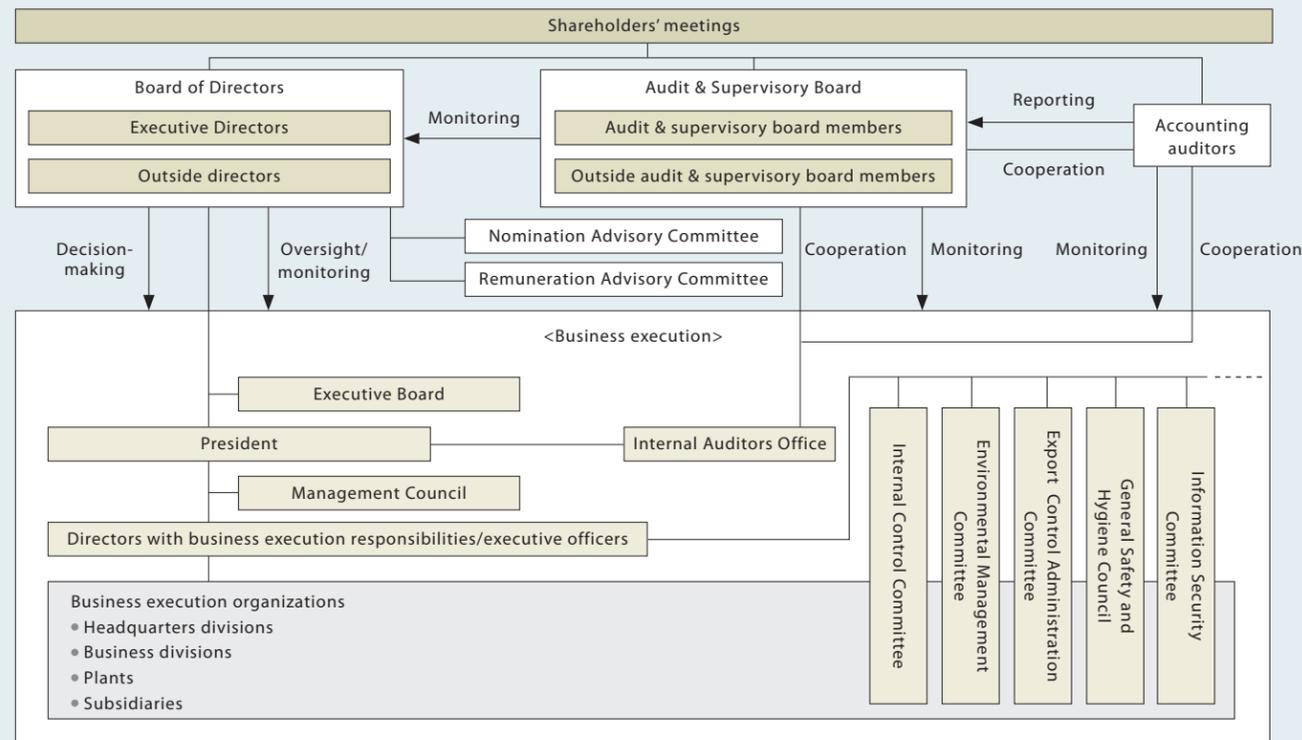
In addition to attending aforementioned important meetings as well as other meetings, each audit &

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 JSW Group 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 three 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

1. 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.

2. 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.

Basic Policy on Control over the Company

I. Basic Policy on the Nature of Persons Who Control Decision-Making over the Company's Financial and Business Policies

JSW believes that the decision on whether persons who control decision-making over JSW's financial and business policies will ensure and enhance JSW's corporate value and the common interests of JSW's shareholders should ultimately be made based on the general will of JSW's shareholders.

However, in the event that a takeover proposal is made by a third party, it may not always be easy for JSW's shareholders to properly judge in a short space of time the impact of the takeover on JSW's corporate value and the common interests of shareholders based on a sufficient understanding of JSW's tangible and intangible management resources, the potential effect of forward-looking policies, and other components of JSW's corporate value. Accordingly, JSW deems any persons who propose a large-scale acquisition of JSW shares or takeover without providing JSW's shareholders with sufficient information or time to examine the content of the takeover proposal to be inappropriate as persons who control decision-making over JSW's financial and business policies. Moreover, some takeover proposals may be intended to cause clear damage to JSW's corporate value or the common interests of JSW's shareholders while others may effectively coerce JSW's shareholders into selling their JSW shares. JSW deems any persons who make such a takeover proposal to be inappropriate as persons who control decision-making over JSW's financial and business policies.

II. Measures to Prevent Decisions on the Company's Financial and Business Policies from Being Controlled by Persons Deemed Inappropriate under the Basic Policy

JSW resolved to renew the Countermeasures to Large-Scale Acquisitions of JSW's Stock (Takeover Defense Measures) at the meeting of its Board of Directors held on May 15, 2017 and obtained shareholders' approval for renewal at the 91st Annual General Meeting of Shareholders held on June 27, 2017 (hereinafter the renewed countermeasures are referred to as the "Plan").

For further details of the Plan, please refer to "Renewal of Countermeasures to Large-Scale Acquisitions of JSW's Stock (Takeover Defense Measures)" dated May 15, 2017 in the News section of JSW's website (<https://www.jsw.co.jp/>) (in Japanese).

1. Purpose of the Plan

The purpose of the Plan is to secure and enhance JSW's corporate value and, in turn, the common interests of its shareholders by ensuring, in the event of a tender offer for JSW's shares, an act similar thereto or a proposal thereof (hereinafter referred to as "Tender Offer, etc."), the information and time necessary for shareholders to decide whether they should accept the Tender Offer, etc. or for JSW's Board of Directors to make an alternative proposal or, in some cases, to enable negotiations to be held with the tender offeror or the person proposing the tender offer (hereinafter referred to as the "Tender Offeror, etc.>").

2. Summary of the Plan

(i) Establishment of Procedures for Triggering the Plan

The Plan sets out necessary procedures for realizing the "1. Purpose of the Plan" in the event of a Tender Offer, etc. for JSW's shares, including requirements for advance provision of information about the Tender Offer, etc. by the Tender Offeror, etc.

(ii) Gratis Allotment of Stock Acquisition Rights and Use of Independent Committee

In the event that a Tender Offer, etc. by a Tender Offeror, etc. is deemed potentially to seriously damage JSW's corporate value and the common interests of its shareholders, for example, a Tender Offeror, etc. makes a Tender Offer, etc., without following the procedures set forth in the Plan, JSW shall allot, by means of the gratis allotment of stock acquisition rights, to all shareholders, excluding JSW, at such time stock acquisition rights (hereinafter referred to as the "Stock Acquisition Rights") with the condition that exercise by the Tender Offeror, etc. is not allowed and provisions regarding acquisition stating that JSW may acquire the Stock Acquisition Rights from holders other than the Tender Offeror, etc. in exchange for JSW's shares. JSW does not intend to deliver money as consideration for acquisition of the Stock Acquisition Rights held by the Tender Offeror, etc.

With respect to decisions on the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights and the acquisition thereof, the Plan aims to eliminate arbitrary decisions by the Board of Directors by formulating Independent Committee Rules, by establishing in accordance with these rules an independent committee comprised of experts (experienced corporate managers, former employees of government agencies, parties with knowledge of the investment banking industry, lawyers, certified public accountants, academics, etc.) who are independent from JSW management, and by seeking decision-making through the committee while at the same time aiming to ensure transparency through proper information disclosure to shareholders in a timely manner.

(iii) Exercise of the Stock Acquisition Rights and Acquisition of the Stock Acquisition Rights by the Company

In the event that gratis allotment of the Stock Acquisition Rights takes place in accordance with the Plan and all shareholders other than the Tender Offeror, etc. receive shares in JSW as a result of those shareholders exercising the Stock Acquisition Rights or the Company acquiring the Stock Acquisition Rights, the ratio of voting rights in JSW held by the Tender Offeror, etc. may be diluted by up to a maximum of 50%.

III. Decision of Board of Directors on Specific Measures and Rationale for Decision

JSW's medium-term management plan and measures to strengthen corporate governance were formulated as specific measures to ensure and enhance JSW's corporate value and the common interests of its shareholders, and are, therefore, in line with JSW's basic policy and do not aim to maintain the position of the directors or executive officers of the Company.

The Plan is a framework in case of a Tender Offer, etc. for JSW's shares designed to ensure and enhance JSW's corporate value and, in turn, the common interests of its shareholders and is in line with JSW's basic policy. The Plan's fairness and objectivity is ensured primarily because it was approved by shareholders at the 91st Annual General Meeting of Shareholders of JSW; it is a framework which attaches importance to the wishes of shareholders regarding implementation of a gratis allotment of the Stock Acquisition Rights; it requires the establishment of an independent committee comprised of independent outside experts and only allows implementation of gratis allotment of the Stock Acquisition Rights based on a decision by the independent committee; and gratis allotment of the Stock Acquisition Rights can only be implemented if reasonable and objective conditions are satisfied. The Plan does not aim to maintain the position of the directors or executive officers of the Company.

Notes:1. The Basic Policy on Control Over the Company is as of the end of the consolidated fiscal year under review.

Notes:2. Non-renewal of the Plan:

The Plan was due to expire at the close of the 94th Annual General Meeting of Shareholders held on June 24, 2020. Prior to expiry of the Plan, JSW had been engaged in much discussion and examination of its handling based on recent trends surrounding takeover defense measures and dialogue with shareholders both in Japan and overseas, including institutional shareholders. As a result, based on comprehensive consideration of the recent trend toward stronger corporate governance and the status of JSW's initiatives for stronger corporate governance as well as changes in JSW's operating environment, JSW decided at a meeting of its Board of Directors held on May 25, 2020 not to renew the Plan.

JSW will strive even further to strengthen corporate governance, which has long been a focus of its efforts, and will remain committed to sustainable growth and the enhancement of its corporate value over the medium to long term. Moreover, even after expiry of the Plan, JSW will continue to take appropriate steps in accordance with the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations in relation to persons who intend to make large-scale acquisitions of its shares. Such steps include demanding that they provide necessary and sufficient information for shareholders to properly determine the pros and cons of the large-scale acquisition; disclosing the opinion of the Board of Directors based on due respect for the opinions of independent outside directors; and endeavoring to ensure that shareholders have the time and information necessary to examine any proposal.

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

Board of Directors

As of September 1, 2020

Representative Director & President	Naotaka Miyauchi
Representative Director & Executive Vice President	Toshio Matsuo
Directors, Managing Executive Officers	Takashi Shibata Junichiro Deguchi Takashi Iwamoto
Directors, Executive Officer	Hiroki Kikuchi
Directors	Sadao Degawa (Outside) Yoshiyuki Nakanishi (Outside) Hisao Mitsui (Outside)

Audit & Supervisory Board Members

As of September 1, 2020

Audit & Supervisory Board Members	Kenji Watanabe Toru Nishiyama Fumihiko Tanizawa (Outside) Hiroshi Misawa (Outside)
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Executive Officers

As of September 1, 2020

Managing Executive Officers	Masao Oshita Toyohiko Kagawa
Executive Officers	Yoshitaka Sato Shingo Mito Shigeki Inoue Seiji Umamoto Shoji Nunoshita

Organization

