

Fundamental Policy for Internal Control

The Company is maintaining systems for the purpose of ensuring proper business execution and the reliability of financial reports. In addition, it is inspecting the situation of maintenance and the operation of the internal control systems and regulations that are under the respective jurisdiction of head office divisions, business divisions, factories, and group subsidiaries, and the Internal Audit Division is evaluating that maintenance and inspection through internal audits. The Internal Control Committee meetings are also being held whenever necessary, and efforts are being made to maintain internal control systems in accordance with the Fundamental Policy for Internal Control for which resolution was made by the board of directors as stated below.

1. Systems to ensure that the execution of duties by Directors and employees complies with laws, regulations, and the Articles of Incorporation

- The Company defines “compliance” not only as the prevention of misconduct and compliance with laws and regulations, internal rules, and contracts with customers and business partners, but also more broadly as the fulfillment of social responsibilities, and establishes and maintains various compliance-related rules and regulations.

The Company considers that the cornerstones of compliance activities are fostering an open and transparent workplace culture, the leadership and integrity demonstrated by Directors and Executive Officers, and initiatives to thoroughly instill and enhance compliance awareness among employees, and promotes these efforts.

- To establish companywide internal controls designed to function effectively, the Company has established the Internal Control Committee, which develops rules and systems covering all corporate operations and promotes their operation and evaluation.
- The Company has established the Internal Audit Division that conducts regular and ad hoc audits covering all corporate operations to assess compliance with laws, regulations, and internal rules. Audit results are reported to the Director & President, the Board of Directors, and the Audit & Supervisory Board, as well as the Executive Board, the Management Council, and other relevant parties, as appropriate.
- The Company has established whistleblowing and consultation systems for employees who identify compliance-related issues and has secured multiple reporting channels, including external channels.
- The Company strives to ensure thorough, organizational risk management against antisocial forces and rejects unreasonable demands in accordance with laws, in cooperation with relevant organizations.

2. Systems for the storage and management of information related to the execution of duties by

Directors

- The Company appoints a Director or an Executive Officer as the person responsible for the storage and management of information. In accordance with various rules on document and information management, important information relating to the execution of duties by Directors and Executive Officers, including minutes of important meetings and approval records, is stored and managed in documentary or electronic form.

Directors and Audit & Supervisory Board Members may access and make copies of such information at any time.

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

3. Rules and other systems concerning the management of the risk of loss

- The Company stipulates rules regarding risk management and establishes and maintains a companywide risk management framework based on the three lines model, with a Director or an Executive Officer designated as the responsible person.

- Each business execution division identifies and assesses risks arising from its operations and responds to risks of loss within the scope of authority granted under applicable rules and approval system.

- On a companywide and cross-organizational basis, the Risk Management Committee identifies material Group risks, deliberates on risk responses, provides direction and guidance, conducts evaluations, and reports regularly or as necessary to the Board of Directors and the Executive Board. With respect to functional risks, including quality management, health and safety, environmental management, information security, and export control administration, the responsible departments establish committees or rules from a companywide perspective and work to mitigate risks through efforts such as training, guidance, and audits.

- The Internal Audit Division monitors and evaluates the status of risk management and reports its findings regularly or as necessary to the Board of Directors and the Executive Board.

- In the event of a serious incident, the Company establishes the Crisis Management Headquarters to respond to the situation. In addition, risk managers are designated at head office division, business division, and plant levels to identify risks as appropriate, thereby ensuring preparedness in both normal times and emergencies.

4. Systems to ensure the efficient execution of duties by Directors

- To enable prompt decision-making and flexible, efficient business execution, the Director & President serves as Chief Executive Officer. At major head office divisions, Directors or Executive Officers, and at business divisions, Executive Officers or employees, oversee and execute duties delegated or appointed by the Board of Directors.

Directors and Executive Officers deliberate, approve, and report important matters at meetings of

the Board of Directors or the Executive Board, with the Board of Directors exercising oversight.

- At the Board of Directors, the Company sets companywide objectives, including the medium-term management plan and annual business plans, to be shared with Directors, Executive Officers, and employees. Directors and Executive Officers formulate and implement specific measures to achieve these objectives by allocating responsibilities to employees in accordance with internal rules and regulations.

In addition, Directors and Executive Officers regularly or as necessary evaluate results and report reviews and progress at meetings of the Board of Directors, the Executive Board, or the Management Council, with the Board of Directors exercising oversight.

5. Systems to ensure the appropriateness of operations within the corporate group consisting of the Company and its subsidiaries

- In accordance with Our Philosophy, The Japan Steel Works Group Basic Sustainability Policy, and Compliance Policy for The Japan Steel Works Group, the Company promotes the development and establishment of companywide internal controls, including those covering Group subsidiaries. To this end, the Company provides support and guidance for autonomous and efficient business execution by clarifying appropriate segregation of duties and approval authority based on internal rules and regulations established by each Group subsidiary.

- The Company establishes rules and regulations governing the operation and management of Group subsidiaries, clarifies management responsibilities and guidance frameworks, and establishes systems for decision-making on important matters relating to Group subsidiaries, as well as for the reporting, whistleblowing, and collecting of information on material facts relating to such subsidiaries.

- In addition to dispatching Directors or Audit & Supervisory Board Members to Group subsidiaries, compliance with laws, regulations, and internal rules at Group subsidiaries is supervised by the division in charge of affiliated companies as the first line under the three lines model, while relevant head office divisions perform monitoring and provide guidance as the second line in accordance with the nature of the risks. The Internal Audit Division, as the third line, conducts audits on a regular or ad hoc basis and provides advice as necessary.

- The Company supports and guides Group subsidiaries in developing systems to independently monitor and evaluate the appropriateness of their operations.

6. Matters relating to employees when Audit & Supervisory Board Members request the appointment of employees to assist the duties of Audit & Supervisory Board Members, matters concerning the independence of such employees from Directors, and matters concerning ensuring the effectiveness of instructions to such employees

- When an Audit & Supervisory Board Member requests an employee to assist in the performance of their duties, the Company appoints such employee from among its employees. When appointing,

dismissing, conducting the personnel evaluation, or determining the treatment of such employee, the Company obtains opinions or consent of the Audit & Supervisory Board Member, thereby ensuring the employee's independence from Directors and Executive Officers.

- The Company ensures a system under which employees who assist Audit & Supervisory Board Members can perform their duties in accordance with instructions and directions from Audit & Supervisory Board Members.
7. Systems for reporting to Audit & Supervisory Board Members by Directors, employees, etc. of the Company and its subsidiaries, other systems for reporting to Audit & Supervisory Board Members, and systems to ensure protection against disadvantageous treatment for making such reports
- The Company ensures that Audit & Supervisory Board Members are given opportunities to attend meetings of the Board of Directors, the Executive Board, the Management Council, and other meetings at which important deliberations, decisions, and reports are conducted.
 - In accordance with the approval system, the Company makes approval records available to Audit & Supervisory Board Members. Audit & Supervisory Board Members may also request reports from Directors, Executive Officers, employees, etc. of the Company, its Group subsidiaries, etc. at any time. In addition, the Company ensures a system under which any person who receives reports from Directors, Executive Officers, employees, etc. of the Company, its Group subsidiaries, etc. can report such matters to the Audit & Supervisory Board Members.
 - When Directors, Executive Officers, employees, etc. of the Company discover or become aware of significant risks and other matters in the course of business operations, they promptly report such matters to the Audit & Supervisory Board Members.
 - The Company guarantees that persons who make a report to Audit & Supervisory Board Members will not be subject to disadvantageous treatment as a result of making such report.
8. Matters concerning policies on procedures of the prepayment or reimbursement of expenses and other treatments of expenses or liabilities incurred in the execution of duties by Audit & Supervisory Board Members
- The Company bears expenses and other costs required by Audit & Supervisory Board Members in the execution of their duties.
9. Other systems to ensure the effectiveness of audits conducted by Audit & Supervisory Board Members
- The Company maintains an environment in which Directors, Executive Officers, and employees recognize the importance and usefulness of audits by Audit & Supervisory Board Members and, to the extent possible, give priority to cooperating with such audits over other duties. Audit & Supervisory Board Members may also request collaboration and cooperation with audits from the Internal Audit Division, head office divisions, etc.
 - The Company maintains an environment that enables Audit & Supervisory Board Members to

work in close collaboration with the accounting auditor and the Internal Audit Division.

- The Company maintains an environment in which Audit & Supervisory Board Members may, at their own discretion, engage legal counsel or other external experts.

10. Systems to ensure the reliability of financial reporting

- In accordance with the basic policy of internal controls for financial reporting, the Company evaluates the effectiveness of such internal controls for financial reporting and reports and discusses the results at meetings of the Board of Directors or the Executive Board.