

ENGLISH TRANSLATION FOR REFERENCE PURPOSE ONLY

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Corporate Governance Report

Last Update: December 9, 2021

Daio Paper Corporation

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

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

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

1. Basic Views

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 implemented all of the principles of its Corporate Governance Code (including the content for the Prime Market that will become applicable on April 4, 2022).

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1.4 Cross-shareholdings]

The Company believes that cooperative relationships with various companies are indispensable for the rapid expansion and sustainable growth of the business, and it owns shares in business partners as cross-shareholding when the Company judges that such shareholding would contribute to a medium- to long-term improvement in corporate value.

At the same time, it verifies the rationality and necessity of retaining such shares from the medium- to long-term perspective, taking into account the capital cost (WACC) and ROA at the Board of Directors' meeting in May every year on a regular basis. If it is judged unreasonable to hold the shares, the Company considers selling the shares based on dialogue and negotiations with the respective business partners. For the current fiscal year, as a result of the verification, the Company has confirmed that all cross-shareholdings are reasonable to hold.

If a shareholder in a cross-shareholding relationship with Daio Paper expresses the intent to sell shares in Daio Paper, the Company will not obstruct the sale by suggesting a reduction in transactions or other means.

See Article 16 (Policy on cross-shareholding) of the Company's "Corporate Governance Guidelines" for the policy regarding cross-shareholdings and the standards for exercising voting rights regarding the cross-shareholdings.

[Principle 1.7 Related Party Transactions]

See Article 15 (Management system for transactions between related parties) of the "Corporate Governance Guidelines" for the framework of procedure for the Group to have transactions between related parties.

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

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

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

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

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

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

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

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

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

The Company every quarter reports to the Board of Directors these sustainability-related strategies and policies as well as the status of efforts on related issues as the “Progress in Sustainability-related Initiatives.”

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

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

[Supplementary Principle 2.4.1 Ensuring Diversity on Employment of Core Personnel, etc.]

The Company calls for “Promotion of Diverse Management” in the Group’s Code of Conduct and is working to utilize and develop human resources irrespective of gender, age, and employment status.

For utilization of human resources, the Company has established the Diversity Committee headed by President and Representative Director, which deliberates on the promotion of diverse human resources.

For development of human resources, the Company aims to nurture self-directed human resources who

“think on their own, make decisions, and implement,” and has developed systems which give employees chances to autonomously develop career and capabilities by utilizing management training at external organizations, applying for the Company’s MBA program, and “Daio Career Challenge” (in-house career selection and job posting system). Among them, “the development of global human resources” is aimed at effectively developing human resources who will be responsible for the overseas business, which is the Company’s growth engine, and the Company has been carrying out overseas training for young employees, overseas posting workshops, and global mindset training in addition to the existing overseas study and other programs.

Further, to ensure diversity in the appointment of core human resources, the Company will continue to create an environment in which all employees can play an active role by promoting awareness through “unconscious bias training” and other programs, as well as working as follows.

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

As of the end of September 2021, the Company had two female executives (Outside Director and Outside Audit and Supervisory Board Member), and has in place a target for promoting female employees to managerial positions as a key KPI. As of the end of September 2021, the ratio of female employees among managerial positions is 2.4%, and the Company aims to raise the ratio to 4.5% by the end of FY2023. To promote the appointment of female employees to managerial positions, the Company has been working on the development of female manager candidates by holding “awareness reform training” and “management training” for female employees in the layer just below the managerial positions.

2. Promotion of mid-career hires and foreign national employees

As of the end of September 2021, the ratio of mid-career hires among managerial positions is 27.4% and that of foreign national employees is 0.2%. While we have not set forth targets for hiring and promotion for mid-career hires and foreign national employees, we will continue to promote human resources without being restricted by hiring formats or attributions. The Company also plans to enhance global personnel exchange by promoting mid-career hires to positions with responsibility at overseas subsidiaries and nurturing foreign national employees hired at overseas subsidiaries in Japan.

3. Other

The Company has revised the mandatory retirement age to 65 years old and has been promoting passing on skills of senior employees, especially in operating sites. The company also aims to achieve 100% in the rate of male employees taking childcare leave in an effort to promote work-life balance by developing an environment that is friendly for employees facing various situations including those who are raising children. Moreover, taking into account the era of 100-year life cycle, the Company has been developing an environment that allows employees to continue engaging in their work with confidence by introducing flexible workstyles such as flextime and teleworking systems as well as health consultation service and compensation for long-term absence

from work.

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

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

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

[Principle 3.1 Full Disclosure]

(i) Management philosophy, management strategy, management plan

See the Company's website for its Corporate Motto, Management Philosophy, Code of Conduct, and Medium-term Business Plan.

Corporate Motto, Management Philosophy, Code of Conduct:

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

Medium-Term Management Plan:

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

(ii) Basic policy on corporate governance

See the Corporate Governance Guidelines, which the Company has established as the basic concept of corporate governance based on each principle of the Corporate Governance Code.

Corporate Governance Guidelines: <https://www.daio-paper.co.jp/en/csr/integrated/governance/>

(iii) Policy and procedure for determining remuneration for Directors

The remuneration for Directors at the Company is decided in accordance with the policy for deciding remuneration approved by the Board of Directors and the remuneration for full-time Directors is decided by the Remuneration Committee regarding individual evaluation and the amount of remuneration and reported to the Board of Directors.

See Article 11 (Remuneration Committee) of the Corporate Governance Guidelines for the Company's policy and procedure regarding deciding remuneration for full-time Directors and see the separately provided Policy for Decision of Individual Remuneration for Directors for the policy for deciding remuneration for individual Directors.

(iv) Policy and procedure for electing and dismissing Directors and nomination of candidates for the Audit and Supervisory Board Members

See Article 6 (Procedure for electing and dismissing Directors), Article 7 (Procedure for nomination of Audit and Supervisory Board Members), and Article 12 (Nomination Committee) of the Corporate Governance Guidelines for the policy and procedure for electing and dismissing Directors and nominating Audit and Supervisory Board Member candidates.

(v) Reasons for election or dismissal of individual Director candidates and Audit and Supervisory Board Member candidates

See the Notice of the 110th Annual General Meeting of Shareholders for the reasons for election of Directors and the 109th Annual General Meeting of Shareholders and 110th Annual General Meeting of Shareholders for the reasons for electing the Audit and Supervisory Board Members. See also [Directors] and [Audit and Supervisory Board Members] of this report for the reasons for electing Outside Directors and Outside Audit and Supervisory Board Members.

[Supplementary Principle 3.1.3 Sustainability Initiatives, etc.]

1. Sustainability initiatives and disclosure of the impact of climate changes

The Company recognizes SDGs and ESG as important management issues.

In 1993, the Company set forth DAIO Global Environmental Charter for the first time in the paper industry and has been proactively implementing environment-related initiatives such as “tree planting” (forest recycling) and “high rate of used paper” through recycling over a long time. The Company in May 2021 formulated and disclosed the Daio Paper Group’s Sustainability Vision in order to link SDGs with these initiatives from the past and to incorporate them clearly in management strategy.

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 related to environment, and “response to climate change,” in particular, is the most important issue for the Company.

In May 2021, the Company expressed support for the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. Currently, the Company is preparing for disclosure of the four thematic areas of (1) governance, (2) strategy, (3) risk management, and (4) metrics and targets.

As for governance structure, the Company established the Sustainability Committee led by the Executive Vice President and Representative Director in April 2020, and discussed strategy and policy regarding sustainability. The Climate Change Response Subcommittee, the Environmental Impact Reduction Subcommittee, and the Value Co-creation Subcommittee under the Sustainability Committee are studying and promoting targets and concrete initiatives.

As for metrics and targets, in the Daio Paper Group’s Sustainability Vision, the Company set forth targets of aiming to achieve carbon neutrality in 2050 and reducing CO2 emissions from fossil fuels by 46% in FY2030 (compared with 2013), and has already been implementing concrete measures.

As for strategy and risk management, the Company is analyzing scenarios, in which it has completed the identification of transition risks, physical risks, and climate-related opportunities as well as qualitative evaluation of financial impact. The company will continue with preparations for disclosure.

2. Investment in human capital

The Company aims to build a corporate culture providing safety and motivation to work so as to

nurture human resources who would take on the challenge to create sustainable corporate value. To realize this, the Company positions “Respect for human rights, development of human resources, and compassion for employees” as one of its material issues. Particularly regarding human resources, the Company has been working on “Diverse management,” “Development of global human resources and self-directed human resources,” and “Safe workplaces.”

As for the “Diverse management,” the Company has been continuously providing training for correctly understanding and practicing the purpose and effect of the promotion of diverse management targeting the management layer and those in managerial positions. Promotion of diverse human resources, especially women’s participation and advancement in the workplace, is indispensable for the growth of the Company, and the Company will actively increase the appointment of women and encourage their promotion to managerial positions.

The “Development of global human resources” is aimed at systematically nurturing human resources who would shoulder the overseas business, which is the Company’s growth engine, and the Company has been working on overseas training for young employees, overseas posting workshops, and global mindset training in addition to the existing study abroad programs. The Company aims to nurture self-directed human resources who “think on their own, make decisions, and implement them,” and has developed systems which allow employees to autonomously develop careers and capabilities by utilizing management training at external organizations, acquisition of MBA, “Daio Career Challenge” (in-house career selection and job posting system), and accepting applicants for external training programs.

In the “safe workplaces,” the Company has continued to work on operations with utmost priority on safety and security, while setting forth promotion of work life balance, improvement of lifestyle, enhancement of mental health care, and early detection and treatment of diseases as key initiative items. In particular, the Company introduced flexible work systems such as flextime and teleworking systems, promotion of smoking cessation challenge, establishment of health consultation service, and introduction of compensation for long-term absence from work. The Company will continue to develop an environment that allows employees to continue engaging in their work with confidence taking the era of 100-year-life into account.

3. Investment in intellectual property

With the aim of realizing sustainable growth, the Company is proactively investing in intellectual property related to products and services, primarily in the household sanitation paper field and new businesses, in which the Company is promoting expansion.

The Company has been strengthening the promotion of innovation regarding the Group’s new businesses of cellulose nanofiber (CNF) and radio-frequency identification (RFID), which have generated many intellectual properties, and has been working to secure the rights for them.

Further, it considers environmentally friendly products and services as well as technology for eliminating and reducing the use of plastic as key tasks, and is driving forward intellectual property activities for realizing an “affable future.” As a result of these intellectual property-related activities,

as of the end of December 2020, the Company's YK value, an intellectual property value evaluation indicator measuring the strengths of exclusivity of patents by Kudo & Associates, a patent firm, was rated the highest in the hygiene products field.

[Supplementary Principle 4.1.1 Scope of Delegation to Executives]

Under its policy to clarify execution and supervision and to strengthen each of them, the Company stipulates matters to be submitted to the Board of Directors' Meeting in the Regulations of the Board of Directors and the Detailed Rules for Matters to Be Submitted to the Board of Directors' Meeting. They consist of matters related to basic management policies including statutory matters and matters stipulated by the Articles of Incorporation as well as important management matters such as medium- to long-term management plans.

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

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

See the Independence Standards of Independent Outside Directors, annexed to Corporate Governance Guidelines, for the independence standards of the Company's Outside Directors.

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

The Company's Remuneration Committee and Nomination Committee are chaired by an independent Outside Director, and more than half of its members are independent Outside Directors. For the authority and compositions of Remuneration Committee and Nominating 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 11 (Remuneration Committee) of the Corporate Governance Guidelines, and Article 12 (Nomination Committee) of the Corporate Governance Guidelines.

[Supplementary Principle 4.11.1 Policies on the Balance between Knowledge, Experience, and Capability of the Board of Directors as a whole, and its Diversity and Scale]

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 (Procedure for electing and dismissing Directors) of the Corporate Governance Guidelines.

For brief personal records of Directors and areas in which the Company expects them to excel (skill matrix) at this point, see p. 27 of the Notice of the 110th Annual General Meeting of Shareholders and p.61 of Daio Paper Group Integrated Report 2021.

- Notice of the 110th Annual General Meeting of Shareholders:

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

- Daio Paper Group Integrated Report 2021:

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

[Supplementary Principle 4.11.2 Concurrent Positions of Members of the Board of Directors and Audit and Supervisory Board Members]

See the “Notices of the Annual General Meeting of Shareholders” and the “Business Reports” for annual disclosure of concurrent positions of Members of the Board of Directors and Audit and Supervisory Board Members at other listed companies.

[Supplementary Principle 4.11.3 Result Overview of Analysis and Evaluation of the Overall Effectiveness of the Board of Directors]

Since 2016, we have been evaluating the effectiveness of the Board of Directors annually, in order to regularly examine whether the Board of Directors is functioning properly, and continue to identify issues and implement measures for improvement. In 2021, following last year, the Company carried out a self-evaluation questionnaire survey regarding composition and operation of the Board of Directors targeting all Directors and Audit and Supervisory Board Members with cooperation from an external institution. The survey results collected and aggregated by the external organization were analyzed and evaluated. The following is the overview of the evaluation result.

<Overview of the evaluation result>

The Board of Directors of the Company was evaluated from seven standpoints: composition; operation; strategy, execution, and business performance monitoring; support system for Directors and Audit & Supervisory Board Members; training for Officers; dialogue with shareholders (investors); and Directors’ self-initiated execution of business. As a result, it was confirmed that the Company’s Board of Directors is appropriately functioning in general and that its effectiveness is sufficiently ensured.

<Initiatives regarding issues identified by the effectiveness evaluation of the Board of Directors in the previous fiscal year>

The previous fiscal year’s effectiveness evaluation of the Board of Directors revealed a need to review the composition of the Board of Directors. To address this issue, the Company revised its executive officer system on April 1, 2021, and changed the officer structure on June 29, 2021, by clearly defining the positions of “the Board of Directors responsible for decision-making and supervision” and “Executive Officers who execute business operations” in order to speed up management decision-making and reinforce the Board of Directors’ supervisory functions.

<Matters evaluated as requiring further improvement>

We recognize that sustainability-related issues, such as social and environmental issues, are important management issues for us. We will make even more active and selfinitiated efforts—for example, regular deliberation on our sustainability-related measures at the Board of Directors' meetings—under the lead of the Board of Directors.

[Supplementary Principle 4.14.2 Training Policy for Directors and Audit and Supervisory Board Members]

See Article 8 (Policy regarding training of Directors and Audit and Supervisory Board Members) of the Corporate Governance Guidelines for the Company's policy regarding training for Directors and Audit and Supervisory Board Members.

[Principle 5.1 Policy regarding Constructive Dialogue with Shareholders]

See Chapter 1 (General Provisions) and Article 19 (Policy on constructive dialogue with stakeholders) of the Corporate Governance Guidelines for our policy on constructive dialogue with stakeholders including shareholders.

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

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

2. Capital Structure

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

Name / Company Name	Number of Shares Owned	Percentage (%)
Hokuetsu Corporation	41,521,008	24.77
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,529,300	5.09
Daio Kaiun Co., Ltd.	7,112,539	4.24
The Iyo Bank, Ltd.	7,072,998	4.22
The Ehime Bank, Ltd.	6,920,947	4.13
Custody Bank of Japan, Ltd. (Trust Account)	6,920,887	4.13
Ehime Paper Manufacturing Co. Ltd.	5,331,335	3.18
Kami Shoji Co. Ltd.	4,700,109	2.80
The Norinchukin Bank	4,110,090	2.45
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	3,785,800	2.26

Controlling Shareholder (except for Parent Company)	No
Parent Company	No

Supplementary Explanation

1. [Description of major shareholders] is based on the list of shareholders as of March 31, 2021.
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 and the ESOP (Employee Stock Ownership Plan) Trusts.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Pulp & Paper
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

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

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

1. Organizational Composition and Operation

Organization Form	Company with Audit and Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	Two years
Chairperson of the Board	President
Number of Directors	12
Establishment of Outside Directors	Established
Number of Outside Directors	Four
Number of Independent Directors	Four

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Nobuhiko Yoshida	Formerly worked for another company												
Yoichi Takei	Lawyer												
Yoshinobu Hiraishi	Other												
Haruko Ozeki	Formerly worked for another company												

* Categories for "Relationship with the Company"

- * "○" 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;
- "▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Nobuhiko Yoshida	○	Mr. Nobuhiko Yoshida is an independent officer.	<p>The Company judged that Mr. Nobuhiko Yoshida will execute his duties appropriately as Outside Director from an independent standpoint by leveraging his wealth of experience and extensive insight gained through his career as Representative Director and President and in other executive positions of other companies.</p> <p>The Company has designated Mr. Yoshida as an independent officer, as he satisfies the requirements stipulated by the Enforcement Rules for the Securities Listing Regulations and it has judged that he would cause no conflict of interests with general shareholders.</p>
Yoichi Takei	○	Mr. Yoichi Takei is an independent officer.	<p>The Company judged that Mr. Yoichi Takei will execute his duties appropriately as Outside Director from an independent standpoint by leveraging his expertise as an attorney at law, and high perspective and extensive experience gained through his career as an officer of other companies.</p> <p>The Company has designated Mr. Takei as an independent officer, as he satisfies the requirements stipulated by the Enforcement Rules for the Securities Listing Regulations and it has judged that he would cause no conflict of interests with general shareholders.</p> <p>While Mr. Takei has not been involved in</p>

			the management of a company other than as an outside officer, the Company has judged that he will execute his duties appropriately as Outside Director for the reasons stated above.
Yoshinobu Hiraishi	○	Mr. Yoshinobu Hiraishi is an independent officer.	<p>The Company judged that Mr. Yoshinobu Hiraishi will execute his duties appropriately as Outside Director from an independent standpoint by leveraging his wealth of experience, advanced expertise, and extensive insight gained through his career as ambassador to various countries as a diplomat.</p> <p>The Company has designated Mr. Hiraishi as an independent officer, as he satisfies the requirements stipulated by the Enforcement Rules for the Securities Listing Regulations and it has judged that he would cause no conflict of interests with general shareholders.</p> <p>Although he has not been directly involved in the management of any company, the Company has judged that he will execute his duties appropriately as Outside Director for the reasons stated above.</p>
Haruko Ozeki	○	Ms. Haruko Ozeki is an independent officer.	<p>The Company judged that Ms. Haruko Ozeki will execute her duties appropriately as Outside Director from an independent standpoint by leveraging her wealth of experience, advanced expertise, and extensive insight gained through her career as the head of a legal division and as an officer at other companies.</p> <p>The Company has designated Ms. Ozeki as an independent officer, as she satisfies the requirements stipulated by the Enforcement Rules for the Securities</p>

			Listing Regulations and it has judged that she would cause no conflict of interests with general shareholders.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Name	Total number of members	Number of full-time members	Number of internal Directors	Number of outside Directors	Number of external experts	Number of other members	Chairperson
Voluntary committee that is equivalent to a nomination committee	Nomination Committee	3	0	1	2	0	0	Outside Director
Voluntary committee that is equivalent to a remuneration committee	Remuneration Committee	3	0	1	2	0	0	Outside Director

Supplementary Explanation

The Company has established the Remuneration Committee in order to ensure objectivity and transparency in the process of determining remuneration for its Directors. The committee is chaired by an independent Outside Director, and more than half of its members are independent Outside Directors. Two Outside Audit and Supervisory Board Members attend the Remuneration Committee meetings as observers to further improve objectivity and transparency of the process to decide remunerations for officers.

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 Board of Directors candidates and selecting or dismissing a Director. This committee is chaired by an independent Outside Director, and more than half of its members are independent Outside Directors. Two Outside Audit and Supervisory Board Members also attend the Nomination Committee meetings as observers.

For the authority and compositions of Remuneration Committee and Nominating 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 voluntary committees), Article 11 (Remuneration Committee) of the Corporate Governance Guidelines, and Article 12 (Nomination Committee) of the Corporate Governance Guidelines.

	another company														
Kyoko Okada	Formerly worked for another company														

- * Categories for “Relationship with the Company”
- * ”○” 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;
“▲” when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. Audit and Supervisory Board Members of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit and Supervisory Board Members
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit and Supervisory Board Members himself/herself only)
- k. Executive of a company, between which and the Company outside directors/ Audit and Supervisory Board Members are mutually appointed (the Audit and Supervisory Board Members himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit and Supervisory Board Members himself/herself only)
- m. Others

Outside Audit and Supervisory Board Members’ Relationship with the Company (2)

Name	Designation as Independent Audit and Supervisory Board Members	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoichiro Yamakawa	○	Mr. Yoichiro Yamakawa is an independent officer.	The Company judged that Mr. Yamakawa will execute his duties appropriately as Outside Audit and Supervisory Board Member from an independent standpoint by leveraging his expertise as an attorney at law, and his wealth of experience gained through his career as an officer of other companies. The Company has designated Mr. Yamakawa 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.
Takemi Nagasaka	○	Mr. Takemi Nagasaka is an independent officer.	<p>The Company judged that Mr. Nagasaka will execute his duties appropriately as Outside Audit and Supervisory Board Member from an independent standpoint by leveraging his business expertise related to accounting audit, extensive knowledge in the fields of finance and accounting, and experience and knowledge related to global business operations gained through his career as an officer of other companies.</p> <p>The Company has designated Mr. Nagasaka as an independent officer, as he satisfies the requirements stipulated by the Enforcement Rules for the Securities Listing Regulations and it has judged that he would cause no conflict of interests with general shareholders.</p>
Kyoko Okada	○	Ms. Kyoko Okada is an independent officer.	<p>The Company judged that Ms. Okada will execute her duties appropriately as Outside Audit and Supervisory Board Member from an independent standpoint by leveraging her extensive insight regarding CSR and corporate culture as well as her wealth of experience gained through her career as an audit and supervisory board member in other companies.</p> <p>The Company has designated Ms. Okada as an independent officer, as she satisfies the requirements stipulated by the Enforcement Rules for the Securities Listing Regulations and it has judged that she would cause no conflict of interests with general shareholders.</p>

[Independent officers]

Number of Independent Officers

7

Matters relating to Independent Officers

The Company designates all outside officers who are qualified as independent officer as independent officers.

[Incentives]

Incentive Policies for Directors

Performance-linked Remuneration

Supplementary Explanation

As an incentive for Directors to improve business performance, the Company has introduced a performance-based bonus system as part of full-time Directors' remuneration, in which the amount of bonus fluctuates along with the level of contribution to business performance.

The Company also has introduced a "stock-based remuneration plan" using trust for its Directors (excluding Outside Directors). It has also introduced a stock-based remuneration plan for its Executive Officers and managerial staff, similar to that of the Directors. 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.

Recipients of Stock Options

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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration

No Individual Disclosure

Supplementary Explanation

Amount of total remuneration for each officer type, amount of total remuneration by type of remuneration, and the number of officers entitled to them

● Directors (excluding Outside Directors)

basic remuneration of 206 million yen, bonus of 93 million yen, stock-based remuneration of 49 million yen; a total of 349 million yen; the number of officers entitled: 13

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

basic remuneration of 33 million yen; a total of 33 million yen; the number of officers entitled: 3

● Outside officers

basic remuneration of 60 million yen; a total of 60 million yen; the number of officers entitled: 7

Notes:

1. The amount of bonus is the amount recorded as the provision for bonuses for officers.
 1. The amount of stock-based remuneration is the amount recorded as the provision for share-based remuneration.
2. The Directors (excluding Outside Directors) include the seven Directors who retired as their terms expired as of the closure of the 110th Annual General Meeting of Shareholders held on June 29, 2021.
3. The Audit and Supervisory Board Members (excluding Outside Audit and Supervisory Board Members) include one Audit and Supervisory Board Member who retired as his term expired as of the closure of the 109th Annual General Meeting of Shareholders held on June 26, 2020, as well as another Audit and Supervisory Board Member who retired as his term expired as of the closure of the 110th Annual General Meeting of Shareholders held on June 29, 2021.
4. The outside officers include one Audit and Supervisory Board Member who retired as his term expired as of the closure of the 109th Annual General Meeting of Shareholders held on June 26, 2020, as well as one Director who retired as his term expired as of the closure of the 110th Annual General Meeting of Shareholders held on June 29, 2021.
5. The upper limit of remuneration for Directors (basic remuneration and bonus) is 340 million yen a year (resolution by the 100th Annual General Meeting of Shareholders held on June 29, 2011). Separately, the upper limit of remuneration regarding the stock-based remuneration system for Directors other than Outside Directors is 88 million yen a year (resolution by the 108th Annual General Meeting of Shareholders held on June 27, 2019).

Policy on Determining Remuneration Amounts and Calculation Methods
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Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

See the Policy for Decision of Individual Remuneration for Directors attached to the end of this report for the policy for decision of remuneration for Directors.

The Company offers only basic remuneration for the Audit and Supervisory Board Members, and it is decided in discussions among the Audit and Supervisory Board Members within the upper limit of remuneration approved by the General Meeting of Shareholders.

[Supporting System for Outside Officers]

The secretariat offers information to Outside Directors (Outside Audit and Supervisory Board Members) by distributing the materials to be used at a Board of Directors' Meeting in advance and holding a prior explanatory meeting ahead of the Board of Directors' Meeting.

Moreover, the Auditor's Office has been established to offer dedicated staff to support the operations of Audit and Supervisory Board Members and also to provide support for operations of Outside Audit and Supervisory Board Members, as necessary.

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

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

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

1

Others

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 advices 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 on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

1) Overview of corporate governance structure

The Company is a company with an Audit and Supervisory Board. As such, the Board of Directors makes decisions on management policies and the execution of important business matters for the Group as a whole, while the Audit and Supervisory Board and its members, which is independent from the Board of Directors, audits the Directors' performance of their duties.

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

(1) Board of Directors

The Board of Directors supervises the overall management, including the performance of duty by the management team, in order to ensure the fairness and transparency of management. The Board also makes decisions regarding the execution of critical business operations specified in laws and regulations or the Articles of Incorporation.

The number of Directors at the Company shall be within twenty (20) as specified in the Article of Incorporation. Basically, it must be the number that is necessary and appropriate to ensure an effective management structure as well as substantive discussions at the Board meetings. Due consideration is also given to diversity and expertise within the Board of Directors.

Considering the importance of Outside Directors' functions in corporate governance, one-third or more of the Board members shall be independent Outside Directors and currently the Company has four independent Outside Directors.

The status of the Board of Directors' activities in FY2020 is as follows.

Number of meetings: 15

Attendance (average attendance rate): 99% for Directors

100% for Audit and Supervisory Board Members

See the Notice of the 110th Annual General Meeting of Shareholders for attendance status of individual officers.

(2) Audit and Supervisory Board

The Company sets forth three out of five Audit and Supervisory Board Members to be Outside Audit and Supervisory Board Members to strengthen the function to monitor management. The Audit and Supervisory Board holds its meeting before or after the Board of Directors' Meeting every month, and as needed when it is necessary for the Audit and Supervisory Board Members to mutually share information.

The status of the Audit and Supervisory Board's activities in FY2020 is as follows.

Number of meetings: 16

Attendance (average attendance rate): 99%

Individual Audit and Supervisory Board Members attend the Board of Directors' Meetings based on the audit policy and division of duties decided by the Audit and Supervisory Board, and state

their opinions, thereby implementing strict audit of Directors' execution of duties from an independent standpoint.

The Audit and Supervisory Board Members established the Auditor's Office in January 2012 to improve effectiveness of their audit and the office has dedicated staff to support them. The Audit and Supervisory Board Members also have meetings with the Internal Audit Department on a regular basis to receive reports on audit plan, audit implementation status and results, and recommendations it made to the audited unit, and exchange opinions, as necessary.

(3) Accounting auditor

The Company has elected PricewaterhouseCoopers Aarata LLC as its accounting auditor, which is performing appropriate audit as necessary in accordance with laws and regulations. The status of accounting audit is as follows.

- i. Duration of auditing service: 9 years
- ii. Certified public accountants who provided auditing service:
Isao Ohno (duration of auditing service: 2 years)
Hideki Godai (duration of auditing service: 4 years)
- iii. Composition of assistants related to auditing

At the Company, five certified public accountants and 36 other employees engaged in audit assisted the accounting audit operations.

(4) Management Meeting

In order to speed up decision-making, the Management Meeting, which comprises the President and the General Managers of each business group and division, makes decisions on matters that have been delegated by the Board of Directors. Two full-time Audit and Supervisory Board Members attend the Management Meeting as observers to oversee the status of decision-making.

(5) Executive Officer System

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

(6) Non-mandatory committees

(i) Remuneration Committee

- i. Purpose
To enhance the objectivity and transparency of decisions on Directors' remuneration.
- ii. Authority

The Remuneration Committee finalizes the evaluation of and remuneration for each of the

Company's full-time Directors according to the policy on remuneration resolved by the Board of Directors and reports the final decisions to the Board of Directors.

iii. Members

The Remuneration Committee shall be chaired by an independent Outside Director, and more than half of its members shall be independent Outside Directors. Two Outside Audit and Supervisory Board Members attend as observers.

[Committee members (3)]

- Chair: Nobuhiko Yoshida, Outside Director
- Yoichi Takei, Outside Director
- Yorifusa Wakabayashi, President and Representative Director Chief Executive Officer

(ii) Nomination Committee

i. Purpose

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

ii. Authority

As an advisory body to the Board of Directors, the Nomination Committee receives inquiries from the Board of Directors and reports back on the nomination of candidates for Director and the election and dismissal of Directors at the Company in accordance with the nomination policy set out in the Company's Corporate Governance Guidelines.

iii. Members

The Nomination Committee shall be chaired by an independent Outside Director, and more than half of its members shall be independent Outside Directors. Two Outside Audit and Supervisory Board Members attend as observers.

[Committee members (3)]

- Chair: Nobuhiko Yoshida, Outside Director
- Yoichi Takei, Outside Director
- Yorifusa Wakabayashi, President and Representative Director Chief Executive Officer

(iii) Compliance Committee

i. Purpose

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

ii. Authority

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

The Compliance Committee has eight subcommittees under it: Accounting and Finance, Labor and Human Rights, General Affairs and Public Relations, Paper and Paperboard Quality, H&PC Quality, Safety & Health, Environment, and Overseas Risk. Each

subcommittee deliberates, makes decisions and implements specific measures for each type of risk, forming a highly effective risk management system.

iii. Members

The Compliance Committee is chaired by the Director responsible for compliance and comprises ten (10) members, including Officers and Outside Directors. One full-time Audit and Supervisory Board Member, one Outside Audit and Supervisory Board Member, and the General Manager of the Internal Audit Department attend as observers.

[Committee members (10)]

- Chair: Toshihiro Adachi, Executive Vice President and Representative Director Executive Vice President (in charge of compliance)
- Kunihiro Okazaki, Executive Vice President and Representative Director Executive Vice President
- Hiroshi Yamasaki, Director and Managing Executive Officer
- Yukihiro Tanaka, Director and Managing Executive Officer
- Nobuhiko Yoshida, Outside Director
- Yoichi Takei, Outside Director
- Yoshinobu Hiraishi, Outside Director
- Haruko Ozeki, Outside Director
- Shuhei Shinagawa, Senior Executive Officer
- Mikiro Shiramine, Executive Officer

(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 three subcommittees—the Climate Change Response Subcommittee, the Environmental Impact Reduction Subcommittee and the Value Co-creation Subcommittee—under the Sustainability Committee, set forth concrete initiatives and KPIs in efforts to achieve goals through deliberation of measures and confirmation of progress.

iii. Members

The Sustainability Committee shall be chaired by the Director responsible for the Corporate Unit and comprised of ten (10) members, including Officers, General Manager of the Production Division and Outside Directors. One full-time Audit and Supervisory Board Member and one Outside Audit and Supervisory Board Member attend its meetings

as observers.

[Committee members (10)]

- Chair: Toshihiro Adachi, Executive Vice President and Representative Director Executive Vice President (Responsible for Corporate Unit)
- Hiroshi Yamasaki, Director and Managing Executive Officer (General Manager of Production Division)
- Yukihiro Tanaka, Director and Managing Executive Officer
- Nobuhiko Yoshida, Outside Director
- Yoichi Takei, Outside Director
- Toshiki Yamagami, Managing Executive Officer
- Hiroshi Mizobuchi, Senior Executive Officer
- Shuhei Shinagawa, Senior Executive Officer
- Satoshi Iseki, Executive Officer
- Mikiro Shiramine, Executive Officer
- Junichi Ikawa, Executive Officer

(v) Diversity Committee

i. Purpose

To create diversity in the workplace across the Group by implementing measures that include increasing female managers and providing work environments that enable employees to adopt flexible work styles.

ii. Authority

As a committee directly reporting to the President, the Diversity Committee formulates the diversity promotion basic policy for the entire Group as well as promotion measures for materiality, diversity, and workstyle reform, and implements the measures through reports to the Board of Directors, distribution of messages from top management, and input to the management, managerial staff, and other employees.

iii. Members

The Diversity Committee shall be chaired by President and Representative Director and is comprised of seven (7) officers, including General Manager of the General Affairs and Personnel Division. One Executive Vice President and Representative Director, one full-time Audit and Supervisory Board Member, and one Outside Audit and Supervisory Board Member attend its meetings as observers.

[Committee members (7)]

- Chair: Yorifusa Wakabayashi, President and Representative Director Chief Executive Officer
- Hiroshi Yamasaki, Director and Managing Executive Officer
- Yukihiro Tanaka, Director and Managing Executive Officer (General Manager of the General Affairs and Personnel Division)

- Hiroyuki Shidara, Director and Managing Executive Officer
- Hiroshi Mizobuchi, Senior Executive Officer
- Tetsuya Kawabata, Executive Officer
- Takashi Yamamoto, General Manager of Personnel Department

(7) Limited liability agreements

The Company has entered into limited liability agreements with Outside Directors and Outside Audit and Supervisory Board Members pursuant to the Company's Article of Incorporation, Article 427, Paragraph 1 of the Companies Act to limit the amount of their liabilities stipulated in Article 423, Paragraph 1 of the Companies Act. The upper limit of the liability for damages based on these agreements is the higher of 10 million yen and the minimum amount of limit of liability stipulated in Article 425, Paragraph 1 of the Companies Act.

These limitations on liability are limited to situations where the concerned Outside Director or Outside Audit and Supervisory Board Member performed the duty which is the cause of the liability in good faith and without gross negligence.

3. Reasons for Adoption of Current Corporate Governance System

As described above, the Company has selected the current system of supervising and auditing business execution by the Board of Directors, including Outside Directors, and the Audit and Supervisory Board, including Outside Audit and Supervisory Board Members, to accelerate decision making, improve efficiency of management, and strengthen business execution function as well as to enhance the Group's corporate governance and compliance by ensuring objectivity and transparency of management.

The Company has four Outside Directors and three Outside Audit and Supervisory Board Members and they have no special interest in the Company.

Outside Directors play roles of strengthening management and monitoring as well as supervision of the Board of Directors and Executive Directors, and are performing their duties appropriately by leveraging their wealth of experience, expertise, and wide-ranging knowledge as officers of other companies.

Outside Audit and Supervisory Board Members are performing their duties appropriately by attending the Board of Directors' Meetings and Audit and Supervisory Board Meetings and carrying out audit of management from an objective and neutral standpoint by leveraging their wealth of experience and expertise as lawyers, certified public accountants, and officers of other companies.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	We send out the notice three days before the statutory due date. We also publish the notice on our website before sending it out.
Allowing Electronic Exercise of Voting Rights	Voting rights can be exercised via the internet.
Participation in Electronic Voting Platform	We participate in the electronic voting platform.
Providing Convocation Notice in English	We publish the English translation of each Notice of the convocation of the General Meeting of Shareholders (a narrowly-defined “Notice of the General Meeting of Shareholders” and excerpts from reference documents for the General Meeting of Shareholders) on the electronic voting platform and our website for international institutional investors.
Other	https://www.daio-paper.co.jp/en/ir/stock/meeting/ Notice of the convocation of the General Meeting of Shareholders and notice of resolutions are available on the above web page.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	Our disclosure policy is disclosed on our website. https://www.daio-paper.co.jp/en/ir/disclosure/
Regular Investor Briefings for Individual Investors	We plan to hold briefings for individual investors twice a year or so through securities companies, etc. These briefings shall take a form that is appropriate for each situation.
Regular Investor Briefings for Analysts and Institutional Investors	We hold a briefing on our financial results for securities 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 securities analysts, institutional investors, and the press when we announce our financial results for Q2 and year-end account settlement. These briefings shall take a form that is appropriate for each situation.
Regular Investor Briefings 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 visions and management strategies. Through this effort, we create opportunities to have dialogue with a diverse range of investors.

	The recent dialogue has moved online for continuation.
Posting of IR Materials on Website	https://www.daio-paper.co.jp/en/ir/library/ https://www.daio-paper.co.jp/en/ir/ir_news/ We disclose summaries of our financial results and presentation materials, quarterly reports and annual securities reports, documents on our strategies, and integrated reports, among others, on the above web pages.
Establishment of Department and/or Manager in Charge of IR	The Company has established the IR Section of the Accounting Department in the Corporate Unit. The section is responsible for setting up occasions for dialogue with institutional investors and analysts, organizing briefings, and disclosing information on our website. The section also works with relevant units as necessary while working on the above tasks.
Other	[Activities for domestic and international analysts and institutional investors] 1. Accepting requests for interviews 2. Small meetings 3. Conferences organized by securities companies 4. Mill tours 5. Briefings for individual investors

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Chapter 1 (General Provisions) and Article 19 (Policy on constructive dialogue with stakeholders) of the Corporate Governance Guidelines specify our policy on constructive dialogue with stakeholders including shareholders.
Implementation of Environmental Activities, CSR Activities etc.	https://www.daio-paper.co.jp/en/csr/ https://www.daio-paper.co.jp/en/ir/library/report/ Our Sustainability Vision and integrated reports, among others, are available on the above web pages.
Development of Policies on Information Provision to Stakeholders	Chapter 4 (Ensuring Appropriate Information Disclosure and Transparency) and Article 18 (Policy on information disclosure) of the Corporate Governance Guidelines specify our policy on information disclosure to obtain correct understanding and trust from stakeholders.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

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

- 1) Framework to ensure that the executions of duties by the Group's Directors and employees conforms to laws and regulations as well as the Articles of Incorporation
 - (1) The Board of Directors makes decisions concerning critical management matters in accordance with the Rules for the Board of Directors. Each Director reports the condition of the execution of their duties to the Board of Directors as needed and monitors the conditions of the other Directors' duties in a mutual manner.
 - (2) The Company clearly defines decision-making authority and responsibility by job title according to the Official Authority Rules and the Approval Request Rules that are set forth by the Board of Directors. Directors and employees properly perform their duties by following these Rules.
 - (3) The Compliance Committee determines the policies and measures pertaining to the development of the Group's compliance system and risk management system, and monitors and evaluates these systems.
 - (4) The Compliance Committee has eight subcommittees as its smaller units, namely the Accounting and Finance, Labor and Human Rights, General Affairs and Public Relations, Paper and Paper Board Quality, H & PC Quality, Safety & Health, Environment, and Overseas Risk Subcommittees. Each of these subcommittees regularly reports the status of its work to the Compliance Committee, and to the Board of Directors, as necessary. These subcommittees also set up non-mandatory task forces to carry out the decisions and examine their effects, as need, so that they give operational instructions and receive reporting.
 - (5) The Company complies with laws and regulations and takes responsible actions based on its ethical view.
 - i. We set forth the Daio Paper Group's Management Philosophy and the Daio Paper Group's Code of Conduct which specifies the criteria for judgment and actions to take by the Group's officers and employees to achieve the management philosophy. We also set forth what are specifically prohibited in the Compliance Rules and the Employee Code of Ethics, and continuously educate and enlighten our Directors and employees. We regularly review the Internal Rules, and inform and educate the details of the content thoroughly within the Company.
 - ii. The Remuneration Committee conducts interviews as needed to evaluate actions of our Full-time Directors in an effort to achieve a consensus over responsible conduct.
 - (6) The Group has a Corporate Ethics Hotline as its whistle-blowing system, with an external lawyer serving as the contact for external services and the Auditor's Office for internal services. We specify the obligation to report any ethical and disciplinary issues as well as violations of laws that

one has learned about, consideration for whistle-blowers' privacy, and protection of whistle-blowers from disadvantageous treatment, among others, in the rules on the operation of the system, and make a company-wide announcement of the system to promote for using the whistle-blower system.

- (7) We require our subsidiaries that they comply with laws and regulations, and that they establish a code of ethics and fulfill their duties with a great sense of ethics.
- (8) As a rule, we assign our officers and employees to the posts of part-time directors or auditors at our subsidiaries so that they watch how the subsidiaries' representative directors and executive directors execute their duties.
- (9) We regularly provide information about compliance for our officers, employees, and officers of our subsidiaries and give compliance training.

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

We properly save and manage critical information and documents about the execution of duties by Directors and management decision-making in accordance with the Internal Rules including the Document Management Rules. Directors as well as Audit and Supervisory Board Members may access to these information and documents as needed.

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

- (1) The Compliance Committee, along with compliance-related subcommittees and task forces, identify, group together, and evaluate the risks in a timely fashion that may have a serious effect on our business so that appropriate actions are taken, thereby preventing these risks from becoming a reality. They also make decisions on the risk management policy and the establishment of smaller units, among others, in order to provide a complete company-wide risk management structure.
- (2) The Compliance Committee holds meetings to identify and evaluate risks that may have a serious effect on subsidiaries' business so that appropriate actions are taken to prevent these risks from becoming a reality. The Company's officers and employees attend these meetings to offer advice and suggestions if necessary.
- (3) The Crisis Management Rules specifies our crisis management structure in preparation for natural disasters or any other emergencies that may cause a significant loss to the company. We ensure that all our officers and employees follow this Rules.
- (4) In case of any contingency, we follow the Crisis Management Rules to quickly set up an internal system according to the severity of the possible effect on the Company in order to minimize losses, 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 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) We provide the Segregation of Duties Rules, the Official Authority Rules, and the Approval Request Rules in order to clearly define the scope of Directors' responsibility and their official authority, so that our units play their own roles while properly cooperating with one another.
 - (2) To ensure quick decision-making, efficient management, and enhancement of business execution function, the Board of Directors makes critical management decisions and supervises business execution, and the Management Meeting, which consists of the management team members, makes decisions on matters delegated by the Board of Directors, thereby adapting 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 relevant Business Groups.
 - (2) The Subsidiary Management Rules specifies the matters that must be approved by or reported to the Company.
- 6) Matters regarding employees when the Company's Audit and Supervisory Board Members request that they have an employee as an assistant who will help with their duties; matters regarding independence of an employee from the Company's Directors
- We set up the Auditor's Office to which an employee is assigned so that he or she will assist with Audit and Supervisory Board Members' work. Appointment of an employee and any decisions about matters pertaining to authority over personnel affairs, including transfers, require prior approval from a Full-time Audit and Supervisory Board Member.
- 7) Matters regarding ensuring the effectiveness of instructions given to the employee assigned to the Company's Audit and Supervisory Board Members as stated in the preceding item
- The employee in the Auditor's Office shall work exclusively for the Audit and Supervisory Board Members to whom he or she is assigned. The employee is independent from Directors' authority over reporting lines.
- 8) Framework for reporting to the Company's Audit and Supervisory Board Members by a person who has received a report from the Group's Director or a subsidiary's director
- The Group's directors and employees report the status of business execution, results of internal audit, and other material matters regularly to Audit and Supervisory Board Members. If they come to know any material facts, such as violations of laws and regulations or any other compliance matters, promptly report to Audit and Supervisory Board Members.
- 9) Framework to ensure that the person who has made a report as stated in the preceding item will not be subject to disadvantageous treatment due to the reporting

The Group prohibits any disadvantageous treatment of a person who has made a report to Audit and Supervisory Board Members on the ground that he or she has made the report.

- 10) Matters regarding policies pertaining to the procedure for the advance payment or reimbursement of expenses incurred in the performance of duties by the Company's Audit and Supervisory Board Members, and to other expenses that are incurred in the performance of those duties or debt disposal that occurs from it

We pay expenses incurred in connection with the performance of duties by Audit and Supervisory Board Members, except when we prove that those expenses are unnecessary for the performance of duties by Audit and Supervisory Board Members.

- 11) Other framework to ensure effective audits by the Company's Audit and Supervisory Board Members
Audit and Supervisory Board Members have regular meetings with President and Representative Director to exchange opinions about matters pertaining to audits. They work closely with internal control units, including the relevant Business Groups, and the Internal Audit Department in order to perform effective audits.

2. Basic Views on Eliminating Anti-Social Forces

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 and the Employee Code of Ethics 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
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Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

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

1) Establishment of the Internal Rules relating to timely disclosure

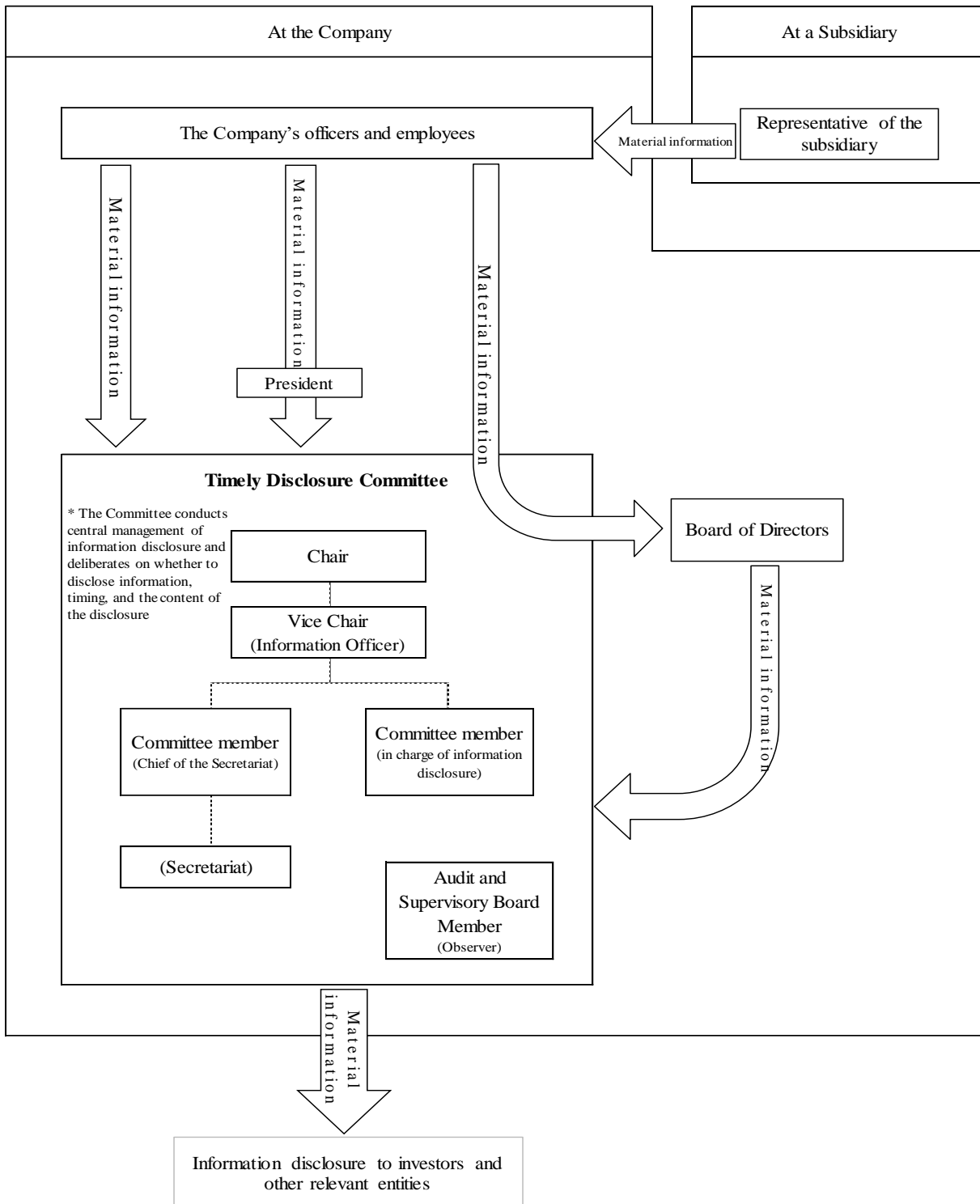
The Company has established the Timely Disclosure of Corporate Information Rules as the Internal Rules in order to disclose material information in a timely and appropriate manner according to the rules set by the stock exchange. This Rules is primarily about the following:

- (1) Establishment of the basic principles pertaining to timely disclosure
- (2) Establishment of the Timely Disclosure Committee
- (3) Central management of material information by the Timely Disclosure Committee

2) Establishment of the Timely Disclosure Committee

The Timely Disclosure Committee has been established in accordance with the Timely Disclosure of Corporate Information Rules. It is a body that conducts central management and disclosure of material information about the Company and its subsidiaries. The Committee deliberates on whether to disclose information, timing, and the content of the disclosure, etc., and arranges the disclosure process. The appendix shows the composition of the Committee and the chart of the internal structure for timely disclosure that centers on the Committee.

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



<Policy for Determining Individual Remuneration of Directors>

<Basic Policy>

In principle, the remuneration system for Directors is designed to motivate them to improve their performance and to retain talented human resources as part of our effort to enhance the corporate value of the Company. As a basic policy, the Company sets appropriate levels of remuneration, taking into consideration the business environment, business performance, and consistency with the treatment of employees.

1. Policy on decision of calculation method of basic remuneration
 - A fixed amount that the Officers' Remuneration Rules specifies by position is paid to each Full-time Director.
 - A fixed amount shall be added to remuneration for a Director with the responsibility for representing the Company.
 - Remuneration for Outside Directors consists of basic remuneration only. A fixed amount is paid to each of these Directors based on their membership in the committees established within the Company.
 - The allowances for overseas posts are paid to Directors on overseas assignments in accordance with the Overseas Assignment Rules.
2. Policy on the details of bonus-related performance indicators and decision on calculation method of bonuses
 - The Company uses the amount of consolidated ordinary profit, which is an objective performance measurement index.
 - The base amount of bonus per Director in the standard position is calculated by multiplying the consolidated ordinary profit for the previous fiscal year by the percentage specified in the Officers' Remuneration Rules. The amount of individual bonus payments is calculated by multiplying the base amount by a scale factor specified for the position as well as a scale factor for individual performance specified for each individually-determined performance evaluation ranking.
 - Bonuses are not paid if consolidated ordinary loss has been recorded for the previous fiscal year.
3. Policy on the details of non-monetary compensation and calculation method of non-monetary compensation
 - The Company has a stock-based remuneration system for its Full-time Directors. In this system, a trust established by the Company with monetary contributions acquires shares in the Company, and the number of shares in the Company that corresponds to the number of points the Company gives to each of these Directors is delivered for each Director.
 - The Company provides position-based points for each Director on the date of point provision specified in the Share Issuance Rules during a trust period in accordance with the Share Issuance Rules specified by the Board of Directors.

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
- Each bonus is determined in line with consolidated ordinary profit so that it serves as an incentive to achieve better performance and greater corporate value. The bonus ratio is designed to increase as the Company's performance improves.

Percentages when the target consolidated ordinary profit is achieved (FY2021)

Monthly remuneration	Bonus	Shares
67%	21%	12%

* These percentages slightly differ between positions.

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.
- Points as stock-based remuneration shall be awarded to Directors on the day of the Annual General Meeting of Shareholders. Directors will normally receive these shares in the Company when they leave their Directors' positions.
 - 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 those who are to be delegated, their positions and responsibilities at the Company
 - The Remuneration Committee as a non-mandatory committee
 - Remuneration Committee members
 - Chair: Nobuhiko Yoshida, Outside Director
 - Members: Yoichi Takei, Outside Director; Yorifusa Wakabayashi, President and Representative Director and Chief Executive Officer
 - 2) Delegated authority
 - Authority to determine the amounts of remuneration for individual Full-time Directors as well as Managing Executive Officers and above Executive Officers
 - Authority to carry out evaluations related to remuneration for individual Full-time Directors as well as Managing Executive Officers and above Executive Officers
 - 3) Measures to ensure the appropriate exercise of authority
 - The Remuneration Committee is chaired by an Outside Director, and more than half of its members are Outside Directors.
 - The Remuneration Committee is structured in such a way that allows more than one Outside Audit and Supervisory Board Members to participate in it as observers, not as committee members, so that they can check the deliberations of the Committee.
 - The Officers' Remuneration Rules, the Share Issuance Rules for Full-Time Directors, and the Overseas Assignment Rules shall prescribe matters regarding the determination of remuneration for each individual, and these matters shall be carried out in accordance with these Rules. The Board of Directors shall resolve on the revision or removal of any of the rules about Directors' remuneration specified in these Rules.
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.
 - When setting remuneration levels and a remuneration system, the Company compares the plans with the levels and systems at companies that are similar to the Company mainly in terms of the number of employees, referring to objective remuneration data from external professional organizations, government agencies, and other relevant entities.
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.