Last Update: June 30, 2026

Daio Paper Corporation

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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 FY2025, the Company sold its shareholdings in four cross-held companies, bringing the number of cross-held companies to 51 at the end of March 2026 and the total amount of cross-shareholdings on the balance sheet to 43,551 million yen, compared to 13,401 million yen a year ago. 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.
Regarding our shares in Hokuetsu Corporation, we concluded a Basic Strategic Business Alliance Agreement with the company in May 2024, as described in "(Progress of Disclosure) Notice Concerning the Deepening of the Strategic Business Alliance between Daio Paper Corporation and Hokuetsu Corporation" dated March 18, 2026. The shareholding is to maintain and enhance cooperation between the two companies in production technologies, raw material purchasing, product logistics, and other areas. We acquired additional shares in Hokuetsu Corporation in FY2025 to deepen the business alliance. However, the two companies plan to reduce the percentage of voting rights each holds in the other to a level of approximately 5 to 10%, while taking into account potential stock price impact, various capital measures, shareholder return policy, and other factors.

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

[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 growing

its business and delivering value to all stakeholders. To realize the management philosophy, the Company formulated the "Daio Group's Sustainability Vision," identified the following 10 material issues, and has been promoting initiatives both to respond to risks and create 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

In addition, the Company has organized the material issues around the following four pillars of its management philosophy to promote the initiatives.

(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, to translate these initiatives into every employee's action, the Company has established its Purpose, "Under our corporate motto of Passion with Sincerity (our value), we will achieve Three Well-beings (our vision)—hygiene, life, and regeneration—and realize an abundant and affable future (our mission)," as the shared view of the Daio Group.

For specific initiatives to address material issues, the Company has set goals aligned with the globally shared Sustainable Development Goals. In addition, we have set quantitative metrics, where possible, to capture progress toward the Goals. The progress is monitored by the Sustainability Committee headed by the Representative Director.
Furthermore, these strategies and policies on sustainability, as well as the status of initiatives undertaken to address challenges, are reported on a quarterly basis to the Management Meeting. Depending on the content, they are also reported to the Board of Directors.
See also the Daio Paper website for its sustainability initiatives.
https://www.daio-paper.co.jp/en/csr/

[Supplementary Principle 2.4.1 Ensuring Diversity in Promoting Core Personnel, etc.]
The Company aims to grow sustainably and increase corporate value over the medium- to long-term, responding to the changing operating environment and society's needs. To this end, we believe it is essential to foster a corporate culture in which diverse human resources can take on challenges and demonstrate their abilities, and to continue developing talent.
Based on this approach, we are promoting the creation of an environment that enables each employee to learn, grow, and fulfill

their role autonomously, regardless of their gender, age, nationality, employment type, and other attributes. The buildup of these efforts has led to the development of core personnel who support the business and shoulder the company's future.
In the Company, core personnel is defined as business heads and management, as well as people across sales, technological development, production, administration, and other functions who serve as the core of the Company's business competitiveness and play key roles in executing its management strategy.

1. Promotion of women's participation and advancement in the workplace
The Company has been working on initiatives to promote female talent, such as expanding its pool of management candidates. In FY2025, we went beyond talent development and implemented measures from new perspectives with a view toward actual appointments and role assignments. Specifically, we devised a hands-on training program for talent development that brought together female leaders in chief positions and their supervisors, fostered a transformation in awareness through exchanges incorporating external viewpoints, and provided mentoring. With a combination of measures like these, we motivated female employees and also prompted mindset and behavioral changes in the workplace. As a result, the share of women in chief positions increased by 3.2% year on year in FY2025.
In addition, multiple divisions saw more women appointed in managerial positions, boosting the share of women in management positions by 1.0% year on year in FY2025. These show that talent development initiatives have led to actual appointments.
We will continue to position women as a key force in ensuring diversity within the Company and develop an environment conducive to achieving a company-wide transformation in mindset. At the same time, we will continue to evaluate and develop female talent appropriately as candidates for core personnel.

2. Expanding the pool of global talent
The Company is working to create and expand its pool of global talent, including those with overseas posting experience and those in overseas subsidiaries, with an eye on overseas business expansion. We are systematically deploying people and equipping them with experience, aiming to leverage knowledge gained through overseas postings and from working and managing people in different cultures to develop future business heads and management talent.

3. Midcareer hires, seniors, and foreign nationals
The ratio of midcareer hires to the total number of employees has been increasing year by year, as a result of hiring them to secure workers who can contribute immediately to the Company and those with expertise. Midcareer hires have now become a key component of the Company's talent composition. We deploy them and develop their talent based on their roles, expectations, and achievements, regardless of their employment types, to promote their active engagement as core personnel. Moreover, we are revising our system to support active engagement of senior talent as part of efforts to create an environment that enables people to make the most of their experience and expertise, regardless of age. In the Production Unit, in particular, knowledge and skills gained through long years of service play an important role in business continuity. We continue to encourage their active engagement by compensating them according to their roles and revising ways of working.
Moreover, we have begun accepting foreign nationals to ensure stable staffing on factory floors. We will provide them with the needed education and support to retain them as talent supporting factory operations.

Our Human Resources Strategy Committee monitors and reviews the active engagement of these diverse people on an ongoing basis, taking into account metrics such as the share of women in managerial positions and in chief positions. The Committee also looks at the status of midcareer hires, employees with overseas posting experience, senior employees, and foreign national employees fulfilling their roles. We will continue to build a structure that enables diverse talent to support and lead the business, grounded in a culture that encourages each employee to take on challenges.

[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 Human Resources Section and the Finance Department as the administrator.

Further, employees in charge of the management and administration of pension funds have been working to improve the quality of their operations through practical business and training, and continue to gather information on laws and regulations as well as system operation. The Company will continue its efforts to build stable assets to ensure profits for employees through monitoring of institutions to which it entrusts the 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 115th 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

The Company released the Daio Group Sustainability Vision in May 2021, with the management philosophy of "Shaping an Abundant and Affable Future for the World." To find out what an "abundant and affable future" looks like and how we plan 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 one of the Company's top priorities. 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, we see the move to reduce the use of plastic toward the solution of marine plastic problems as a significant opportunity that leads to higher substitution demand 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 decarbonize across local communities, the Company has been implementing initiatives in cooperation with local communities, such as activities in the Shikokuchuo City Carbon Neutrality Council, tunnel composting of municipal waste for resource recovery, and collaboration projects using paper recycling stations. 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. Based on the idea that creating a virtuous circle between individual growth and company growth leads to sustainable company growth, we place "respect for individual employees, fair and co-creative relationships between the Company and employees" as the foundation of our human resources measures. With that foundation, we implement human resources measures based on three strategic pillars: "supporting growth of individual employees," "making the most of our diversity," and "promoting transformation and challenge."

For "supporting growth of individual employees," we have systems that enable employees to autonomously build their careers and develop skills by utilizing "Daio Career Challenge" (in-house career selection and job posting system) and accepting applicants for external training programs. We also provide career interviews linked to a self-declaration system and evaluation meetings, and promote assignments and talent development centered around dialogue with supervisors.

In addition, to develop human resources who can work actively overseas, we have been providing employees with opportunities to study abroad, training designed to acquire the ability to work in different cultures, and other programs. In particular, a program to send young employees to study a foreign language abroad was launched in FY2024, and multiple employees completed it in FY2025. By continuing and developing this program in FY2026 and onward, we will foster language skills and global mindset at an early stage.

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 transformation and challenge," we introduced one-on-one meetings, a 360-degree evaluation system, and revision of the criteria for evaluating employees in managerial positions in FY2025 as measures to encourage management transformation. The aim is to foster "a corporate culture that supports employees who take up challenges" as stated in our human resources strategy.

One-on-one meetings are meant to be occasions in which employees in managerial positions listen to their staff, shifting from a management style centered on giving instructions and managing, to one that supports their staff's growth and encourages them to take on challenges through dialogue. The 360-degree evaluation system enables employees in managerial positions to reflect on their management performance and make improvements. The criteria for evaluating employees in managerial positions have been revised to define the roles expected of them, clarifying management elements such as encouraging those taking on challenges, developing subordinates, and ensuring psychological safety.

By implementing these measures, we are promoting support-oriented management and working to embed an organizational culture in which each employee can proactively meet changes and challenges.

We believe that increasing employee engagement leads to innovation and sustainable enhancement of corporate value, and we conduct an engagement survey twice 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 resources measures. Efforts for the resolution of issues in organizational management that can be read from the survey results is listed as a performance target item 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). To achieve this, the Group will promote the reinforcement and improvement of its R&D system, including personnel and facilities, while increasing R&D investment 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 have further strengthened R&D investment to unlock the unlimited potential of wood resources. At the same time, we have accelerated innovation creation to establish a competitive edge over other companies by promoting alliances with universities and domestic and overseas research institutions, as well as collaboration and co-creation with external research institutes and other organizations.

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 perspectives of people in their daily lives 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 at home and abroad, like we entered the pet care product market 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 promoting 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. In promoting intellectual capital management, the Company treats intellectual property, one of the key sources of corporate value within intellectual capital, to build, enhance, and expand its intellectual property portfolio. Meanwhile, in conjunction with the Daio Group Long-term Vision and 5th Medium-term Business Plan, the Company is strategically mobilizing broader intellectual capital, including intellectual property, thereby supporting initiatives to enhance business operations, secure a 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.

In addition, the Company transitioned to a company with an audit and supervisory committee, with approval of the Annual General Meeting of Shareholders held in June 2025. At the same time, the Company revised its executive officer system to focus the Board of Directors' operations on monitoring.

This allowed the Board of Directors to emphasize discussions and decisions on medium- to long-term management strategies and the like, and further enhanced its supervisory function. The board appropriately delegates business execution authority to management (Executive Directors and delegated Executive Officers) in accordance with the policy and implementation plan decided by the board. By expediting decision-making, we are working to increase corporate value.

[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 expected of them at this point, see the Notice of the 115th Annual General Meeting of Shareholders.

・Notice of the 115th 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 115th 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]

The Company conducts an annual self-evaluation and analysis of the Board of Directors' effectiveness to improve the board's functions and boost medium- to long-term corporate value.

In February 2026, an external institution conducted a questionnaire survey of all Directors, including those who serve on the Audit and Supervisory Committee. We ensured the anonymity and objectivity of their answers by having them respond directly to the external institution. The Company received a report on the tally and analysis of the survey results from the external institution, and the Board of Directors analyzed, discussed, and evaluated them at its regular meeting in May 2026.

According to the results, the evaluation of the status of the Board of Directors' composition, operation, and discussion was overall positive. Therefore, we understand that the Board of Directors is properly discharging its roles and functions, and that the effectiveness of the Board as a whole is ensured.

In the previous effectiveness evaluation, issues that were shared included the need to review ways IR/SR activities are conducted and to further invigorate discussions at the Board of Directors. Since then, we have worked to make improvements, such as deliberating on SR meeting results at Board of Directors meetings, revising the detailed rules for submitting agendas to the Board of Directors, and clarifying discussion points. The evaluation of these efforts found that they have yielded certain results in improving discussion quality and clarifying discussion points at Board of Directors meetings.

On the other hand, in this year's Board of Directors' effectiveness evaluation, issues pointed out as requiring continued examination included ways of supervising management that is conscious of capital costs and capital efficiency, strengthening the Board of Directors' supervisory function over human capital management, and further improving the content of discussions and operation of Board of Directors' meetings.

Based on these evaluation results and recognition of issues, the Company's Board of Directors plans to take necessary actions after clarifying the themes in focus to examine and continue advancing initiatives designed to improve the quality of board discussions and make its supervisory function more effective. In particular, we will work to deepen discussions on business portfolio transformation to improve capital efficiency, as well as on human resources strategy and succession planning to support human capital management.

[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 the management 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 Division, Corporate Unit serves as the contact and works together with involved units in the Company.

2.The Public Relations・IR Department, 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. Initiatives and measures are described under "Status of IR-related activities" in this report, so please refer to the section for details.

[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/

[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 "Status of IR-related Activities" section of this Report and 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 FY2025 were shared with management and related units and are being utilized to improve the Group's management.

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Content of Disclosure	Disclosure of Initiatives (Update)
Availability of English Disclosure	Available
Date of Disclosure Update	June 30, 2026

Explanation of Actions

The Company’s PBR is currently below 1x, which it recognizes as a critical management issue. Accordingly, the Company is prioritizing improvements in profitability and capital efficiency. As its ROE and ROIC relative to the cost of capital remain low, the Company is working to improve capital efficiency by promoting ROIC management and tightening investment and loan standards. Under the 5th Medium-term Business Plan (MTBP) (FY2024–2026), the Company has steadily advanced structural reforms in its overseas business while shifting toward management that places greater emphasis on capital efficiency. As a result, we expect to achieve an ROE of 5.2% in FY2026, the plan's final year, versus the initial target of 4.5%.

In FY2025, as part of the structural reforms of the overseas business, the Company reduced fixed expenses through the sale of a factory and part of production facilities in its China business, launched new SAP sheet products in the Baby Care category, and developed its brand in the Feminine Care category, leading to a sustained improvement in profitability.

In addition, as part of efforts to increase corporate value, the Company has deepened its strategic business alliance with Hokuetsu Corporation, making the alliance measures more effective by establishing an equal capital relationship. In addition to enhancing the effectiveness of collaboration in logistics, raw material purchasing, and other areas, we are also eyeing a review of the capital relationship over the medium- to long-term, mindful of capital efficiency, to implement initiatives that sustainably boost corporate value.

Through proactive dialogue with investors, the Company remains committed to management that emphasizes a balance between growth investments contributing to the enhancement of its corporate value and appropriate shareholder returns.

1. Current situation

Currently, the Company’s PBR stands below 1x, a situation it recognizes as a matter of urgency for management reform. Having built a unique business portfolio that bridges consumer products in the chemical sector with its roots in the pulp and paper industry, the Company saw its financial results grow steadily through FY2021. During that period, expectations for its growth strategies were high, and the Company’s PBR remained above 1x. Since FY2022, however, financial performance and stock price have remained weak, primarily due to a decline in the profitability of the Home and Personal Care Overseas Business.

To address this challenge, the Company undertook initiatives aimed at structural reforms of its overseas business in FY2025, including the sale of its factory and part of its production facilities in China and the transfer of shares of its Turkish business. Over the medium- to long-term, the Company will strive to optimize capital efficiency through the strategic transformation of its business portfolio.

2. Cost of Capital and Return on Capital

The Company estimates its cost of equity to be around 5 to 6% (using the CAPM) and its WACC to be around 2 to 3%. Meanwhile, it reported an ROE of 3.8% and an ROIC of 2.4% for FY2025, both of which are significantly below the cost of equity . While engaging in dialogue with investors to deepen their understanding of its cost of capital, the Company recognizes that these costs may increase in the future. In light of this situation, the Company is encouraging each of its business divisions to improve their capital efficiency by instilling the concept of ROIC management, with the aim of increasing return on capital, in addition to strengthening cash flow generation capabilities. Furthermore, the Company is strengthening decision-making mechanisms that emphasize capital efficiency by establishing investment and loan standards and having the Investment and Loan Committee conduct strict monitoring of existing investments.

3. Response Plan toward Recovery with a PBR over 1x

Toward recovery to a PBR of over 1x, the Company is prioritizing improvements in profitability and capital efficiency. The ongoing 5th MTBP (FY2024–2026) represents the phase focused on rebuilding the management foundation in preparation for aggressive investment under the next MTBP and beyond. While our ROE target is 4.5% for the 5th MTBP, the Company aims to return to its historical peak of over 10%, recorded in FY2020, during the next MTBP or thereafter. To achieve this objective, the Company will pursue opportunities in the Daio Group's new growth areas, seeking early commercialization of its advanced materials business, including cellulose nanofiber and biorefinery, while steadily advancing structural reforms of its overseas business. By positioning growth investments that contribute to an increase in corporate value as a medium- to long-term priority, the Company will also establish a cash allocation policy that maintains an appropriate balance with shareholder returns. In addition, it aims to enhance its corporate value sustainably through sincere and proactive dialogue with shareholders and investors, and by appropriately reflecting their feedback in corporate management through reporting and sharing it with the management team, including Directors.

4. Deepening of the Strategic Business Alliance with Hokuetsu Corporation

The Company is promoting a strategic business alliance with Hokuetsu Corporation to enhance business competitiveness and corporate value, with the aim of realizing management mindful of the cost of capital and stock price.

Under the Basic Strategic Business Alliance Agreement concluded in May 2024, the two companies have implemented measures such as reducing costs in product logistics and raw material purchasing, which have yielded certain results. To further develop these initiatives, the two companies concluded a memorandum of understanding (MOU) on the strategic business alliance in March 2026, aiming to deepen their existing alliance relationship.

The equal capital relationship between the Company and Hokuetsu Corporation is aimed at expanding the scope of specific measures that can be undertaken under the strategic business alliance, thereby further increasing the corporate value of both companies. The two companies share the recognition that the equal capital relationship established is important for increasing the effectiveness of the strategic business alliance. This is because certain limitations were previously placed on the measures that could be undertaken due to the two companies not necessarily being in equal positions in their capital relationship.

Under the MOU, the two companies implemented their respective capital measures, making each holding approximately 20% of the other's voting rights. In addition, based on the intent of the alliance, they agreed that neither company will dispose of the shares it holds in the other nor acquire additional shares in the other. Therefore, we understand that the impact of these actions on governance is immaterial.

Furthermore, the two companies place importance on realizing management that is mindful of capital efficiency and share the view that, over the medium term, it is appropriate to reduce the percentage of voting rights they hold in each other. They intend to reduce the percentage of voting rights they hold in each other to a level of approximately 5 to 10%, while giving due consideration to the potential impact on share prices and taking into account various capital strategies and shareholder return measures. The specific methods and timing for such reductions will be examined through discussions between the two companies.

The Company will push forward structural reforms and business portfolio transformation through the alliance to sustainably increase corporate value even in a harsh operating environment, and aim to manage business in ways that meet the expectations of all stakeholders, including shareholders.

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%

Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
Hokuetsu Corporation	30,589,008	19.69
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,151,100	7.82
Daio Kaiun Co., Ltd.	11,162,739	7.18
Custody Bank of Japan, Ltd. (Trust Account)	7,302,733	4.70
The Iyo Bank, Ltd.	7,072,998	4.55
The Ehime Bank, Ltd.	6,920,947	4.45
Ehime Paper Manufacturing Co., Ltd.	5,331,335	3.43
Kami Shoji Co., Ltd.	4,700,109	3.02
Hyogo Paper Manufacturing Co., Ltd.	3,179,630	2.05
Hyogo Pulp Co., Ltd.	2,752,280	1.77

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, 2026.
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

—

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

—

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

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.)

a. Person who executes business for the Company or its subsidiary
b. Person who executes business for a non-executive director of the Company's parent company
c. Person who executes business for a fellow subsidiary
d. Person/entity for which the Company is a major client or a person who executes business for said person/entity
e. Major client of the Company or a person who executes business for said client
f. 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
g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
h. 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)
i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
j. 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 an executive 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 is capable of providing advice and supervision to its management from an external, independent standpoint by leveraging his wealth of experience and extensive insight gained through his career as the President and Representative Director, as well as in 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 is capable of providing advice and supervision to its management from an external, 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

				other companies. 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.
Takako Masai		○	Ms. Takako Masai is an independent officer.	The Company determined that Ms. Masai is capable of providing advice and supervision to its management from an external, 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. 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.
Yoshihiro Iwata		○	Mr. Yoshihiro Iwata is an independent officer.	The Company determined that Mr. Iwata is capable of providing advice and supervision to its management from an external, independent standpoint, leveraging his extensive

				experience of serving in senior positions—including that of president and representative director—in another company and the knowledge on business management acquired through engagement in global business activities. 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.
Yoichi Takei	○	○	Mr. Yoichi Takei is an independent officer	The Company determined that Mr. Takei is capable of providing advice and supervision to its management from an external, independent standpoint, 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. 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 interest with general

				shareholders. Mr. Takei has no management experience other than serving as an external officer, but we determined that he is capable of performing his duties as an Outside Director appropriately, for the reasons stated above.
Kyoko Okada	○	○	Ms. Kyoko Okada is an independent officer.	The Company determined that Ms. Okada is capable of providing advice and supervision to its management from an external, independent standpoint, 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. 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.
Yoshikuni Noguchi	○	○	Mr. Yoshikuni Noguchi is an independent officer.	The Company determined that Mr. Noguchi is capable of providing advice and supervision to its management from an external, independent standpoint, leveraging his experience as a partner at an accounting firm and his in-depth knowledge of finance and accounting. The Company has designated

				Mr. Noguchi 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. Mr. Noguchi has no management experience other than serving as an external officer, but we determined that he is capable of performing his duties as an Outside Director appropriately, for the reasons stated above.

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

An explanation is provided in "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" under "IV. 1. Basic Views on Internal Control System and Status of Development" in this report, so please refer to the section for details.

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

The Audit and Supervisory Committee holds regular meetings with the accounting auditor (Ernst & Young ShinNihon LLC) to receive reports and explanations on the status of establishment and operation of the system for the auditor's performance of duties, audit plans, audit implementation status, and other matters relevant to accounting audits, as well as matters concerning internal control audits under the Financial Instruments and Exchange Act. They also exchange opinions and information as needed during the audit period to conduct effective and efficient audits.

In addition, the Audit and Supervisory Committee, at its meetings, regularly receives reports from the Internal Audit Department on the results of internal audits, evaluates the appropriateness of internal control systems comprehensively and objectively, and provides recommendations and takes other relevant actions for improvement in response to identified issues.

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

Other Matters Concerning Independent Directors

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	—

Supplementary Explanation for Applicable Items

—

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

●Directors (excluding Outside Directors)

Base pay: 175 million yen

Bonus: 7 million yen

Stock compensation: 30 million yen

Total remuneration: 225 million yen

Number of officers entitled: 6

●Audit and Supervisory Committee Members (excluding Outside Audit and Supervisory Committee Members)

Base pay: 35 million yen

Total remuneration: 35 million yen

Number of officers entitled: 2

●Outside officers

Base pay: 74 million yen

Total remuneration: 74 million yen

Number of officers entitled: 7

Notes:

1. The amount of stock-based remuneration is the amount recorded as the provision for share-based remuneration.
2. The upper limit of remuneration (basic remuneration and bonus) for Directors (excluding those serving on the Audit and Supervisory Committee) is 500 million yen a year (resolution by the 114th Annual Shareholders Meetings held on June 26, 2025), including no more than 72 million yen for Outside Directors. The number of Directors at the conclusion of that meeting was 10 (including four Outside Directors). Separately, the upper limit of remuneration regarding the stock-based remuneration system for Directors (excluding Directors serving on the Audit and Supervisory Committee and Outside Directors) is 88 million yen a year (resolution by the 114th Annual Shareholders Meetings held on June 26, 2025). The number of Directors excluding Outside Directors at the conclusion of that meeting was six.
3. The upper limit of remuneration for Directors serving on the Audit and Supervisory Committee is 100 million yen a year (resolution by the 114th Annual Shareholders Meetings held on June 26, 2025). The number of Directors serving on the Audit and Supervisory Committee at the conclusion of that meeting was 5.

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 among Directors serving on the Audit and Supervisory 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 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 FY2025>

Number of meetings: 15

Attendance (average attendance rate):

Directors (excluding those serving on the Audit and Supervisory Committee): 100%

Directors serving on the Audit and Supervisory Committee: 94.9%

See the securities report for the 115th term (2025/04/01－2026/03/31) 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 following the 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 Audit and Supervisory Committee has established the Audit and Supervisory Committee Regulations, the Code of Audit and Supervisory Committee Auditing Standards, and the Practical Guidelines for Audits by the Audit and Supervisory Committee on the Internal Control System. In accordance with these, the Committee audits the legality and appropriateness of the Directors' performance of their duties.

The Audit and Supervisory Committee meets monthly around the date of the Board of Directors' meeting and on an ad hoc basis as necessary. At its meetings, the Committee discusses and resolves matters such as audit policy, audit plans, and audit results, and exchanges opinions with the Internal Audit Department and shares details of deliberations from important meetings.

<Activities of the Audit and Supervisory Board/Committee in FY2025>

The figures below are those for FY2025, including those prior to the transition to a company with an audit and supervisory committee.

Number of meetings: 3 for the Audit and Supervisory Board, 10 for the Audit and Supervisory Committee

Attendance (average attendance rate): 100% for the Audit and Supervisory Board, 98% for the Audit and Supervisory Committee

(3) Accounting auditor

In the fiscal year 2025, 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: 3 years

ii. Certified public accountants who provided auditing service:

Takashi Sadatome (duration of auditing service: 3 years)

Takahiro Kawagishi (duration of auditing service: 1 year)

Takuya Suzuki (duration of auditing service: 3 years)

iii. Composition of assistants related to auditing

At the Company, 10 certified public accountants and 29 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 Executive Directors and delegated Executive officers, deliberates on the execution of important operations on which decision-making authority is delegated to the Representative 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 a delegated executive officer system for appointing Executive Officers under a delegation contract, which operates in parallel with the system that appoints Executive Officers under an employment contract. The aim is to make quick and courageous management decisions, establish a strong and flexible business execution structure, and improve corporate value by appropriately delegating authority after clearly defining 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 execute operations. The Board of Directors makes decisions on the election and dismissal of the Executive Officers as well as their duties. The Executive Officers are responsible for performing their duties in accordance with the management policy determined by the Board of Directors.

(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 FY2025 is as follows.

	Title	Name	Attendance
Chair	Outside Director	Naosuke Oda	100% (4/4)
Member	Outside Director	Yoichi Takei	100% (1/1)
Member	Outside Director	Makoto Horie	100% (3/3)
Member	Outside Director	Takako Masai	100% (3/3)
Member	Outside Director	Yoshihiro Iwata	100% (3/3)
Member	Representative Director	Yorifusa Wakabayashi	100% (4/4)

Main contents of deliberations

In FY2025, the Nomination Committee deliberated on the composition of the Board and the appointment of Directors and Executive Officers at or above the level of delegated 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 FY2025 is as follows.

	Title	Name	Attendance
Chair	Outside Director	Naosuke Oda	100% (7/7)
Member	Outside Director	Yoichi Takei	100% (4/4)
Member	Outside Director	Makoto Horie	100% (3/3)
Member	Outside Director	Takako Masai	100% (3/3)
Member	Outside Director	Yoshihiro Iwata	100% (3/3)
Member	Representative Director	Yorifusa Wakabayashi	100% (7/7)

Main contents of deliberations

In FY 2025, the Remuneration Committee deliberated on revising the remuneration policy and the remuneration amounts for individual officers.

(iii) Risk and Compliance Committee

i. Purpose

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

ii. Authority

It supervises and monitors 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 seven 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.

3. Reasons for Adoption of Current Corporate Governance System

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.
In the face of the rapidly changing business environment for the Group, the Company 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 move was designed to enhance the effectiveness of the Board of Directors by enabling it to focus its efforts on making decisions on medium- to long-term management strategies, etc., and supervising business execution. It is also intended to enable faster decision-making and more agile business execution.
Additionally, by clarifying the roles and responsibilities of the Board of Directors and business execution, and appropriately delegating authority, we are effectively promoting the separation of supervision and execution, thereby establishing a system that strengthens the board's supervisory function and enables the executive side to execute business swiftly and flexibly.
The Company intends to achieve sustainable growth and higher medium- to long-term corporate value by balancing further enhancement of the Board of Directors' supervisory function with strengthening of the business execution system under the structure described above.

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	https://www.daio-paper.co.jp/en/ir/stock/meeting/ We post Notices of Annual General Meeting of Shareholders and extraordinary reports on the result of voting at the URL above.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	We formulate our Disclosure Policy and publish it on our website. See the following URL. 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.	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	Held

	year-end account settlement.	
Regular Investor Briefings held for Overseas Investors	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.	Held
Online Disclosure of IR Information	We publish summary financial results, supplementary materials, semiannual securities reports, annual securities reports, strategy briefings, integrated reports, and other disclosure documents on our website. See the following URL. https://www.daio-paper.co.jp/en/ir/ir_news/	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Company has the Public Relations and IR Department in the Corporate Unit.	
Other	The Public Relations and IR Department organizes feedback and matters of interest gathered through dialogue and reports them to the Management Meeting and the Board of Directors, via the Director in charge, for discussion as necessary. In addition, the results of the interviews are shared with relevant internal divisions and used to improve corporate activities and information disclosure.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Daio Group Code of Conduct, an internal policy, sets forth basic principles that the Group's officers and employees should comply with. It also stipulates that the Group respects the standpoints of its stakeholders, including customers, shareholders/investors, business partners, employees, and society, and takes sincere and proper actions. In addition, the Corporate Governance Basic Policy sets forth the basic approach of growing sustainably and increasing medium- to long-term corporate value through appropriate collaboration and constructive dialogue with various stakeholders, including shareholders.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Group promotes business activities centered on sustainability management to realize its management philosophy and the Purpose. Based on the Daio Group's Sustainability Vision, the Group positions environmental protection activities and the addressing of social issues as important management themes and implements measures after identifying material issues. We regularly disclose these initiatives through our integrated reports and other means. For the details of such activities, see the following URL. https://www.daio-paper.co.jp/en/csr/ https://www.daio-paper.co.jp/en/ir/library/report/
Formulation of Policies, etc. on Provision of Information to Stakeholders	The Corporate Governance Basic Policy stipulates that the Group's basic policy is to disclose information in a timely, appropriate, and fair manner to gain correct understanding and trust from its stakeholders. In addition, the Daio Group Code of Conduct states "proper disclosure and distribution of information" as one of the items of the code of conduct, stipulating that the Group strives to provide information speedily, accurately, and in an easy-to-understand manner to various stakeholders, including shareholders/investors, customers, business partners, employees, and local communities.
Other	The Group has established, as a basic principle in the Daio Group Code of Conduct, that we respect human rights and do not engage in any form of discrimination on the grounds of nationality, race, beliefs, gender, age, disability, or other attributes. In addition, based on the management philosophy and Daido Group's Sustainability Vision, we are working to create a work environment that respects diverse values and individualities and enables each employee to demonstrate their abilities. We are also working on their development. Through

	these efforts, we strive to conduct corporate activities that take into account the perspectives of various stakeholders.

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, as stated below. We work to improve and strengthen the basic policy on an ongoing basis by continually revising it in light of the actual status of its implementation.

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 and employees 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 Management Meeting.

(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 Directors who concurrently serve as Executive Officers 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 Audit and Supervisory Committee.

(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 decisions on matters concerning authority over transfers and other personnel affairs, such as the appointment and transfer of such assisting employees, the Company will seek and respect the opinion of the committee.

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

We ensure the independence of the Audit and Supervisory Committee Office's assisting employees from Directors who are not Audit and Supervisory Committee Members.

8) Group framework for reporting to the Audit and Supervisory Committee

Directors, company auditors, and employees of Group companies regularly report to the 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 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 the Company's Directors serving on the 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 its Directors serving on 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 Audit and Supervisory Committee

The 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, and the accounting auditor 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.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation for Applicable Items

2. Other Matters Concerning the Corporate Governance System

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

1)Basic stance on timely disclosure

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.

2)Status of Internal System pertaining to Timely Disclosure

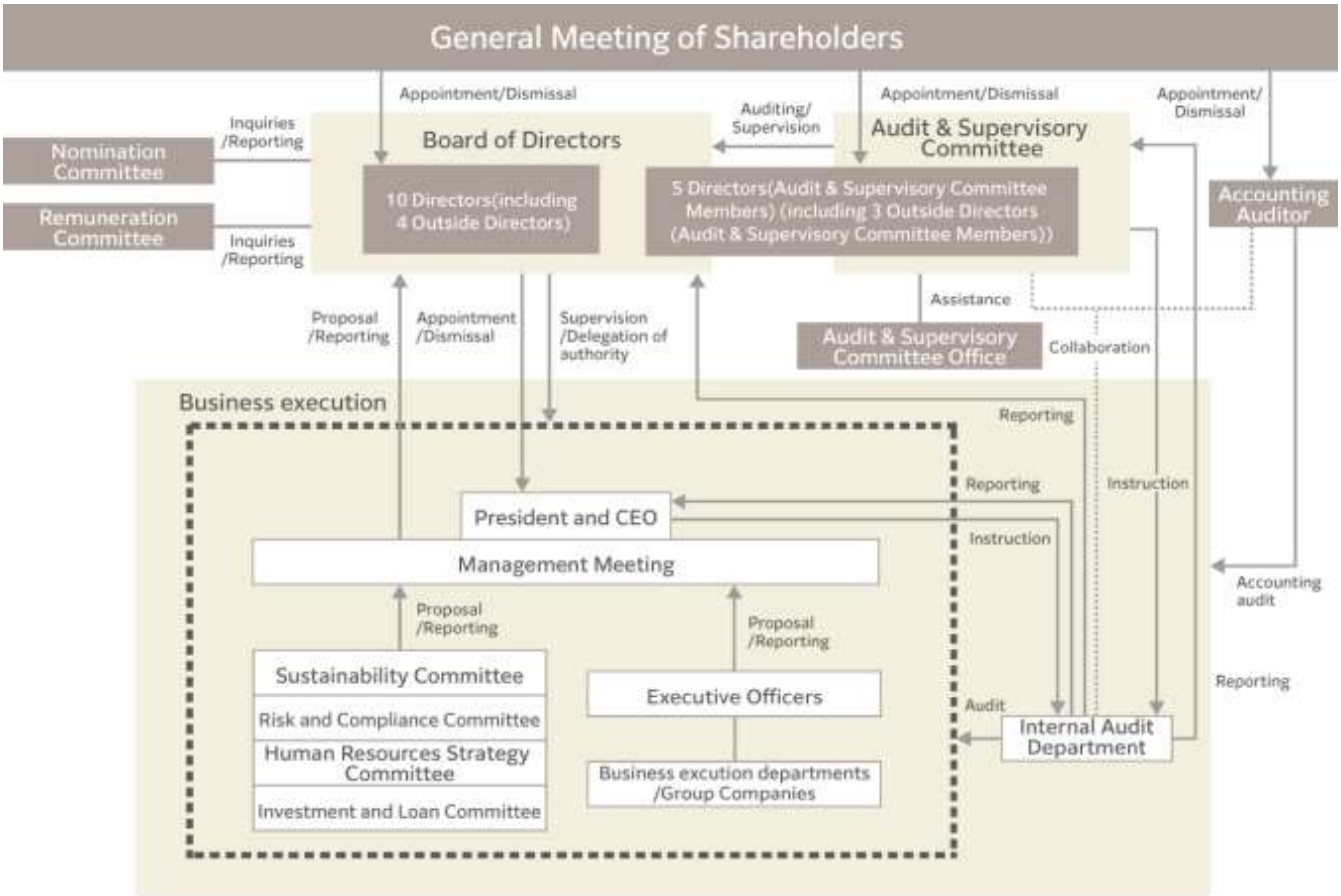
All important corporate information, including information on subsidiaries, whether it be decisions, facts which occurred, or financial information, is managed centrally under the secretariat of the Timely Disclosure Committee. The Timely Disclosure Committee determines as to whether or not material 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.

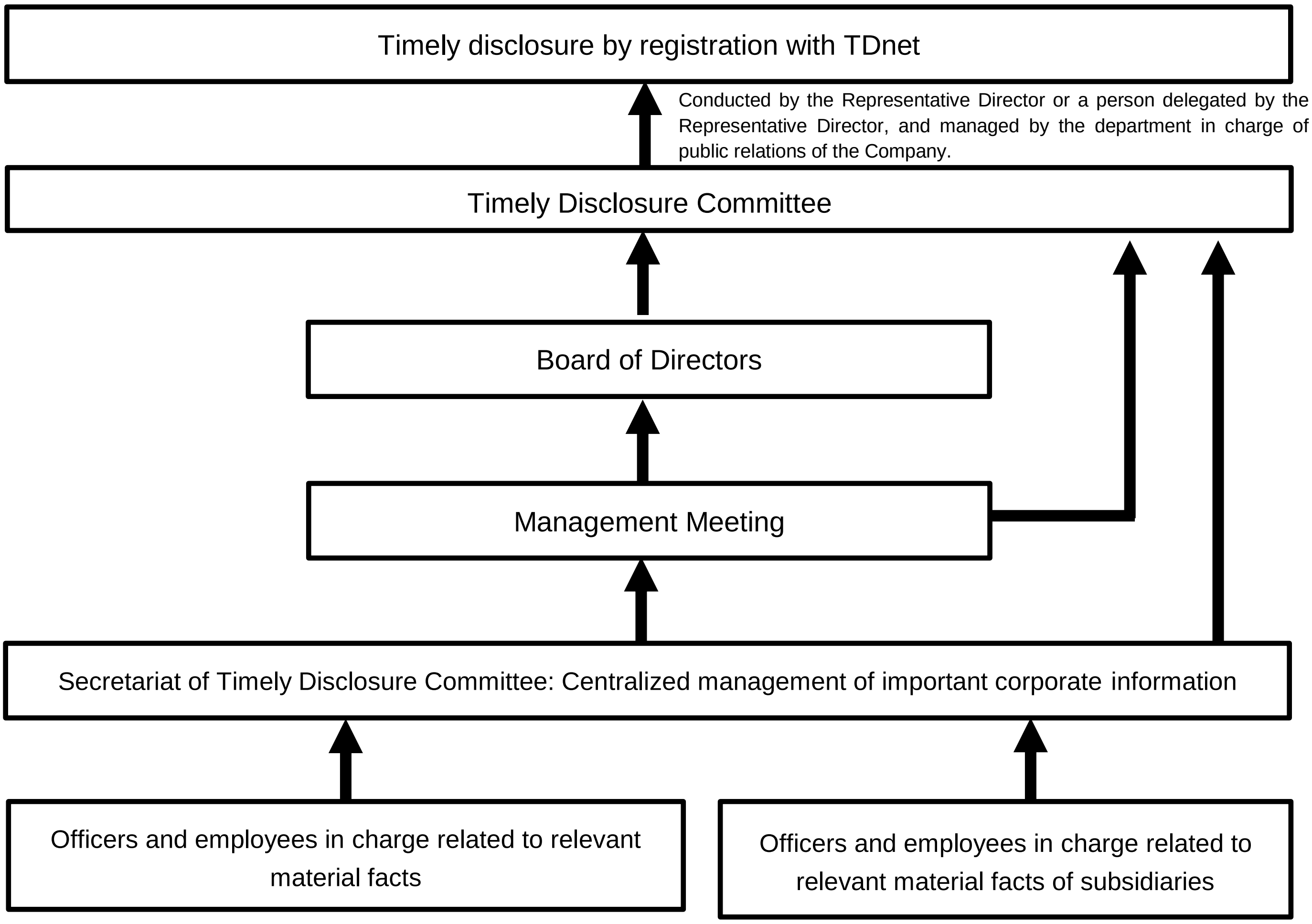
(2)Facts which Occured: The Company obligates its officers and employees in charge of subsidiaries to inform the secretariat of the Timely Disclosure Committee when they become aware that a material fact has occurred or is likely to occur.

(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



[Appendix]

<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 Executive 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 Executive 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, Executive 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 CO_2 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 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 Executive Directors and delegated Executive Officers
   - Authority to evaluate Executive Directors and delegated Executive Officers 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