

# Corporate Governance

## Corporate Governance Structure

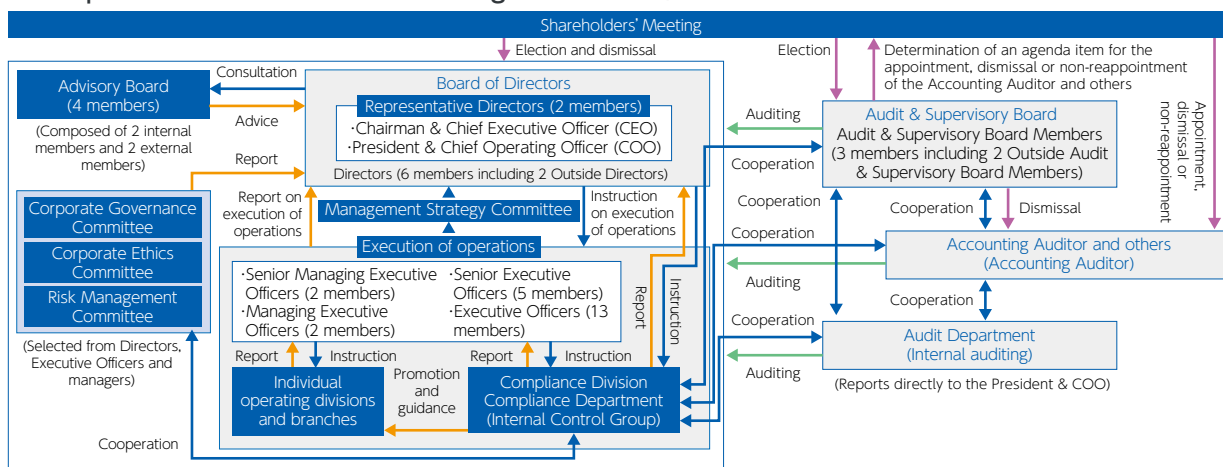
The Company has adopted a Board of Directors structure as part of the continuing effort to earn the trust of shareholders, customers, employees and other stakeholders, by pursuing a future of sustainable growth and endeavoring to increase corporate value over the medium and long term. In addition, an executive officer system has been introduced in order to further increase management efficiency, and the Company has appointed Outside Directors and Outside Audit & Supervisory

Board Members to oversee and supervise the other Directors with the aim to enhance transparency, fairness and propriety.

The Company has established a Corporate Governance Committee, which will take responsibility for setting basic policies related to the governance of the Company. In addition, it has introduced an effectiveness evaluation system for the Board of Directors, and continues to improve its operation based on the results.

The Company's approaches to governance are described in detail in the Corporate Governance Report issued in July 2020.

### Corporate Governance Structure Diagram (as of 1 July 2020)



## Investor Relations (IR) Activities

The Company is actively involved in IR activities to promote better communication with investors and to achieve sustainable growth in corporate value.

### DAIDO METAL's first presentation during the Premium Information Session for Listed Companies at NSE IR Expo 2019

The Company made its first presentation during the Premium Information Session for Listed Companies at NSE IR Expo 2019. Although there were 70 seats available for the presentation, because



Premium Information Session

all of the seats were reserved in advance, we felt that we needed to give our best performance for all of the attendees sitting before us who had great interest in the Company.

In addition, we held brief 30-minute brief information sessions at the booth and gave booth tours twice each day. These were so well attended by investors that at times it was standing room only at the booth. The investors expressed interest in, and asked about, our businesses

other than bearings, including which areas the Company will select to launch new businesses in the future, and which aspects of the existing businesses the Company will utilize as strengths to expand sales.



Brief information session

## Responding to Japan's Fair Disclosure Rules

### —Disclosure of minutes from financial results press conferences at the Nagoya Stock Exchange—

The Company holds press conferences for journalists at the Nagoya Stock Exchange when disclosing the full-year financial results and second quarter financial results each year.

At the press conferences, the Chairman explained the Company's financial results and capital expenditure and responded to questions, including those about the future business outlook.

In addition, as required by Japan's Fair Disclosure Rules, the Company prepared minutes of the press conferences, including the contents of the explanations and the questions and answers, and posted them on the Company's website.

## Compliance

When approaching compliance, the Group insists that employees not only uphold all laws and regulations, and company internal rules, but also abide by the rules and standards of behavior of the communities in which they operate, and as members of the Group conduct themselves with proper social norms and common sense.

The Company has created the "DAIDO METAL GROUP Performance Standards" to ensure compliance is at the heart of the execution of all company business activities and striving to keep all employees informed, the Company has established the "Corporate Ethics Committee," chaired by the Head of the Compliance Division, as a place to discuss various measures relating to compliance. The Company has also created a "Whistleblowing Desk" internally and externally as a system for discussing and reporting compliance-related matters, and is also putting in place mechanisms for the early identification of matters posing concern over infringement of compliance standards and for the protection of the person making the report.

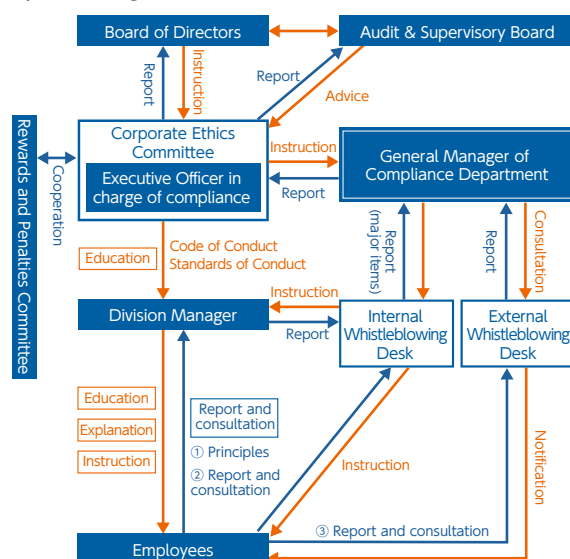
The Corporate Ethics Committee provides the Board of Directors with regular reports on the status of compliance activities within the Group, with concerted efforts from the Group to achieve compliance management.

### ■ Corporate Ethics Committee Members (as of July 2020)

#### Corporate Ethics Committee

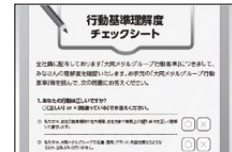
Chairman (Head of Compliance Division)
6 members (including the Head of Human Resources Planning Division)
Secretariat (Compliance Dept.)

#### System Diagram



## Compliance education Implementing the Check on Level of Understanding of the "Code of Conduct"

In July 2019 the Company conducted a check on the level of understanding of the Code of Conduct for 3,179 employees (including temporary staff employed by a staffing agency) of the Company and its affiliated companies in Japan. In this way, we will continue to raise the level of understanding of the Group's Code of Conduct and strive to further increase compliance awareness.



Check Sheet shown in the in-house magazine

## Risk Management

The Risk Management Committee was established to manage the risks surrounding the Group, and an internal system for risk management was created, which cycles through "risk brainstorming," "risk evaluation," "risk mitigation planning," and "reporting results to the Risk Management Committee or the management meeting" in order to respond to the various risks in business activities.

We are also strengthening the risk management systems at Group companies and, led by risk control officers at each site, we are identifying risks, evaluating them and developing measures to reduce them as necessary. The Company's Risk Management Committee regularly checks the status of risk management.

We will continue to further strengthen the risk management systems of all Group companies.

### ■ Risk Management Committee Members (as of July 2020)

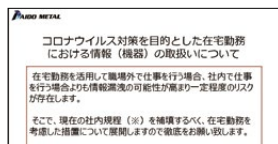
Chairman (President & Chief Operating Officer (COO))
Vice-Chairman (Head of Human Resources Planning Division)
12 members (primarily consisting of Directors and Executive Officers)
Secretariat (Compliance Dept.)

### ■ Information Management Subcommittee

The Information Management Subcommittee is composed of the relevant departments that manage corporate information and was established as a subordinate organization under the Risk Management Committee.

### Initiatives to strengthen IT risk management —IT management during the COVID-19 pandemic—

In April 2020, in response to the increase in remote working due to the spread of COVID-19, the Company created rules regarding IT management for email, storing data, telephone calls, etc. when working from home and informed all employees. We will continue to respond to changes in the business environment, review the rules related to IT management and take appropriate actions for information leaks and various other risks.



### BCP (Business Continuity Plan) Activities

#### Responding to COVID-19

The COVID-19 pandemic, reported to have originated in Wuhan, China, has quickly spread around the world since December 2019 and many people have died. The Japanese Government established a task force at the end of March and has implemented various measures, such as declaring a state of emergency for all of Japan in May. In April the Company also established a COVID-19 Task Force, decided the response policy and implemented various measures. In order to implement the measures, the Company issued more than 30 internal documents.

As the threat of COVID-19 has not gone away and we must adopt new lifestyles, we will continue to promote measures aimed at preventing the spread of COVID-19.

#### Spreading information about initiatives using the in-house magazine and internal portal site



Spreading information using the in-house magazine



Conducting temperature checks before employees enter facilities



Increased spacing between employees at the cafeteria

### Implementing disaster response training and BCP simulation drills held in autumn

The Company has prepared Business Continuity Plans (BCP) and is bolstering its response measures at all Group companies to address predictions of four consecutive major earthquakes, given the possibility of tectonic movement of the Tokai offshore fault line. In the disaster response training held in autumn, evacuation drills were held for all employees in the morning, and employees mainly practiced carrying out the BCP in the afternoon. In the BCP training drills that have been conducted, each team completed the recovery training drill, and in FY2019, we went back to the basics and carried out the emergency inspections, etc. when entering a factory after an earthquake.



BCP training drill on simulated disaster: Review by Assistant General Manager of BCP Headquarters



BCP training drill on simulated disaster: Reporting on the status of measures

Looking forward, the Company will enhance the scope of assumptions in the training drills and further strengthen the response.

### Formulating the CSR Procurement Guidelines and using the CSR Self-Check Sheet

The Company provides the CSR Procurement Guidelines to its business partners and requests that they actively promote activities that follow the guidelines.

In addition, the Company uses the CSR Self-Check Sheet so that each company is aware of the status of promotion of its own activities and also so that we can check the status of promotion of their activities.



CSR Procurement Guidelines



CSR Self-Check Sheet