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Daio Paper Corporation

Yorifusa Wakabayashi, Representative Director, President and Chief Executive Officer

Contact: Legal Department

Securities code: 3880

<https://www.daio-paper.co.jp/en/>

The corporate governance of Daio Paper Corporation (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

The Daio Group (the “Group”) promotes sustainability management based on its management philosophy “Shaping an Abundant and Affable Future for the World” to realize sustainable creation of values for all stakeholders and society as a whole.

In this context, the Group considers corporate governance as a mechanism to realize sustainable growth and the enhancement of corporate value over medium- to long-term and as ensuring the functioning of the mechanism, by clarifying the role and responsibility of “the decision making and supervisory functions” and “the business execution function” of the management and promoting swift and flexible decision-making and implementation.

Amid the rapidly changing business environment, the Group has been working on reforms for achieving medium- to long-term sustainable growth such as business portfolio reform and speeding up global expansion by constantly adapting to the changing times and with foresight. At the same time, the Group will further enhance governance of management by striking the right balance between offense and defense through initiatives such as improvement of organizational structure to handle risks that are becoming more complex and diverse along with the expansion of overseas business and changes in the society.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

The Company has complied with all of the principles of the Corporate Governance Code.

Disclosure Based on each Principle of the Corporate Governance Code

[Principle 1.4 Cross-shareholdings]

(i) Policy on cross-shareholdings

<Policy on shareholdings>

The Company believes that having cooperative relationships with various companies is crucial to achieving remarkable development, expansion, and sustainable growth of our business, and holds shares in business partners as cross-shareholdings when doing so is deemed to contribute to enhancing our corporate value in the medium to long term.

<Method of reasonability testing of shareholdings>

The Board of Directors examines the reasonability and necessity of the Company's cross-shareholdings annually at its meeting in May. For each cross-shareholding, the Board of Directors assesses, both quantitatively and qualitatively, the benefits and risks involved in terms of the equity cash yield and the amount of transactions, taking into account the weighted average cost of capital (WACC) and the return on assets (ROA), to determine the reasonability and necessity of the shareholding from a medium- to long-term viewpoint. If a certain shareholding is deemed unreasonable, we will seek to reduce the shareholding, taking into account the outcome of our dialogue and negotiation with the company concerned.

<Findings by the Board of Directors, etc. from the reasonability testing of cross-shareholdings>

As per the method described above, the Board of Directors examined the reasonability of holding shares in each cross-held company. In FY2024, the Company sold its shareholdings in three cross-held companies, bringing the number of cross-held companies to 55 at the end of March 2025 and the total amount of cross-shareholdings on the balance sheet to 13,401 million yen, compared to 14,040 million yen a year ago. For reference, at the end of March 2015, prior to the implementation of the Corporate Governance Code, the Company had cross-shareholdings in 104 companies with a total worth of 31,164 million yen. The proceeds from the sale of the cross-shareholdings will be used to restore our financial stability and for other initiatives under the 5th Medium-term Business Plan released on May 15, 2024.

(ii) Criteria for exercising voting rights for cross-held shares

In exercising voting rights for cross-held shares, the Company closely examines each proposal and decides whether to vote for or against it from a comprehensive viewpoint, taking into account various factors including its impact on the financial soundness of the issuer company and the likelihood of its contributing to enhancing corporate and shareholder value over the medium to long term.

(iii) Relationship with cross-shareholders

When a cross-shareholder indicates its intention to sell its shareholding in the Company, the Company shall not take any action, such as suggesting reducing its business with the company, to obstruct the move.

[Principle 1.7 Related Party Transactions]

For the procedural framework for related-party transactions within the Group, see Article 16 (Monitoring System for Transactions between Related Parties) of the Corporate Governance Basic Policy.

[Supplementary Principle 2.3.1 Consideration of Initiatives for Sustainability as a Management Issue]

The Company aims to realize its management philosophy "Shaping an Abundant and Affable Future for the World" by simultaneously working on growth of its own business and offering of values to all stakeholders. Toward realization of the management philosophy, the Company formulated the "Daio Group's Sustainability Vision," and identified the following 10 material issues and has been promoting initiatives on both risk responses and opportunities.

- (1) Strategic transformation of our business portfolio
- (2) Acceleration of global expansion
- (3) Creation of new businesses
- (4) Coexistence with local communities

- (5) Establishment of sustainable supply chain
- (6) Respect for human rights, development of human resources, and compassion for employees
- (7) Fair and highly transparent management
- (8) Response to climate change
- (9) Realization of a recycling-oriented society
- (10) Forest conservation and maintenance of biodiversity

To incorporate these material issues into management, the Company has sorted out, and is promoting, these material issues under the following four pillars of its management philosophy, which has already been established in the Company.

- (1) Dedication to manufacturing
- (2) Bonds with local communities
- (3) Corporate culture providing safety and motivation to work
- (4) Contribution to the global environment

Further, the Company has established the following “Three Well-beings” related to its products and services as its vision to incorporate them into, and drive forward, individual initiatives of all employees.

- (1) Hygiene (Protect well-being of the body)
- (2) Life (Enhance well-being of lifestyles)
- (3) Regeneration (Restore well-being of the earth)

The Company has linked the concrete initiatives related to the above material issues with SDGs, the globally common goals, and quantified and defined the targets that the Company has to achieve by 2030, the deadline for achieving SDGs. The process through achievement of these goals is being monitored by the Sustainability Committee headed by the Representative Director.

These strategies and policies for sustainability and the status of initiatives undertaken to address challenges are reported on a quarterly basis to the Management Meeting as “Progress in Sustainability-related Initiatives.” When deemed necessary given the nature of the matters reported, the Management Meeting forwards them to the Board of Directors.

See the Daio Paper website for its sustainability-related initiatives.

<https://www.daio-paper.co.jp/en/csr/>

[Supplementary Principle 2.4.1 Ensuring Diversity in Promoting Core Personnel, etc.]

A corporate culture that enables employees with diverse backgrounds to play active roles is crucial to the Company’s sustainable growth and innovation. In FY2024, the Company integrated the Diversity Committee and the Human Resources Development Meeting to establish a Human Resources Strategy Committee, chaired by a Representative Director, stepping up efforts to reform our corporate culture and create an environment where employees with diverse backgrounds can take on challenges and play active roles. We are also working to ensure that the environment enables all employees to play active roles regardless of their gender, age, nationality, with or without any disability, and the type of employment, to live up to the Group’s Code of Conduct that calls for “respect for human rights and promotion of diversity and inclusion.”

We attach particular importance to creating a corporate culture where each and every employee feels empowered to take on challenges, and implementing measures to enable employees to continuously demonstrate their capabilities. Thus, we are focusing

efforts on developing self-motivated employees who can “think, decide, and act on their own” as we believe that employees’ self-directed learning and skill acquisition will create a positive cycle leading to individual and organizational growth.

As part of this effort, the Company introduced an internal career mobility and recruitment program called “Daio Career Challenge” in 2020 to enable employees to build their career and develop skills under their own initiative. The Company also provides opportunities for dialogue between employees and the management team by regularly organizing a town hall meeting presided by the President to help employees better understand the direction of their organization and thereby enable them to actively take on challenges.

As for employee education, the Company has a set of education programs, systematically organized by rank and purpose, to accommodate capacity building for employees at each stage of their career, ranging from new hires and junior employees to senior employees and managers, and also offers training programs designed to enhance expertise and problem-solving ability. Furthermore, the Company is working to create an open workplace atmosphere by implementing various measures—such as using an internal social networking service (SNS) to send out direct messages from the top manager, abolishing the practice of calling each other by title, and adopting a more casual dress code—designed to facilitate free exchanges of opinions among employees.

1. Promotion of women’s participation and advancement in the workplace

The narrowing of gender gaps, i.e., greater roles for women, is at the core of the Company’s initiative to promote diversity. As of the end of June 2025, we had two female independent Outside Directors (with one of them serving on the Audit and Supervisory Committee) and one female Executive Officer. We use the percentage of women in managerial positions as our key performance indicator (KPI) and aim to achieve 10% across the Group by FY2030, compared to 2.8% on a non-consolidated basis at the end of March 2025. The Company has been taking a multifaceted approach toward achieving this target, implementing various measures including: providing mentoring support to women in managerial positions, organizing workshops to promote mutual understanding between men and women in managerial positions, enhancing peer-to-peer networking among women in managerial positions and those in leadership positions (chiefs), and offering training programs for female candidates for managerial positions to help them change their mindset and acquire management skills. As a result, the percentage of women in leadership positions (chiefs) increased to 16.0% as of the end of March 2025.

Particularly vigorous efforts have been made to promote women in the Home & Personal Care Business, a growth area for the Group. As of the end of March 2025, women accounted for 5.4% of those in managerial positions and 29.0% of those in leadership positions (chiefs) within the unit responsible for the business.

The Company also aims to achieve 100% uptake of paternity leave and extend the length of paternity leave, as it believes that increasing men’s participation in household tasks and childcare, disproportionately falling on women at present, is indispensable to addressing the existing gender gaps. We have been providing parenting classes for fathers and relevant education to personnel in managerial positions on a regular basis while seeking to ensure that a dad-to-be employee is encouraged to take paternity leave by both his supervisor and the Personnel Division. As a result, 83.8% of eligible employees took paternity leave in FY2024, with the average length of the leave taken being 72.1 days, showing that male participation in childcare is gradually becoming a standard practice.

2. Promotion of foreign national employees and midcareer hires

The Company had only few foreign nationals employed in Japan, accounting for 0.7% of all domestic employees as of the end of March 2025. We will consider increasing employment of foreign nationals as necessary, in accordance with the pace of our global business expansion going forward.

Meanwhile, the Company is actively hiring midcareer workers, with a focus on those with expertise and ready-to-work capability, to strengthen staffing particularly for priority areas and tasks. As of the end of March 2025, midcareer hires accounted for 28.4% of total employees and 27.8% of those in managerial positions.

We have no numerical targets for promotion specific to employees of foreign nationality or midcareer hires, as we apply uniform evaluation criteria and promotion guidelines to all employees, making no differentiation in treatment based on nationality or the type of employment.

3. Other measures taken to create an environment enabling diverse working styles

As part of its efforts to create an environment where all employees can continue to work without undue worries whatever life event comes their way, the Company has put in place various schemes, including flexi-time and teleworking systems, to allow for flexible working arrangements. In addition, the Company provides a point of contact for employees to seek advice on health issues and caregiving, offers wage compensation to employees in need of taking a long-term leave of absence as a way to help them reconcile work and family responsibilities, and allows employees to take a leave or day-off for the purpose of fertility treatment.

In an effort to help employees balance work and childcare responsibilities, the Company operates an in-house nursery (GOO.N SukuSuku House), offers a paid childcare leave program (GOO.N SukuSuku Leave), and provides an allowance to help cover the cost of babysitting services while also working to enhance support programs to help employees balance work and caregiving responsibilities. In addition, the Company has raised the retirement age to 65 to facilitate the transfer of skills from senior to junior employees particularly on the production floor. As such, we are striving to create an environment where all employees can continue to work without undue worries, maintaining an appropriate work-life balance.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

The Company manages and administers corporate pension funds appropriately with the Pension Asset Management Committee composed of the Personnel Department and Finance Department as the administrator.

Further, the Company has been working to improve the quality of the employees engaged in management and administration of pension funds through practical business and training, and continuously gathers information regarding laws and regulations as well as system operation. Going forward, we will strive to build stable assets to ensure profits for employees through monitoring of institutions to which it entrusts management of the funds.

[Principle 3.1 Full Disclosure]

(i) Management philosophy, management strategy, management plan

Please refer to the Code of Conduct, Policy, Vision, Long-term Vision, and Medium-term Business Plan of the Daio Group, accessible from the links below.

Code of Conduct, Policy: <https://www.daio-paper.co.jp/en/company/policy/>

Vision of Daio Group: <https://www.daio-paper.co.jp/en/company/policy/>

Long-term Vision:

<https://www.daio-paper.co.jp/wp-content/uploads/1989330f397d85b146c5f8502e343b25-1.pdf>

Medium-Term Management Plan: <https://www.daio-paper.co.jp/en/ir/policy/plan/>

(ii) Basic policy on corporate governance

The Company has established its basic ideas about corporate governance based on the principles of the Corporate Governance Code, and presents them as the Corporate Governance Basic Policy. See the Company's website at the link below.

Corporate Governance Basic Policy: <https://www.daio-paper.co.jp/en/company/governance/>

(iii) Policy and procedure for determining remuneration for Directors

In principle of the remuneration for Directors, remuneration system is set for securing human resources who can increase the motivation to improve performance and demonstrate high capabilities for business management and supervision, so as to help enhance the Company's medium- to long-term corporate value. It is a basic policy to define appropriate standards by giving consideration to the consistency among business environment, performance, and compensation to employees.

Remuneration for Directors is determined in accordance with the remuneration policy adopted by a resolution of the Board of Directors within the limit set by the General Meeting of Shareholders. For full-time Directors, the Remuneration Committee evaluates their individual performance and determines the amount of remuneration for each.

See Article 11 (Remuneration Committee) of the Corporate Governance Basic Policy for the policy and procedure for determination of remuneration for the Company's full-time Directors, and see the Appendix (Policy for Determining Individual Remuneration of Directors) attached hereto for the policy for determination of individual remuneration for Directors.

(iv) Policy and procedures for the nomination and dismissal of Directors and the selection of candidates to serve on the Audit and Supervisory Committee

For the policy and procedures for the nomination and dismissal of the Company's Directors and the selection of candidate to serve on the Audit and Supervisory Committee, see Article 6 (Procedures for the Nomination and Dismissal of Directors not on the Audit and Supervisory Committee), Article 7 (Procedure for the Nomination of Directors Designated to Serve on the Audit and Supervisory Committee), and Article 10 (Nomination Committee) of the Corporate Governance Basic Policy.

(v) Reasons for the nomination of Directors

For reasons for the nomination of Directors, see the Notice of the 114th Annual General Meeting of Shareholders. For reasons for the nomination of Outside Directors, refer to the "Directors" section of this report.

[Supplementary Principle 3.1.3 Sustainability Initiatives, etc.]

1. Sustainability initiatives and disclosure of climate change impacts

In May 2021, the Company released the Daio Group Sustainability Vision under the theme of "Shaping an Abundant and Affable Future for the World." To find out what we meant by "abundant and affable future" and how we intend to realize it, visit the Company website at the link below.

<https://www.daio-paper.co.jp/en/csr/>

Among the 10 material issues identified in the vision, "response to climate change," "realization of a recycling-oriented society," and "forest conservation and maintenance of biodiversity" are environment-related. In particular, "response to climate change" is a top priority for the Company. We have declared our support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Accordingly, we are disclosing information, via our website and Integrated Report, on the four core elements of the TCFD recommendations—i.e., "governance," "strategy," "risk management," and "metrics and targets"—along with our scenario analysis, a process of developing strategic plans. Please visit the Company website or see the Daio

Group's latest Integrated Report.

<https://www.daio-paper.co.jp/en/csr/organic/tcfd/>

As for governance structure, the Company established the Sustainability Committee, chaired by a Representative Director, to deliberate on strategies, policies, and other matters related to sustainability. The Daio Group Sustainability Vision had been deliberated by the Sustainability Committee before it was presented to the Board of Directors for adoption as our sustainability strategy.

In order to help the Sustainability Committee promote initiatives in line with the strategy and deliver tangible results by enhancing the performance of such initiatives, the following seven working groups (WGs) have been established under the committee, aligned with the trends and material issues concerning sustainability: 1) Global Warming Countermeasures WG, 2) TCFD Response WG, 3) Forest & Biodiversity Response WG, 4) Environmental Load Reduction WG, 5) Value Co-Creation WG, 6) SDGs-based Procurement Promotion WG, and 7) ESG Information Disclosure Enhancement WG.

The Sustainability Committee, which is responsible for assessing specific initiatives promoted by individual WGs and evaluating progress, regularly reports sustainability challenges and progress—including the results of progress evaluation—to the Management Meeting for consultation by its members. All of these together operate as a mechanism for sustainability promotion. Achieving carbon neutrality in 2050 is a very high goal and may be, at the same time, risks with a great impact on financial soundness depending on the carbon pricing legal system. On the other hand, however, the flow of eliminating the use of plastic toward the solution of marine plastic problems increases substitution demands for “paper.” Since our afforestation and tree species development could contribute to the demands, this flow is considered to be a great business chance.

Further, climate change is an issue of the entire society, for which the best solution worked out by an individual company on an independent basis is not always the overall optimum. To address de-carbonization all over the local communities, the Company has been actively involved in the Shikokuchuo City Carbon Neutrality Council as one of the administrative companies. By promoting the road map toward realization of Carbon Neutrality in Shikokuchuo City published by the Council in March 2023, the Company will continue to contribute to realizing carbon neutrality all over the local communities and solving corresponding problems in the future as well.

2. Investment in human capital

In our long-term vision, “Daio Group Transformation 2035,” we have identified people as the “source of value creation” in implementing important reform themes, such as global expansion, strengthening R&D and marketing capabilities, and energy conversion from fossil fuels to waste and wood fuels. We aim to foster “a corporate culture that supports employees who take up challenges” where human resources with a positive mindset toward change and challenge are constantly active. In order to create a virtuous circle between individual growth and company growth, and to link this to sustainable corporate growth, we implement human resource policies, setting “respect for individual employees, fair and co-creative relationships between the Company and employees” as the foundation of our human resource policy, and based on three strategic pillars: “making the most of our diversity,” “promoting change and challenges,” and “supporting growth of individual employees.”

Regarding our initiatives for “making the most of our diversity,” see Supplementary Principle 2.4.1 (Ensuring Diversity in Promoting Core Personnel, etc.).

For “promoting change and challenges,” we have launched three new measures—i.e., one-on-one meetings, a 360-degree evaluation system, and revision of the criteria for evaluating employees in managerial positions—designed to prompt

management reform, effective from FY2025, with the aim of fostering “a corporate culture that supports employees who take up challenges” as called for in our human resources strategy.

One-on-one meetings are meant to be an occasion in which members of the management team listen—instead of giving instructions—to their staff, think together, and support them as they move forward. The 360-degree evaluation system is aimed at letting employees in managerial positions reexamine their own management performance by recognizing gaps between their self-evaluation and evaluations by others, thereby prompting them to make improvements. The criteria for evaluating employees in managerial positions have been revised to clearly define the roles expected of them, with the addition of management elements that support challenges and elements concerning the duty to pay attention to safety. Through these three measures, we will promote a bottom-up approach, instead of a top-down approach, to management, and take necessary steps to make all employees motivated to take on new challenges.

With regard to “supporting growth of individual employees,” the Company has developed systems which allow employees to autonomously develop careers and capabilities by utilizing “Daio Career Challenge” (in-house career selection and job posting system), and accepting applicants for external training programs.

In addition, for the purpose of internal development and capacity building of globally capable human resources, we have been providing employees with opportunities to study abroad while offering workshops and training programs designed to prepare employees for overseas assignments and help them acquire a global mindset. In FY2024, we launched a new program to send young employees to study a foreign language abroad. Two employees have completed the program, and we will continue to offer the program in FY2025.

We believe that increasing employee engagement leads to innovation and sustainable enhancement of corporate value, and we conduct an engagement survey once a year as a means to measure the status of implementation with regard to “respect for individual employees, fair and co-creative relationships between the Company and employees,” which is the foundation of our human resource policy. Efforts for the resolution of issues in organizational management that can be read from the survey results is listed as one of the performance targets for each manager, and the entire company is promoting the improvement of engagement. In addition, “employee health” is essential for sound organizational management and sustainable corporate growth, and in the “Daio Group Declaration of Health” announced in FY2014, the company is committed to the promotion of physical and mental health by “permanently evolving and developing as a vibrant and healthy corporate group.” In March 2025, the Company was selected as a “KENKO Investment for Health Stock” for the third time and listed among the top 500 large enterprises (referred to “White 500”) under the KENKO Investment for Health certification program for the eighth consecutive year.

3. Investment in research and development (R&D) and intellectual property

As a comprehensive paper manufacturer that produces and sells paper and paperboard as well as home & personal care products, to realize coexistence of the values of sustainable growth and solutions to social challenges, the Company has been engaged in research and development to create new products, services and materials.

With regard to investment in R&D, as stated in our long-term vision “Daio Group Transformation 2035,” we are aiming to increase R&D expenses ratio to 2.0% of total sales (in FY2035). Toward this goal, the Group will promote the reinforcement and improvement of its R&D system, including personnel and facilities, while increasing investment in R&D to create new products, services, and materials in stages. In particular, in the field of new materials such as cellulose nanofibers (CNF) and biorefineries, we will further accelerate investment in R&D to unlock the unlimited potential of wood resources and promote alliances with

universities and overseas and domestic research institutions, as well as co-creation with external research institutes, etc., to stimulate innovation activities to secure competitive advantage in relation to other companies.

Also, in the field of home and personal care, since entering the sanitary paper market in 1979 with the Elleair brand, we have been developing products from the consumer's perspective through the combined efforts of our marketing, sales, and development units, and expanding our product lineup to include processed products such as baby diapers, feminine care products, and adult diapers.

From the 5th Medium-term Business Plan onward, in order to further expand sales of B-to-C products, including in the global market, we will seek to enter new growth areas in Japan and overseas, such as pet care products, which we entered in 2023.

Regarding intellectual capital, which we define broadly to include various elements convertible into corporate value (e.g., brands, knowledge, know-how, trade secrets, and data), the Company is implementing intellectual capital management, in which we aim to ensure the sustainable growth of the Company and maximize its corporate value by strategically utilizing intellectual capital. Based on the belief that such strategic utilization of intellectual capital leads to higher corporate value, the Company is seeking to build, enhance, and expand its portfolio of intellectual property, a key element of intellectual capital, which serves as a source of corporate value. Meanwhile, in conjunction with the Daio Group Long-term Vision and 5th Medium-term Business Plan, the Company is mobilizing various strategic schemes to make good and effective use of intellectual property, thereby supporting initiatives to enhance business operations, secure competitive edge, and create new businesses in the aspect of intellectual property.

[Supplementary Principle 4.1.1 Scope of Delegation to Executives]

Under its policy to separate execution and supervision, the Company stipulates matters to be submitted to the Board of Directors' Meeting in the Regulations of the Board of Directors and the Detailed Rules for Matters to Be Submitted to the Board of Directors' Meeting.

They consist of matters related to basic management policies including statutory matters and matters stipulated by the Articles of Incorporation as well as important management matters such as medium- to long-term management plans.

The management (Executive Directors and Executive Officers) is executing business in accordance with the business policy and the implementation plan decided at the Board of Directors' Meetings.

[Principle 4.9 Independence Standards and Qualification for Independent Outside Director]

For the criteria for independence of Outside Directors, see the Independence Standards of Outside Directors, annexed to the Corporate Governance Basic Policy.

[Supplementary Principle 4.10.1 Establishment and Operation of Nomination Committee and Remuneration Committee]

The Company's Nomination Committee and Remuneration Committee are chaired by an independent Outside Director, and more than half of its members are independent Outside Directors. For the purpose, authority, and compositions of Nomination Committee and Remuneration Committee, see "II 2. Matters related to functions such as business execution, auditing, supervision, nomination, and decisions on remuneration" in this report, Article 9 (Establishment of Non-mandatory Committees), Article 10 (Nomination Committee), and Article 11 (Remuneration Committee) of the Corporate Governance Basic Policy.

[Supplementary Principle 4.11.1 Policies on the Balance of the Board of Directors in Knowledge, Experience, and Skills, and on the Board's Diversity and Size]

The basic policy of the Company in deciding Director candidates is a balanced composition of the Directors who are equipped with various knowledge and expertise regarding corporate management, financial strategies, risk management, and legal compliance as the Board of Directors.

For the balance, diversity, and scale of the Board of Directors as well as the policy and procedure for electing Directors, see Article 5 (Composition of the Board of Directors) and Article 6 (Procedures for the Nomination and Dismissal of Directors not on the Audit and Supervisory Committee) of the Corporate Governance Basic Policy.

For the career summary of the Director candidates and areas of expertise expected of them (skill matrix) at this point, see the Notice of the 114th Annual General Meeting of Shareholders.

- Notice of the 114th Annual General Meeting of Shareholders:

<https://www.daio-paper.co.jp/en/ir/stock/meeting/>

[Supplementary Principle 4.11.2 Concurrent Positions Held by Directors]

For the executive and other significant positions concurrently held by the Director candidates in other listed companies, see the “Notice of the 114th Annual General Meeting of Shareholders” and the “Business Report.”

[Supplementary Principle 4.11.3 Summary of Analysis and Evaluation Results on the Effectiveness of the Board of Directors]

We have been evaluating the effectiveness of the Board of Directors annually, in order to regularly examine whether the Board of Directors is functioning properly, and continue to identify issues and implement measures for improvement.

<Method of implementation>

The Company carried out a self-evaluation anonymous questionnaire survey regarding composition and operation of the Board of Directors targeting all Directors and Audit and Supervisory Committee Members with cooperation from an external institution. The survey results collected and aggregated by the external organization were analyzed and evaluated.

<Summary of FY2024 evaluation results >

The Company’s Board of Directors was evaluated for effectiveness in the following nine aspects: roles and functions, composition, operation, deliberation, monitoring function, Inside Directors’ performance, training, dialogue with shareholders (investors), and initiatives undertaken by individual Directors. As a result, it was confirmed that the Board of Directors was, by and large, functioning properly and that a sufficient level of effectiveness had been ensured. At the same time, however, it was pointed out that individual Directors, including those newly appointed, should be given training opportunities to learn and update knowledge required to properly fulfill their roles and responsibilities, and that the management team should be provided with more detailed feedback concerning the status of dialogue with shareholders (investors).

<Initiatives to be taken based on FY2024 evaluation results>

With the transition to a company with an audit and supervisory committee, the Board of Directors will strive to enhance corporate governance by using its strengthened supervisory function, focusing on deliberation and decision-making on medium- to long-term matters such as management strategies while seeking to deepen discussions at the Management Meeting toward enhancing business execution capabilities. In order to enable Directors to fulfill their duties and responsibilities in the process and engage in meaningful deliberation, we will enhance training for Directors to help them acquire knowledge required of them. Meanwhile,

opinions and requests received through dialogue with our shareholders (investors) in the course of IR/SR activities will be communicated via the Board of Directors to the management team as feedback, thereby ensuring that the management team will consider ways to address issues raised and make proper disclosure of relevant information.

[Supplementary Principle 4.14.2 Training Policy for Directors]

For our policy on the training of Directors, see Article 8 (Policy regarding Training of Directors) of the Corporate Governance Basic Policy.

[Principle 5.1 Policy regarding Constructive Dialogue with Shareholders]

See Chapter 1 (General Provisions) and Article 20 (Policy on Constructive Dialogue with Stakeholders) of the Corporate Governance Basic Policy for our policy on constructive dialogue with stakeholders including shareholders.

The Company is striving to timely provide appropriate information and clearly explain in plain language and logic to stakeholders including shareholders as to the management policy and initiatives toward sustainable growth and medium- to long-term improvement of corporate value.

The Company is also striving to have constructive dialogue with investors and shareholders of major institutions in Japan or abroad. The content of the dialogue is reported to executives as needed, and opinions and advice obtained from the dialogue is utilized for business management.

The development of the structure and initiatives for promoting dialogue with stakeholders are as follows.

1. General Manager of Corporate Planning Division, Corporate Unit supervises the efforts, and Public Relations • IR Department, Corporate Planning Department, Corporate Planning Division, Corporate Unit serves as the contact and works together with involved units in the Company.
2. The Public Relations • IR Department, Corporate Planning Department, Corporate Planning Division, Corporate Unit swiftly reports the opinions and concerns obtained through the dialogues to the management as necessary, and strives to handle them appropriately in cooperation with involved units.
3. The Company shall manage insider information appropriately and carefully in accordance with relevant laws and regulations upon dialogue. Further, the Company is proactively implementing IR activities. See [Status of IR-related activities] for details of the initiatives and measures.

[Principle 5.2 Formulation and Publication of Management Strategy and Management Plan]

The Company shall formulate a three-year medium-term business plan and disclose its overview.

In managing the progress of the medium-term business plan, the Company shall accurately calculate and grasp its own capital cost (WACC), then confirm and analyze the status of progress, and as necessary, review the allocation of management resources such as business portfolio and investment and loan plans.

In the Fifth Medium-term Business Plan, we continue to utilize Return on Invested Capital (ROIC) as an internal management indicator and implement management with an awareness of capital efficiency in each business unit.

The overview and progress of the medium-term business plans of the Company are disclosed and explained at the Daio Paper website, various explanatory meetings, and the Integrated Report.

Medium-term business plans: <https://www.daio-paper.co.jp/en/ir/policy/plan/>

Various explanatory meetings' materials: <https://www.daio-paper.co.jp/en/ir/library/presentation/>

Daio Group Integrated Report: <https://www.daio-paper.co.jp/en/ir/library/report/>

[Actions toward Realizing the Management Conscious of the Cost of Capital and Share Prices] [last updated: July 1, 2025]

<Current situation>

The Company's PBR remained above 1x until FY2021 due to its unique business portfolio that bridges consumer products in the chemical sector with its roots in the pulp and paper industry, and high expectations for its growth strategies, while its financial results were also improving. Since FY2022, the Company's PBR has remained below 1x as the Company's financial results and stock price have remained weak as a result of a decline in profitability of the Home and Personal Care Business, which is the Company's growth engine.

<Cost of Capital and Return on Capital>

The Company estimates its cost of equity for FY2024 to be around 5 to 6% (using the CAPM) compared to a negative ROE of 4.6%. The Company also estimates its weighted-average cost of capital (WACC) for FY2024 to be around 2 to 3% compared to an ROIC of 0.9%. The Company recognizes that investors' expected rates of return are generally higher than those calculated by the CAPM, and that these costs are expected to increase in the future. In view of the current situation of the Company and its future business environment, the Company aims to achieve early recovery of its ROE to around 10%, which is approximately the level of the 3rd MTBP.

<Response Plan toward Recovery with a PBR over 1x>

The Company plans to achieve recovery to the previous level of a PBR of over 1x by improving profitability through efforts on the themes shown to the right based on the Daio Group's growth strategies. By focusing on the reconstruction of its business foundation over the three years of the 5th MTBP, the Company will promote its business activities to realize its Long-Term Vision, "Daio Group Transformation 2035." For measures to be taken to achieve this, please visit the Company website, or refer to relevant briefing materials or the Daio Group Integrated Report.

Daio Group Integrated Report: <https://www.daio-paper.co.jp/en/ir/library/report/>

Daio Group Long-term Vision: <https://contents.xj-storage.jp/xcontents/AS90325/864913af/4302/4166/9bd1/6f29a320b546/20240619131653090s.pdf>

Medium-Term Business Plan: <https://www.daio-paper.co.jp/en/ir/policy/plan/>

Briefing materials: <https://www.daio-paper.co.jp/en/ir/library/presentation/><https://www.daio-paper.co.jp/en/ir/library/report/>

[Status of Dialogue with Shareholders]

The Company is having constructive dialogue with the investors and shareholders of major institutions in Japan or abroad through IR activities. For the status of IR activities, please refer to the "IR-related Activities" section of this Report or the Daio Group Integrated Report.

Daio Group Integrated Report: <https://www.daio-paper.co.jp/en/ir/library/report/>

The Company is striving to reinforce IR activities with investors and shareholders in accordance with the policy for dialogue described in Principle 5.1.

In addition, the Company is conducting SR activities to promote dialogue and build good relationships with domestic and foreign institutional investors who hold the Company's shares.

In SR activities, General Manager of Corporate Planning Division meets with institutional investors individually and engages in constructive dialogue mainly on themes related to management strategy, corporate governance, and sustainability. Opinions and other information obtained through the dialogue with institutional investors conducted in FY2024 will be shared with management and related units and utilized to improve the Group's management.

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
Hokuetsu Corporation	41,589,008	24.81
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,902,100	7.10
Daio Kaiun Co., Ltd.	11,162,739	6.66
The Iyo Bank, Ltd.	7,072,998	4.22
The Ehime Bank, Ltd.	6,920,947	4.13
Custody Bank of Japan, Ltd. (Trust Account)	6,008,384	3.58
Ehime Paper Manufacturing Co., Ltd.	5,331,335	3.18
Kami Shoji Co., Ltd.	4,700,109	2.80
Hyogo Paper Manufacturing Co., Ltd.	3,179,630	1.90
Hyogo Pulp Co., Ltd.	2,752,280	1.64

Name of Controlling Shareholder, if applicable
(excluding Parent Companies)

No

Name of Parent Company, if applicable

No

Supplementary Explanation

1. The Status of Major Shareholders is based on the list of shareholders as of March 31, 2025.
2. The shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account) are related to trust service.
3. Shareholding ratios were calculated after excluding treasury shares. The treasury shares do not include the shares held by trust banks through the Board Benefit Trust.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	TSE Prime
Fiscal Year-End	March
Business Sector	Pulp & Paper
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have a Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Corporate Governance System	Company with an audit and supervisory committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	20
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	15
Election of Outside Directors	Elected
Number of Outside Directors	7
Number of Independent Directors	7

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Naosuke Oda	From another company								△			
Makoto Horie	From another company											
Takako Masai	From another company											
Yoshihiro Iwata	From another company											
Yoichi Takei	Lawyer											
Kyoko Okada	From another company											
Yoshikuni Noguchi	CPA											

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)

k. Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Naosuke Oda		○	Mr. Naosuke Oda was executives of JFE Holdings, Inc. and JFE Shoji Corporation until 2021. While the Company has sales and purchase transactions with JFE Shoji Corporation, their amount is small (the ratio of the total transaction amount in the consolidated sales of the Company or JFE Shoji Corporation is less than 1%). In view of the scale of the transactions, the Company has judged that this relationship would not affect Mr. Oda's independency.	The Company determined that Mr. Naosuke Oda would appropriately perform his duties as an Outside Director from an independent standpoint by leveraging his wealth of experience and extensive insight gained through his career as the President and Representative Director and other positions at other companies. The Company has designated Mr. Oda as an independent officer, as he satisfies the requirements stipulated by the Enforcement Rules for the Securities Listing Regulations and it has judged that he would cause no conflict of interests with general shareholders.
Makoto Horie		○	Mr. Makoto Horie is an independent officer.	The Company determined that Mr. Makoto Horie would appropriately perform his duties as an Outside Director from an independent standpoint by leveraging his wealth of experience and extensive insight regarding management such as global business experience gained through his career as the President and Representative Director and other positions at

				<p>other companies.</p> <p>The Company has designated Mr. Horie as an independent officer, as he satisfies the requirements stipulated by the Enforcement Rules for the Securities Listing Regulations and it has judged that he would cause no conflict of interests with general shareholders.</p>
Takako Masai		○	Ms. Takako Masai is an independent officer.	<p>The Company determined that Ms. Masai would appropriately perform her duties as an Outside Director from an independent standpoint by leveraging her wealth of experience, advanced expertise, and extensive insight gained in the course of holding important positions in the financial industry, including foreign banks, domestic banks, and the Bank of Japan.</p> <p>The Company has designated Ms. Masai as an independent officer, as she satisfies the requirements stipulated by the Enforcement Rules for the Securities Listing Regulations and it has judged that she would cause no conflict of interests with general shareholders.</p>
Yoshihiro Iwata		○	Mr. Yoshihiro Iwata is an independent officer.	<p>The Company determined that Mr. Iwata would appropriately perform his duties as an Outside Director from an independent standpoint, leveraging his extensive experience of serving in senior positions—including</p>

				<p>that of president and representative director—in another company and the knowledge on business management acquired through engagement in global business activities.</p> <p>The Company has designated Mr. Iwata as an independent officer, as he meets the eligibility criteria for independent officers set forth in the Enforcement Rules for the Securities Listing Regulations and is deemed to pose no risk of conflict of interest with general shareholders.</p>
Yoichi Takei	○	○	Mr. Yoichi Takei is an independent officer	<p>The Company determined that Mr. Takei would appropriately perform his duties from an independent standpoint, both as a Director and as the chair of the Audit and Supervisory Committee, utilizing his professional expertise as a lawyer and leveraging his ability to put things into perspective and extensive experience gained by serving as an officer in a series of other companies.</p> <p>The Company has designated Mr. Takei as an independent officer, as he meets the eligibility criteria for independent officers set forth in the Enforcement Rules for the Securities Listing Regulations and is deemed to pose no risk of conflict of</p>

				interest with general shareholders.
Kyoko Okada	○	○	Ms. Kyoko Okada is an independent officer.	<p>The Company determined that Ms. Okada would appropriately perform her duties from an independent standpoint, both as a Director and as a member of the Audit and Supervisory Committee, using her broad knowledge on CSR and corporate culture and leveraging the extensive experience gained by serving as an officer in a series of other companies.</p> <p>The Company has designated Ms. Okada as an independent officer, as she satisfies the requirements stipulated by the Enforcement Rules for the Securities Listing Regulations and it has judged that she would cause no conflict of interests with general shareholders.</p>
Yoshikuni Noguchi	○	○	Mr. Yoshikuni Noguchi is an independent officer.	<p>The Company determined that Mr. Noguchi would appropriately perform his duties from an independent standpoint, both as a Director and as a member of the Audit and Supervisory Committee, leveraging his experience as a partner at an accounting firm and his in-depth knowledge of finance and accounting.</p> <p>The Company has designated Mr. Noguchi as an independent officer, as he satisfies the requirements stipulated by the</p>

				Enforcement Rules for the Securities Listing Regulations and it has judged that he would cause no conflict of interests with general shareholders.
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Supervisory Committee

Composition of Audit and Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Audit and Supervisory Committee	5	2	2	3	Outside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee

Appointed

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

The Office of the Audit and Supervisory Committee has been established and staffed by employees to assist with the execution of its business. In making personnel decisions such as appointment and transfer of such staff employees, the Company will seek and respect the opinion of the committee.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Audit Department

With approval at the 114th Annual General Meeting of Shareholders held on June 26, 2025, the Company transitioned from a company with a board of company auditors to a company with an audit and supervisory committee. The descriptions provided in (2), (3), and (4) below mainly concern the status prior to the transition.

(1) Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of five Directors designated to serve on the committee. As per the audit policy determined by the committee and according to the division of roles and responsibilities among them, committee members conduct robust audits, from an independent standpoint, to assess the performance of duties by individual Directors (excluding those serving on the committee).

Outside Directors serving on the committee have been making recommendations and giving opinions as they find necessary, leveraging extensive experience and knowledge in their respective areas of expertise.

The Office of the Audit and Supervisory Committee, staffed by full-time employees, has been established to assist the committee. The Audit and Supervisory Committee will hold regular meetings with members of the Internal Audit Department to receive reports on audit plans, audit implementation status and findings, recommendations made to units audited, etc., and exchange

opinions whenever necessary.

(2) Financial auditor

Company Auditors held regular meetings with the financial auditor to receive reports and briefings on the financial auditor's system for performing its duties and the status of its operation, audit plans, audit implementation status, and other matters relevant to financial audits as well as on matters relevant to internal control audits required under the Financial Instruments and Exchange Act. They also exchanged opinions with the financial auditor whenever necessary throughout the period subject to audit and evaluated the financial auditor's performance.

(3) Internal audit

The Company has established the Internal Audit Department as an organ directly under the President and independent of operational units and departments, i.e., those responsible for business execution. The Internal Audit Department conducts audits of the Company and its subsidiaries in accordance with annual audit plans approved by the Board of Directors, and reports findings to the Board of Directors and Company Auditors.

(4) Cooperation among Company Auditors (or the Audit and Supervisory Committee), the Internal Audit Department, and the financial auditor, and their relationships with units responsible for internal control.

Company Auditors held regular meetings with members of the Internal Audit Department and units responsible for internal control in FY2024, as in the previous fiscal year, to receive reports on their respective audit plans, audit implementation status and findings, recommendations made to units audited, etc., and exchanged opinions as necessary.

Following the transition to a company with an audit and supervisory committee, we will maintain and deepen such cooperation and work to enhance organizational audits across the Group.

Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination Committee	5	0	1	4	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Remuneration Committee	5	0	1	4	0	0	Outside Director

Supplementary Explanation

The Company has established the Nomination Committee as an advisory body to the Board of Directors in order to ensure higher levels of objectivity and transparency in the process of nominating candidates for Directors, etc. and election or dismissal of Directors, etc.

Upon request from the Board of Directors, the committee nominates candidates for Executive Directors and Executive Officers (excluding those in employment) and advises the Board on the election and dismissal of such Directors and Executive Officers in accordance with the nomination guidelines set forth in the Corporate Governance Basic Policy. The chair of the Audit and Supervisory Committee attends the Nomination Committee's meetings as an observer.

The Company has also established the Remuneration Committee in order to ensure objectivity and transparency in the process of determining remuneration for its Directors, etc. The committee is chaired by an independent Outside Director, and more than half of its members are independent Outside Directors. Upon request from the Board of Directors, the committee makes recommendations on a policy for determination of remuneration for the Company's Executive Directors and Delegate Executive Officers (excluding those in employment). The committee also evaluates the performance of individual Directors and determines the amount of remuneration for each in accordance with the remuneration policy adopted by a resolution of the Board of Directors. The chair of the Audit and Supervisory Committee attends the Remuneration Committee's meetings as an observer to ensure greater objectivity and transparency in the process of determining remuneration.

For the authority and compositions of Nomination Committee and Remuneration Committee, see "II 2. Matters related to functions such as business execution, auditing, supervision, nomination, and decisions on remuneration" in this report, Article 9 (Establishment of Non-mandatory Committees), Article 10 (Nomination Committee), and Article 11 (Remuneration Committee) of the Corporate Governance Basic Policy.

Matters Concerning Independent Directors

Number of Independent Directors	7
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Other Matters Concerning Independent Directors
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The Company designates all outside officers who are qualified as independent officer as independent officers.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of Performance-linked Remuneration Scheme

Supplementary Explanation for Applicable Items

In order to give Directors an incentive to improve business performance, the Company has introduced a performance-based bonus system for Executive Directors, in which the amount of bonus fluctuates in accordance with the degree of their contribution to business performance.

Meanwhile, for Executive Directors, the Company has introduced a performance share plan, a performance-linked stock compensation scheme using a trust. A similar plan has been introduced for the Company's Delegated Executive Officers. The plan further clarifies the link between Directors' remuneration and the Company's stock value, and is aimed at raising Directors' awareness regarding contributing to improvement of business performance over the medium- to long-term and expansion of corporate value by having them share the profits and risks from the fluctuations of the share price with the shareholders.

Persons Eligible for Stock Options

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Supplementary Explanation for Applicable Items

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Director Remuneration

Status of Disclosure of Individual Director's Remuneration

No Disclosure for any Directors

Supplementary Explanation for Applicable Items

Total remuneration and breakdown by type of remuneration for each type of officers, and the number of officers entitled
The figures below are those for FY2024, prior to the transition to a company with an audit and supervisory committee.

●Directors (excluding Outside Directors)

Base pay: 160 million yen

Bonus: 18 million yen

Stock compensation: 31 million yen

Total remuneration: 209 million yen

Number of officers entitled: 8

●Company Auditors

Base pay: 24 million yen

Total remuneration: 24 million yen

Number of officers entitled: 3

●Outside officers

Base pay: 70 million yen

Total remuneration: 70 million yen

Number of officers entitled: 10

Notes:

1. Bonuses are not paid because consolidated ordinary loss has been recorded for the previous fiscal year.
2. The amount of stock-based remuneration is the amount recorded as the provision for share-based remuneration.
3. The number of Directors (excluding Outside Directors) includes one Director who retired at the conclusion of the 113th Annual General Meeting of Shareholders held on June 26, 2024.
4. The upper limit of remuneration for Directors (basic remuneration and bonus) is 500 million yen a year (resolution by the 110th Annual Shareholders Meetings held on June 29, 2021). Separately, the upper limit of remuneration regarding the stock-based remuneration system for Directors other than Outside Directors is 88 million yen a year (resolution by the 108th Annual Shareholders Meetings held on June 27, 2019).
5. The upper limit of remuneration for Audit and Supervisory Board Members is 65 million yen a year (resolution by the 105th Annual Shareholders Meetings held on June 29, 2016).

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

For the policy for determination of remuneration for Directors (excluding those serving on the Audit and Supervisory Committee), see the Appendix (Policy for Determining Individual Remuneration of Directors) attached hereto.

Directors serving on the Audit and Supervisory Committee are compensated only with base pay, the amount of which is determined through consultation at the committee within the limit approved by the General Meeting of Shareholders.

Support System for Outside Directors

Prior to a meeting of the Board of Directors, the secretariat distributes meeting materials and provides a briefing to Outside Directors to ensure that they are properly informed about the matters to be discussed.

The Company has also established the Audit and Supervisory Committee Office staffed by full-time employees to ensure that Outside Directors serving on the Audit and Supervisory Committee are provided with necessary support in conducting their business.

Status of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
Toshitaka Ikawa	Advisor	Public relations activities for the Company and provision of advice in response to request by officers and employees of the Company	Part time, no remuneration	June 28, 2007	One-year contract

Number of Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.)
After Retiring as Representative Director and President, etc.

1

Other Related Matters

The Company asks a person who has experience as a Director at the Company in the past to serve as an advisor based on resolution at the Board of Directors' Meeting.

The company receives useful advice as needed from an advisor based on his or her experience and knowledge from engaging in management for many years. An advisor is not involved in any management-related decision-making.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

1) Overview of corporate governance structure

At the Company, the Board of Directors is responsible for decision-making on Group-wide management policies and the execution of important business operations (excluding matters delegated to an executive director serving as an executive officer) as well as for overseeing the execution of business operations in general, while the Audit and Supervisory Committee, a body independent from the Board of Directors, supervises the Board's performance of duties.

The Company has transitioned to a company with an audit and supervisory committee, with approval obtained at the 114th Annual General Meeting of Shareholders held on June 26, 2025.

The details of the Company's corporate governance structure are as follows.

(1) Board of Directors

The Board of Directors is responsible for supervising the overall management, including the performance of duties by the management team, to ensure the integrity and transparency of management, as well as for decision-making on the execution of

important business operations specified by law or in the Articles of Incorporation (excluding matters delegated to the President and CEO).

The Company's Articles of Incorporation sets the number of Directors (excluding those on the Audit and Supervisory Committee) at no more than 15 and that of Directors serving on the Audit and Supervisory Committee at no more than 5. As a matter of basic policy, the composition of the Board of Directors is determined within these limits but to ensure that the Board has a necessary and appropriate number of Directors to enable effective management and substantive Board discussion, with due consideration given to ensuring the Board's diversity and expertise.

<Activities of the Board of Directors in FY2024>

The figures below are those for FY2024, prior to the transition to a company with an audit and supervisory committee.

Number of meetings: 14

Attendance (average attendance rate):

Directors: 100%

Company Auditors: 94.9%

See the Notice of the 114th Annual General Meeting of Shareholders for the attendance status of individual officers.

<Matters deliberated by the Board of Directors in FY2024>

i. Management strategy

The Board considered measures for inclusion in the next medium-term business plan and long-term vision and deliberated on the status of progress in initiatives for addressing sustainability-related issues, succession planning for management, etc.

ii. Governance

The Board deliberated on the roles and responsibilities of the Management Meeting and non-mandatory committees in light of the planned transition to a company with an audit and supervisory committee, responses to the Corporate Governance Code, etc.

iii. Capital policy

The Board deliberated on the Company's investments in and lending to subsidiaries, guarantees for loans taken out or debt owed by subsidiaries, etc.

(2) Audit and Supervisory Committee

The Company ensures that three of the five Directors serving on the Audit and Supervisory Committee are Outside Directors to strengthen the committee's supervision over the management. The committee meets before and after each monthly meeting of the Board of Directors and whenever deemed necessary.

As a statutory independent body mandated to supervise the performance of duties, the Audit and Supervisory Committee is obliged to establish a quality mechanism for corporate governance by properly performing its duties, and plays a role as a supervisory function for the Company, working in collaboration with the Board of Directors.

Outside Directors serving on the Audit and Supervisory Committee have been making recommendations and giving opinions as

they find necessary, leveraging extensive experience and knowledge in their respective areas of expertise.

<Activities of the Audit and Supervisory Board in FY2024>

The figures below are those for FY2024, prior to the transition to a company with an audit and supervisory committee.

Number of meetings: 14

Attendance (average attendance rate): 98%

(3) Accounting auditor

In the fiscal year 2024, the Company elected Ernst & Young ShinNihon LLC as its accounting auditor, which performed appropriate audit as necessary in accordance with laws and regulations. The status of accounting audit is as follows.

i. Duration of auditing service: 2 years

ii. Certified public accountants who provided auditing service:

Takashi Sadatome (duration of auditing service: 2 years)

Minoru Io (duration of auditing service: 2 years)

Takuya Suzuki (duration of auditing service: 2 years)

iii. Composition of assistants related to auditing

At the Company, 13 certified public accountants and 49 other employees engaged in assisting the accounting audit operations.

(4) Management Meeting

As a way to facilitate speedier decision-making, the Management Meeting, composed of the President and the General Managers of business groups and divisions, deliberates on the execution of important operations on which decision-making authority is delegated to the Executive Director, President and CEO, and makes decisions on matters delegated by the Board of Directors. Directors serving on the Audit and Supervisory Committee attend the Management Meeting as observers to oversee the decision-making process.

(5) Executive Officer System

The Company has the executive officer system in place in order to make quick and courageous management decisions, establish a strong and flexible business execution structure, and improve corporate value. Under this system, the Company clearly defines the roles and responsibilities of the Board of Directors, which makes decisions on critical management matters and supervises business execution, and of the Executive Officers, who executes operations. The Board of Directors mainly makes decisions on the election and dismissal of the Executive Officers as well as their duties. Correspondingly, the Executive Officers are responsible for performing their duties in accordance with the management policy determined by the Board of Directors.

On June 26, 2025, the Company introduced a delegated executive officer system to appoint Executive Officers on a delegation contract. The new system, which operates in parallel with the existing system that appoints Executive Officers on an employment contract, is intended to draw a more distinct line between the management decision-making and supervisory function and the execution of operations, as well as to further accelerate decision-making by delegating authority to relevant Executive Officers with the scope of their responsibilities in executing business clearly defined.

(6) Non-mandatory committees

(i) Nomination Committee

i. Purpose

To enhance objectivity and transparency in the nomination of candidates for Directors, etc. and the election and dismissal of the Directors, etc.

ii. Authority

As an advisory body to the Board of Directors, the Nomination Committee makes recommendations, upon request from the Board, on the nomination, election, and dismissal of Executive Directors and Delegated Executive Officers in accordance with the nomination guidelines set forth in the Company's Corporate Governance Basic Policy.

iii. Members

Independent Outside Directors, including one serving as the chair, constitute a majority on the Nomination Committee, with its meetings attended by the chair of the Audit and Supervisory Committee as an observer.

[Committee members (5)]

- Chair: Naosuke Oda, Outside Director
- Makoto Horie, Outside Director
- Takako Masai, Outside Director
- Yoshihiro Iwata, Outside Director
- Yorifusa Wakabayashi, Representative Director, President and Chief Executive Officer

iv. Status of activities

The status of activities of the Nomination Committee in FY2024 is as follows.

	Title	Name	Attendance
Chair	Outside Director	Naosuke Oda	100% (5/5)
Member	Outside Director	Yoichi Takei	100% (5/5)
Member	Representative Director	Yorifusa Wakabayashi	100% (5/5)

Main contents of deliberations

In FY2024, the Nomination Committee deliberated on the composition of the Board and the appointment of Directors and Executive Officers at or above the level of Managing Executive Officer and, after sufficient deliberation, made recommendations to the Board of Directors. It also deliberated on succession planning such as how to identify and develop potential successors.

(ii) Remuneration Committee

i. Purpose

To enhance the objectivity and transparency of decisions on remuneration for Directors, etc.

ii. Authority

Upon request from the Board of Directors, the Remuneration Committee makes recommendations on matters related to remuneration, such as a policy for determination of remuneration for the Company's Executive Directors and Delegated Executive Officers.

Further, the committee evaluates their individual performance and determines the amount of remuneration for each in accordance with the policy adopted by a resolution of the Board of Directors.

iii. Members

Independent Outside Directors, including one serving as the chair, constitute a majority on the Remuneration Committee, with its meetings attended by the chair of the Audit and Supervisory Committee as an observer.

[Committee members (5)]

- Chair: Naosuke Oda, Outside Director
- Makoto Horie, Outside Director
- Takako Masai, Outside Director
- Yoshihiro Iwata, Outside Director
- Yorifusa Wakabayashi, Representative Director, President and Chief Executive Officer

iv. Status of activities

The status of activities of the Remuneration Committee in FY2024 is as follows.

	Title	Name	Attendance
Chair	Outside Director	Naosuke Oda	100% (8/8)
Member	Outside Director	Yoichi Takei	100% (8/8)
Member	Representative Director	Yorifusa Wakabayashi	100% (8/8)

Main contents of deliberations

In FY 2024, the Remuneration Committee deliberated on matters related to remuneration, including the overall level of remuneration for officers, management performance indicators linked to incentives, and remuneration structure for each class of officer.

(iii) Risk and Compliance Committee

i. Purpose

To strengthen risk management and compliance at the Daio Paper Group.

ii. Authority

It checks the Group's risk management framework by comprehensively identifying and assessing risks of the Group and by implementing unified management of its risk control measures. It also makes deliberations, etc. on risk control measures in accordance with the severity of risks.

Further, the Risk and Compliance Committee establishes subcommittees as subordinate organizations as necessary. The subcommittees report the progress of their initiatives to the Risk and Compliance Committee regularly. Each subcommittee deliberates, makes decisions, and implements specific measures for each type of risk, forming a highly effective risk management system.

iii. Members

The Risk and Compliance Committee is chaired by the Director in charge of risk management and compliance and composed of Executive Officers and other members, with its meetings attended by Outside Directors, Directors serving on the Audit and Supervisory Committee, and General Manager of Internal Audit Department, as observers.

(iv) Sustainability Committee

i. Purpose

To map out its sustainability strategies (i.e. sustainable corporate strategies that encompass the environment, society, and corporate governance) to improve the Daio Paper Group's social value by solving social issues and increase corporate value.

ii. Authority

The Sustainability Committee makes decisions regarding sustainability-related materiality (material issues) as well as goals, commitments, and initiatives that center on materiality.

The Company established eight subcommittees that are linked to sustainability-related trends and materiality, and set forth specific initiatives and KPIs in efforts to achieve goals through deliberation of various measures and confirmation of progress.

iii. Members

The Sustainability Committee is chaired by a Representative Director and composed of Executive Officers and other members designated by the chair, with its meetings attended by Outside Directors, Directors serving on the Audit and Supervisory Committee, and General Manager of Internal Audit Department, as observers.

(v) Human Resources Strategy Committee

i. Purpose

To promote human capital management by developing Group-wide strategies for: securing and developing human resources; promoting diversity, equity, and inclusion (DE&I); and creating a positive corporate culture.

ii. Authority

The Human Resources Strategy Committee sets and develops a basic policy on human resources strategies—those that would contribute to the realization of management strategies—and specific measures to promote their implementation, reports them to the Board of Directors, and play a leading role in implementing these measures by having them permeate throughout the organization, from the top management to managerial and staff employees.

iii. Members

The Human Resources Strategy Committee is chaired by the Executive Officer in charge of human resources and composed of Managing Executive Officers serving on the Board of Directors and other members designated by the chair, with its meetings attended by Outside Directors and Directors serving on the Audit and Supervisory Committee, as observers.

(vi) Investment and Loan Committee

i. Purpose

To facilitate rational investment decisions to improve the efficiency and effectiveness of investments, by establishing clear screening criteria that take into account the cost of capital from the perspective of ROIC-focused management, and setting an order of priority, in line with the medium- to long-term policy, for important investment and loan projects proposed by business divisions in executing their respective business plans.

ii. Authority

As a body subordinate to the Management Meeting, the committee evaluates the profitability (ROIC) and probability of success of investment and loan projects, and provides suggestions, advice, recommendations, etc. to the Management Meeting and the

Board of Directors with or without request. Also, the committee regularly conducts post-project assessments to evaluate the efficiency and effectiveness of investments and, if deemed necessary, formulates improvement measures and/or modifies the plan for investment and loan projects.

In addition, the Committee establishes or reviews criteria for withdrawal from a business, establishes a policy for restructuring or withdrawal from a business that meets the withdrawal criteria, and makes proposals, advice, reports, etc. to the Management Meeting and the Board of Directors.

iii. Members

The committee is chaired by a Representative Director and composed of Managing Executive Officers serving on the Board of Directors and other members designated by the chair, with its meetings attended by Outside Directors and Directors serving on the Audit and Supervisory Committee, as observers.

(7) Limited liability agreements

<Exemption of Directors from liability>

Pursuant to Article 426 (1) of the Company Act, the Company has provided in its Articles of Incorporation that the Board of Directors may, by its resolution, exempt its members (including former members) from liability for damages under Article 432 (1) of the same law, in order to enable Directors to fully demonstrate their competencies and fulfill their expected roles in performing their duties.

As an interim measure following the transition to a company with an audit and supervisory committee, the Company has provided in its Articles of Incorporation that the Board of Directors may, by its resolution, exempt Company Auditors (including former ones) from liability for damages under Article 423 (1) of the Companies Act arising from acts committed before the conclusion of the 114th Annual General Meeting of Shareholders.

<Matters related to limited liability agreement>

Pursuant to Article 427 (1) of the Companies Act and the Articles of Incorporation, the Company has entered into a limited liability agreement with each of its Outside Directors and Directors serving on the Audit and Supervisory Committee to limit their liability for damages under Article 423 (1) of the Companies Act, provided that the relevant officer has acted in good faith and without gross negligence in performing his or her duties. The maximum amount of liability for damages under such agreement is the higher of 10 million yen and the minimum liability amount set forth in Article 425 (1).

(8) Directors and Officers liability insurance contract

The Company has concluded with an insurance company a Directors and Officers liability insurance contract naming the Directors and Audit and Supervisory Board Members at the Company and the Group, and Executive Officers and other important employees at the Company as the insured, as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The said insurance contract covers litigation costs and damage related to the claim for damages brought against the insured during the insurance period.

However, the Company has taken measures to prevent impairment of appropriateness of the insured's execution of their duties by setting the coverage to exclude the damage or loss caused by any criminal act of the insured. The full amount of insurance premium is borne by the Company.

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3. Reasons for Adoption of Current Corporate Governance System

<p>Adhering to the Group management philosophy of “shaping an abundant and affable future for the world,” we aim to realize sustainable value creation for all stakeholders and the entire society by promoting sustainability-oriented management.</p> <p>Previously, the Company has operated as a company with a board of company auditors, with the Board of Directors responsible for decision-making on important management matters and supervising business execution, and their performance of duties audited by the Board of Company Auditors and its members that are independent from the Board of Directors.</p> <p>However, in the face of the rapidly changing business environment for the Group, it has been determined that the Company’s Board of Directors should delegate some of its authority to facilitate speedier decision-making while focusing its efforts on deliberating and making decisions on medium- to long-term management strategies, etc. and strengthening its supervisory function to further enhance corporate governance. Accordingly, the Company has transitioned to a company with an audit and supervisory committee, with approval obtained at the 114th Annual General Meeting of Shareholders held on June 26, 2025.</p>

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	We publish Notice of convocation on the Company's website and the Tokyo Stock Exchange website at least three weeks prior to the date of the general meeting of shareholders.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	—
Electronic Exercise of Voting Rights	Voting rights can be exercised via the internet, etc. (personal computer and smartphone)..
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	We participate in the electronic voting platform.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	We publish the English translation of each Notice of the convocation of the Shareholders Meetings (a narrowly defined “Notice of the General Meeting of Shareholders” and excerpts from reference documents for the Shareholders Meetings) on the electronic voting platform and our website for international institutional investors.
Other	

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	Our disclosure policy is disclosed on our website. https://www.daio-paper.co.jp/en/ir/disclosure/	
Regular Investor Briefings held for Individual Investors	We hold briefings for individual investors twice a year or so through securities companies, etc. These briefings shall take a form that is appropriate for each situation.	Not Held
Regular Investor Briefings held for Analysts and Institutional Investors	We hold a briefing on our financial results for analysts, institutional investors, and the press, among others, on the day we announce our financial results. In addition, we hold strategic briefings by President and management for analysts, institutional investors, and the press when we announce our financial results for Q2 and year-end account settlement.	Held

	These briefings shall take a form that is appropriate for each situation.	
Regular Investor Briefings held for Overseas Investors	<p>President and management attend an annual or biannual conference primarily for international investors that is organized by securities companies. At the conference, they present the Company's long-term vision and management strategies.</p> <p>Through this effort, we create opportunities to have dialogue with a diverse range of investors.</p> <p>As for the style of holding the meeting, it shall be held in an appropriate style according to the circumstances.</p>	Held
Online Disclosure of IR Information	<p>President and management attend an annual or biannual conference primarily for international investors that is organized by securities companies. At the conference, they present the Company's long-term vision and management strategies.</p> <p>Through this effort, we create opportunities to have dialogue with a diverse range of investors.</p> <p>As for the style of holding the meeting, it shall be held in an appropriate style according to the circumstances.</p>	
Establishment of Department and/or Placement of a Manager in Charge of IR	<p>The Company has established the Public Relations • IR Department, Corporate Planning Department in the Corporate Unit. The section is responsible for setting up occasions for dialogue with institutional investors and analysts, organizing briefings, and disclosing information on our website.</p> <p>The section also works with relevant units as necessary while working on the above tasks.</p>	
Other	<p>[Activities for domestic and international analysts and institutional investors]</p> <ol style="list-style-type: none"> 1. Accepting requests for interviews 2. Small meetings 3. Conferences organized by securities companies 4. Mill tours 5. Briefings for individual investors 	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Chapter 1 (General Provisions) and Article 20 (Policy on Constructive Dialogue with Stakeholders) of the Corporate Governance Basic Policy specify our policy on constructive dialogue with stakeholders including shareholders.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	https://www.daio-paper.co.jp/en/csr/ https://www.daio-paper.co.jp/en/ir/library/report/ Our Sustainability Vision and integrated reports, among others, are available on the above web pages.
Formulation of Policies, etc. on Provision of Information to Stakeholders	Chapter 4 (Ensuring Appropriate Information Disclosure and Transparency) and Article 19 (Policy on Information Disclosure) of the Corporate Governance Basic Policy specify our policy on information disclosure to obtain correct understanding and trust from stakeholders.
Other	—

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

The Company resolved on the basic policy on the development of the internal control system at the Board of Directors meeting, and is currently working on the development of the system. The summary of the development of the system is as follows:

1) Framework to ensure that the executions of duties by the Group's Directors and employees conforms to laws and regulations as well as the Articles of Incorporation

(1) The Board of Directors makes decisions on important management matters in accordance with the Rules for the Board of Directors, receives reports from Executive Directors on their respective performance of duties, and supervises individual Directors' performance of duties.

(2) The Company clearly defines the decision-making authority and duties of Directors and employees by level of positions in its internal rules established by the Board of Directors, such as the Rules on Professional Duties and Authority, and the Rules for *Ringi* Decision-making, and ensures that Directors and employees properly perform their duties by properly applying these rules.

(3) The Company establishes internal rules designed to promote risk management and compliance, installs the Risk and Compliance Committee, and appoints a Director in charge of risk management and compliance to serve as the chair.

(4) Under the direction of the director in charge of risk and compliance, the Risk and Compliance Committee deliberates and determines policies and measures for the development of the Group's compliance and risk management systems, as well as monitors and evaluates these systems, and report the results to the Board of Directors as necessary.

(5) The Risk and Compliance Committee establishes subcommittees as subordinate organizations as necessary, and the subcommittees report the progress of their initiatives to the Risk and Compliance Committee regularly.

(6) The Company complies with laws and regulations and takes responsible actions based on its ethical view.

i. In addition to the Daio Group Management Philosophy, the Company has established the Daio Group Code of Conduct and the Compliance Rules, setting forth the criteria and guidelines for acts and conduct expected of and specifically prohibited for officers and employees in order to realize the management philosophy. The Company makes continuous efforts to educate and raise awareness of directors, other officers, and employees within the Group in alignment with these criteria and guidelines.

ii. In evaluating the conduct of the Company's Executive Directors, the Remuneration Committee seeks to build consensus with them on responsible conduct, having individual interviews when deemed necessary.

(7) The Group has established the Daio Group Corporate Ethics Hotline, a whistleblower system, with outside lawyers serving as an external contact point and the Audit and Supervisory Committee Office as an internal contact point. We have also established operational rules, setting forth the obligation to report in the event of gaining knowledge of ethical issues, illegalities, etc. and providing for consideration to the privacy of whistleblowers and their protection from detrimental treatment. We strive to promote the use of the whistleblower system by making these rules known to all companies within the Group.

(8) We require our subsidiaries that they comply with laws and regulations, and that they establish necessary rules, inform and educate the content thoroughly within the company, and fulfill their duties with a great sense of ethics.

(9) As a rule, the Company designates its officer or employee to serve as a part-time director or company auditor of a subsidiary to supervise the performance of duties by its representative and executive directors.

(10) We regularly provide information about compliance for our officers, employees, and officers of our subsidiaries and give compliance training.

2) Framework to save and manage information about the execution of duties by Directors at the Company

We properly save and manage critical information and documents about the execution of duties by Directors and management decision-making in accordance with the Internal Rules established for proper management of document data. Directors may access such information and documents as needed.

3) Rules and other frameworks to manage the risk of loss for the Group

(1) The Risk and Compliance Committee establishes internal rules to promote risk management and identifies and assesses the risks that may have a serious effect on our business so that appropriate actions according to the severity of the risks are taken, thereby preventing these risks from becoming a reality. The Committee also deliberates on policies and measures to manage important risks, and provide a complete company-wide risk management structure based on decisions by the Board of Directors.

(2) The Company provides guidance, supervision, and support for subsidiaries to identify and assess risks that may have a serious effect on subsidiaries' business so that appropriate actions are taken to prevent materialization of those risks.

(3) The Group establishes The Crisis Management Rules and the Daio Group's BCM (Business Continuity Management) Basic Rules which specify our crisis management structure in preparation for natural disasters or any other emergencies that may cause a significant loss to the company. The Group ensures that all our officers and employees follow these Rules.

(4) In case of any unforeseen emergency, we follow the Crisis Management Rules and the Daio Group's BCM (Business Continuity Management) Basic Rules to quickly set up an internal system according to the severity of the possible effect on the Group in order to minimize losses and continue and restore business operations, while identifying the cause and taking measures to prevent a recurrence.

(5) To fully conform to the internal control and reporting system pertaining to financial reporting that is based on the Financial Instruments and Exchange Act, the Group continues to develop and operate effective and efficient internal control and make necessary corrections, thereby ensuring the reliability and appropriateness of our financial reporting.

4) Framework to ensure that the Group's Directors efficiently execute their duties

(1) The Group has established the Rules on Division of Duties, the Rules on Professional Duties and Authority, and the Rules for *Ringi* Decision-making to clearly define the scope of responsibilities, duties, and authority of Directors and to ensure appropriate division of roles and collaboration among different units.

(2) For the purpose of expediting decision-making, improving management efficiency, and enhancing business execution functions, the Board of Directors, by its resolution, delegates decision-making authority on the execution of certain important business operations to individual Directors pursuant to the relevant law and the Company's Articles of Incorporation, while focusing its efforts on making important management decisions and supervising business execution. Likewise, the Management Meeting, composed of the management team members, makes decisions on matters delegated by the Board of Directors to better adapt to changes in the business environment.

(3) We have the executive officer system in place in order to make quick and courageous management decisions and

establish a robust and flexible business execution structure by clearly defining the roles and responsibilities of the Board of Directors makes decisions on critical management matters and supervises business execution, and Executive Officers. The Board of Directors and Executive Officers execute operations.

5) Framework to ensure appropriate operations across the Group

(1) We submit subsidiaries' board meeting minutes to the heads of the Units at the Company that are responsible for these subsidiaries and the Internal Control Promotion Department.

(2) We establish internal rules for appropriate management, supervision, and support of subsidiaries and affiliates which specify the matters that must be approved by or reported to the Company.

6) Matters regarding Directors and employees designated to assist the Company's Audit and Supervisory Committee with the execution of its duties; matters regarding their independence from Executive Directors

The Audit and Supervisory Committee Office has been established and staffed by employees to assist with the execution of its business. In making personnel decisions such as appointment and transfer of such staff employees, the Company will seek and respect the opinion of the committee.

7) Matters related to ensuring the effectiveness of instructions by Audit and Supervisory Committee members to the staff employees referred to in the preceding item

Employees assigned to the Audit and Supervisory Committee Office work exclusively for the committee and are independent from the control of Directors (excluding those serving on the Audit and Supervisory Committee).

8) Group framework for reporting to the Audit and Supervisory Committee Directors and employees of Group companies regularly report to the Company's Audit and Supervisory Committee on the status of business execution, internal audit findings, and other material matters. In addition, in the event of gaining knowledge of any material facts concerning illegalities or other compliance issues, they are to promptly report to the Company's Audit and Supervisory Committee.

9) Framework for safeguarding reporters in the preceding item (i.e., whistleblowers) from being subjected to detrimental treatment for reporting

The Company prohibits subjecting a person within the Group to detrimental treatment for reporting to the Company's Audit and Supervisory Committee.

10) Matters regarding the procedures for advance and reimbursement payments to members of the Company's Audit and Supervisory Committee for expenses incurred in the performance of their duties (limited to the committee's duties) and the policy on payment of other expenses and payables incurred in association with the performance of such duties

The Company pays all expenses and payables incurred by members of the Audit and Supervisory Committee in connection with the performance of their duties, unless the Company proves that such expenses were unnecessary for the performance of their duties.

11) Other frameworks for ensuring the effectiveness of audits by the Company's Audit and Supervisory Committee

Audit and Supervisory Committee has regular meetings with the Representative Director to exchange opinions on audit-related matters. The committee also works closely with the Internal Audit Department and units responsible for internal control to ensure the effectiveness of its audits.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

We maintain a resolute attitude toward antisocial forces and groups that are a threat to order and safety in civil society, and ensure the following so that we have no connection with antisocial forces:

- 1)The Internal Rules including the Compliance Rules specify the prohibition of involvement in any antisocial acts and of any connection with antisocial forces. We continue to educate and enlighten our employees about this matter.
- 2)We join an external group that aims to eliminate antisocial forces so that we collect information about these forces.
- 3)We work closely with local police departments and other relevant bodies to forge cooperative ties to prepare for emergencies.
- 4)If any unjustified demand is made to us by antisocial forces, the General Affairs Department leads our response.

1. Adoption of Anti-Takeover Measures

Supplementary Explanation for Applicable Items

The following state the Company's internal structures pertaining to the timely disclosure of corporate information:

The Group will disclose information in a timely, appropriate, and fair manner in compliance with the Financial Instruments and Exchange Act and other laws and regulations, as well as the rules set forth by the Tokyo Stock Exchange. Information that does not fall under the above laws and regulations, rules, etc., but is deemed to be beneficial to stakeholders in promoting their understanding of the Group, shall be disclosed promptly and accurately to the extent possible.

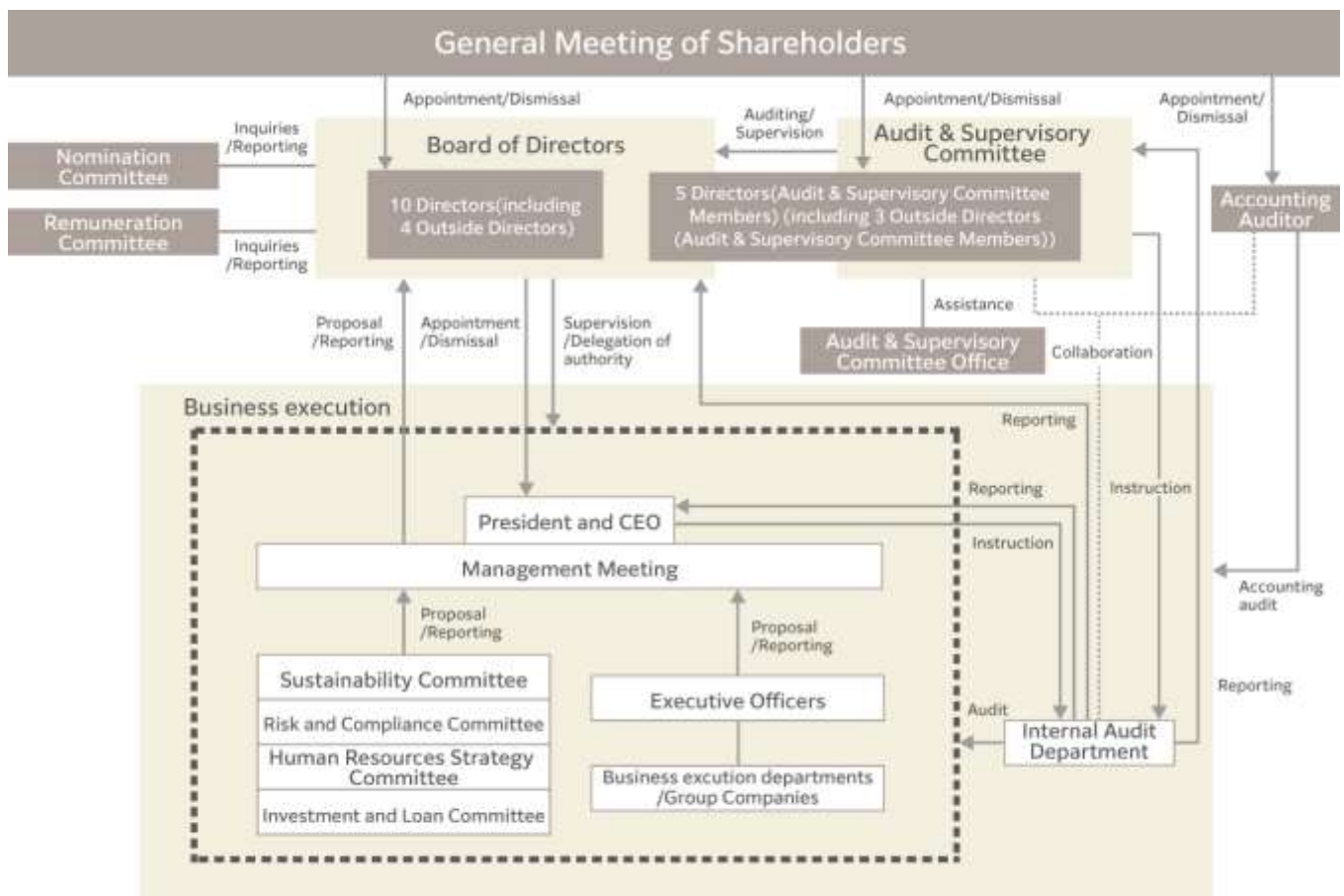
All important corporate information, including information on subsidiaries, whether it be decisions, facts which occurred, or financial information, is managed centrally under the secretariat of the Timely Disclosure Committee. The Timely Disclosure Committee determines as to whether or not material corporate information constitutes timely disclosure information in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange, and determines the content, timing, and method of disclosure with the approval of the Representative Director, President and Chief Executive Officer. Based on this decision, disclosure is made by the Representative Director or his/her delegate, and managed by the department in charge of public relations of the Company. The method of disclosure shall be by registration on TDnet and publication on the Company's website.

(1)Decisions (including information on financial results): Important matters that fall under the category of Decisions are decided by the Board of Directors or the Management Meeting, and are promptly disclosed to the Tokyo Stock Exchange and on the Company's website after the decision is made.

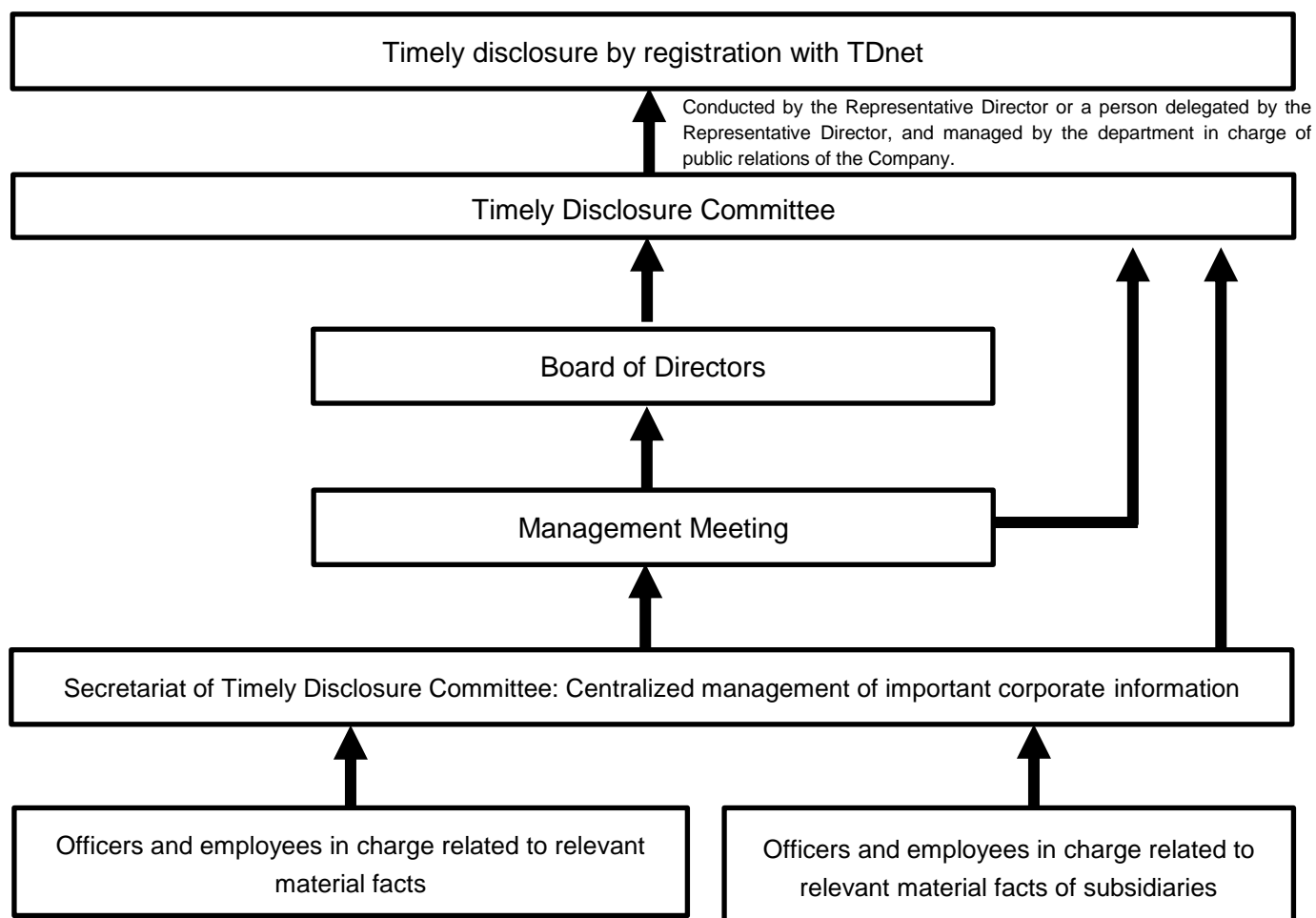
(2)Facts which Occured: The Company obligates its officers and employees in charge of subsidiaries to inform the secretariat of the Timely Disclosure Committee when they become aware that a material fact has occurred or is likely to occur.

(3)Information concerning subsidiaries: The Company obligates officers and employees of the Company in charge of subsidiaries to inform the secretariat of the Timely Disclosure Committee when they become aware that a material fact has occurred or is likely to occur at a subsidiary.

[Reference 1] Corporate Governance Structure Chart



[Reference 2] Chart of the Internal Structure on Timely Disclosure



<Policy for Determining Individual Remuneration of Directors>

<Basic Policy>

In principle, the remuneration system for Directors (excluding those serving on the Audit and Supervisory Committee; hereinafter the same applies) is designed to motivate them to improve their performance and to retain talented human resources as part of our effort to enhance the corporate value of the Company. As a basic policy, the Company sets appropriate levels of remuneration, taking into consideration the business environment, business performance, and consistency with the treatment of employees.

1. Policy on decision of calculation method of basic remuneration
 - A fixed amount that the Officers' Remuneration Rules specifies by position is paid to each full-time Director.
 - A fixed amount shall be added to remuneration for a Director with the responsibility for representing the Company.
 - Remuneration for Outside Directors consists of basic remuneration only. A fixed amount is paid to each of these Directors based on their membership in the committees established within the Company.
 - The allowances for overseas posts are paid to Directors on overseas assignments in accordance with the Overseas Assignment Rules.

2. Policy on the details of bonus-related performance indicators and decision on calculation method of bonuses
 - Consolidated operating profit, which measures the earnings from business activities, and consolidated net sales, which is a source of finance for business activities, are used as key performance indicators (KPIs) for incentive remuneration linked to the Company's single-year performance.
 - The bonus amount is calculated by using the two KPIs—weighted at 80% for consolidated operating profit and 20% for consolidated net sales as uniformly applied to all classes of officers—and based on the payout ratio variable within the range of 0% to 150% depending on the degree to which the designated KPI targets are achieved.
 - Bonuses may be reduced or may not be paid at all, if a significant extraordinary loss has been recorded for the previous fiscal year on a consolidated basis.

3. Policy on the details of non-monetary compensation and calculation method of non-monetary compensation
 - The Company has a stock compensation scheme for its full-time Directors, under which a trust established by the Company as the trustor acquires shares in the Company and delivers a designated number of shares to each Director as corresponding to the number of points he/she has been granted by the Company.
 - Pursuant to the Share Granting Rules established by the Board of Directors, Directors are granted performance-linked points in addition to position-based points during the trust period, on the grant date specified in the rules. The Share Issuance Rules set forth benchmarks for measuring performance in terms of ROIC and ESG indicators

(i.e., degree of achievement of CO2 reduction targets and engagement targets). Performance-linked points are granted in accordance with these rules for the purpose of providing Directors with an incentive to improve business performance and increase corporate value over a medium to long term.

Points awarded = Stock-based remuneration amount by position / Book value per share in the Company held by the trust

- One point corresponds to one share in the Company.
- The total number of points to be awarded to Directors shall be up to 104,000 per fiscal year.
- When stock-based compensation is provided, a certain proportion of shares in the Company may be given in cash in lieu of those shares after the trust sells the shares for cash so that the Company deducts a tax (e.g., withholding tax) at source.
- Directors on overseas assignments each receive a monetary amount of stock-based remuneration specified for each position after deduction of an amount equivalent to a tax that would be imposed if they received the compensation in Japan.

4. Policy on decision of the percentages of basic remuneration, a bonus, and non-monetary compensation

- Composition of remuneration for Executive Directors is determined by taking into account a benchmark level of officers' remuneration of a peer group of companies—those comparable to the Company in size and the type of business and operations—based on a third-party survey of officers' remuneration. The weight of performance-linked remuneration varies depending on type and performance. The reference percentage of each type of remuneration is as shown below:

(Based on the assumption of 100% achievement of targets)

Monthly remuneration	Bonus	Shares
69%	21%	10%

5. Policy on decision of timing or condition of providing remuneration for Directors

- Monthly remuneration is paid for the present month.
- A bonus is paid in July for the period between July of the previous year and June of the current year.

Note that the evaluation used for calculation is for the previous fiscal year.

- As for stock compensation, Directors are granted points on the grant date specified in the Share Granting Rules and a designated number of shares as corresponding to the number of points granted are delivered to Directors, in principle, upon their retirement. A Director to whom the stock-based remuneration system applies shall lose all or some of the points that have been awarded to him/her, and he/she shall be no longer entitled to receive points henceforth, nor shall he/she acquire any beneficiary right connected to the lost points if he/she:
 - 1) Has been dismissed from or is to leave the Director's post due to damage he/she has caused to the Company.
 - 2) Has acted against the Company's interests or convenience, such as violating a law or breaching the obligation not to compete.
 - 3) Is to resign as Director for his/her own reasons, excluding inevitable reasons such as his/her own illness or the need to provide care for family members.

6. Matters regarding the delegation of decision-making on the details of Directors' remuneration
 - 1) Names of delegated individuals or their positions and responsibilities at the Company
 - Remuneration Committee as a non-mandatory committee
 - Remuneration Committee members
 - Chair: Naosuke Oda, Outside Director
 - Members: Makoto Horie, Outside Director; Takako Masai, Outside Director; Yoshihiro Iwata, Outside Director, Yorifusa Wakabayashi, Representative Director, President and Chief Executive Officer
 - 2) Delegated authority
 - Authority to determine individual remuneration amounts for full-time Directors and Executive Officers (excluding those in employment)
 - Authority to evaluate full-time Directors and Executive Officers (excluding those in employment) to determine individual remuneration or for other purposes
 - 3) Measures for ensuring the proper exercise of authority
 - Outside Directors constitute a majority on the Remuneration Committee, with one of them serving as the chair.
 - The proportion of Outside Directors on the Remuneration Committee has been raised to achieve greater independence in order to ensure the transparency and integrity of the committee.
 - Meetings of the Remuneration Committee are attended by the chair of the Audit and Supervisory Committee as an observer, thereby facilitating the sharing of information on matters deliberated.
 - Matters concerning determination of individual remuneration are set forth in, and in accordance with, the Officers' Remuneration Rules, the Share Granting Rules, and the Overseas Assignment Rules.

Any revision or abolition of these rules is decided by a resolution of the Board of Directors.
7. Policy for determination of remuneration for each individual
 - Individual bonus-related targets are determined through the deliberations of the Remuneration Committee, and evaluations through individual interviews conducted by the Remuneration Committee members and the deliberations of the Committee.
 - Remuneration levels and systems are determined after examining, for comparison, those of a peer group of companies—i.e., companies comparable to the Company in size and the type of business and operations—based on a third-party survey of officers' remuneration.
8. Other important matters regarding determination of remuneration
 - Remuneration may be temporarily cut in line with our business performance and according to other needs, pursuant to the Officers' Remuneration Rules.

END