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Corporate Governance Report

Last Update: July 1, 2024

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 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 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 the return on assets (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 reducing the shares based on dialogue and negotiations with the respective business partners.

Note that in FY2023, no stocks were determined to be inappropriate to hold as a result of the verification process. The ratio of the "investment shares whose purpose of holding is other than for passive investment purposes" to the consolidated net assets in FY2023 is 5.4% (FY 2022: 5.2%)

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.

When the exercise of voting rights pertaining to cross-held shares is proposed, the Company carefully reviews the proposal to consider the impact on the financial soundness of the issuer, whether the exercise will help increase the issuer's medium- to long-term corporate value as well as shareholder value, and all other aspects, before deciding whether to exercise the rights or not., as described in Article 17 (Policy on Cross-shareholdings) of the "Corporate Governance Basic Policy."

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

[Principle 1.7 Related Party Transactions]

See Article 16 (Monitoring System for Transactions between Related Parties) of the "Corporate Governance Basic Policy" 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

Group's Sustainability Vision," and identified the following 10 material issues and has been promoting initiatives on both risk responses and opportunities.

- (1) Strategic transformation of our business portfolio
- (2) Acceleration of global expansion
- (3) Creation of new businesses
- (4) Coexistence with local communities
- (5) Establishment of sustainable supply chain
- (6) Respect for human rights, development of human resources, and compassion for employees
- (7) Fair and highly transparent management
- (8) Response to climate change
- (9) Realization of a recycling-oriented society
- (10) Forest conservation and maintenance of biodiversity

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

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

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

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

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

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.]

Diverse human resources and a corporate culture that makes the best use of them are indispensable for business development and the creation of new innovations that support the Company's growth. While calling for "Respects for human rights and promotion of diversity and inclusion" in the Group Code of Conduct, the Company is working to utilize and develop human resources irrespective of gender, age, nationality, with/without disability, and employment status and to create a workplace environment that makes the most of each individual's abilities.

First, toward a virtuous cycle in which employees' willingness to learn and acquisition of skills through their efforts lead to the growth of both individuals and the Company, the Company aims to nurture autonomous-type human resources who "think on their own, make decisions, and implement," and have diverse opinions. From 2020, the Company has developed systems which give employees chances to autonomously develop career and capabilities by implementing "Daio Career Challenge" (in-house career selection and job posting system), and among them, with respect to "the development of global human resources," 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.

In order to create a corporate culture in which employees can freely exchange opinions, we are conducting diversity training for management and department heads, as well as unconscious bias training for executives, management, manager, and leaders (section chief and assistant manager), and female employees. In addition, we are working to foster internal cooperate culture, such as addressing direct messages from top management via in-house SNS, abolition of calling other employees by adding position titles, and a more casual dress code. In addition, from FY2024, the Company is addressing "internal revitalization through dialogue", such as conducting town hall meetings between management and employees, and fruitful communication between supervisors and subordinates.

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

We have set "Narrowing the Gender Gap = Women's Active Participation" at the center of our diversity expansion, and as of the end of June 2024, the Company had two female executives (Outside Director and Outside Audit & Supervisory Board Member) and one female Executive Officer. In addition, as a major KPI, we have set a target of promoting 10% of female employees to management positions by FY2030 (2.7% as of March 31, 2024), and are working to develop female management candidates through "awareness-reform training" and "management training," and as of March 2024, the percentage of women in leadership positions (section chief and assistant manager) has increased to 13.9%. We have been particularly active in assigning female employees to the Home & Personal Care Division, a growing field of the Group, and as of March 31, 2024, the percentage of women in management positions in this division was 5.0% and the percentage of women in leader layers was 24.1%

In order to "narrow the gender gap," we believe that it is essential for men to participate in housework and childcare, which have traditionally been a heavy burden for women, and we have set

a goal of 100% male employees taking childcare leave. (FY 2023 male childcare leave utilization rate: 90.9%, average number of days taken: 48 days)

2. Promotion of foreign national employees and midcareer hires

For foreign national human resources, the Company has small numbers of hires in Japan at present. As of the end of March 2024, the ratio of foreign national employees in the employees is 0.8%. While we will reinforce hiring of the foreign national human resources considered necessary as the global business grows in the future, we currently do not have differentiated development and promotion for a reason that employees are foreign nationals. Consequently, we have not set forth any target for promoting foreign nationals to managerial positions and core human resources.

For midcareer hire human resources, the Company has hired with a focus on the Units and job types to be reinforced, and as of the end of March 2024, the ratio of midcareer hire human resources in all employees is 28.2% and the ratio of midcareer hire human resources in the managerial positions is 28.1%. While we will continue the plan to advance hiring of human resources of immediate use and specialized careers as necessary, we have provided training according to the level of work and offered promotion opportunities based on the common criteria for performance evaluation, irrespective of the difference in employment method. Consequently, we have not set forth targets for development and promotion specific to midcareer hires.

3. Other development of an environment to enable diversified working styles

To enable diversified working styles, the Company has been developing an environment that allows employees to continue engaging in their work with confidence in an effort to realize work-life balance by utilizing flexible workstyles such as flextime and teleworking systems as well as balancing with medical treatment by introducing health consultation service and compensation for long-term absence from work, and introducing a leave and absence system for the purpose of infertility treatment.

Furthermore, 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.

[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 Code of Conduct, Policy, Vision of Daio Group, Long-term Vision, and Medium-term Business Plan.

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

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

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

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

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.

The remuneration for Directors is decided within the range of the limit amount determined in the General Meeting of Shareholders in accordance with the policy for deciding remuneration approved by the Board of Directors, and for full-time Directors, the Remuneration Committee decides individual evaluation and the amount of remuneration.

See Article 11 (Remuneration Committee) of the Corporate Governance Basic Policy 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 10 (Nomination Committee) of the Corporate Governance Basic Policy 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 113th Annual Shareholders Meeting for the reasons for electing Directors and 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

Under the theme “Shaping an Abundant and Affable Future for the World,” in May 2021, the Company announced the Daio Group’s Sustainability Vision” and disclosed what is meant by the “affable future” envisioned as a company as well as the type of vision that will realize the envisioned future.

<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 related to environment, and “response to climate change,” in particular, is the most important issue for the Company, and the Company expressed support for the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. The Company discloses all information on the four thematic areas of “governance,” “strategy,” “risk management,” “metrics and targets” including scenario analysis, which is the process of developing a “strategy,” on the Company’s website and Daio Group Integrated Report.

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

As for governance structure, the Company established the Sustainability Committee chaired by the Representative Director, in which sustainability-related strategy, policy, and related matters are being discussed. The Daio Group’s Sustainability Vision as a sustainability strategy was also discussed in the Sustainability Committee and then formulated at the Board of Directors. In order to promote initiatives in line with the strategy, The ESG Subcommittee was newly established under the Sustainability Committee. In addition, as a subordinate committee to improve the performance of initiatives and produce results, eight subcommittees, i.e., (1) Global Warming Prevention Subcommittee, 2) Distribution GHG Reduction Subcommittee, 3) Environmental Impact Reduction Subcommittee, 4) SDGs Procurement Promotion Subcommittee, 5) TCFD Response Subcommittee, 6) Forest/Biodiversity Subcommittee, 7) Value Co-Creation Subcommittee, and 8) Enhanced ESG Information Disclosure Subcommittee) that are linked to sustainability-related trends and materiality have been established. The Sustainability Committee evaluates concrete measures, confirms progress of the measures of ESG Subcommittee and each subcommittee, and consults with the Board of Directors about challenges and progress on a regular basis. This is the governance structure that is formed and is functioning currently.

Achieving carbon neutrality in 2050 is a very high goal and may be, at the same time, risks with a great impact on financial soundness depending on the carbon pricing legal system. On the other hand, however, the flow of eliminating the use of plastic toward the solution of marine plastic problems increases substitution demands for “paper.” Since our afforestation and tree species development could contribute to the demands, this flow is considered to be a great business chance.

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

2. Investment in human capital

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

In the area of “Utilizing diversity,” we have established the Diversity Committee chaired by the Representative Director, and are reforming our corporate culture and creating an environment in which diverse human resources can take on challenges and play active roles. In order to narrow the gender gap, we are actively hiring and assigning more women, particularly in the Home & Personal Care Division, and strengthening training targeted for female leaders in all units through cross-industry exchange programs. We also believe it is important for men to participate in the area of housework and childcare, which has traditionally been a heavy burden on women, and have set a goal of 100% male employees taking childcare leave, with 90.9% of male employees taking childcare leave in FY2023, and the average number of days of leave taken being 48.0 days.

With regard to the “Promoting innovation and challenge,” as one of the personnel policies, in April 2024, we revised the evaluation standards and behavioral requirements for career-track employees. In addition to the ability standards, the basic attitude and behavior toward work, such as aggressive attitude and open communication, have been included as evaluation items to encourage employees to challenge to change and contribute as a team. In terms of compensation, we have abolished seniority-based salary items and increased the transparency of evaluation and compensation to realize compensation that rewards each individual's growth and achievements through challenges. With regard to “Supporting individual growth,” the Company has developed systems which allow employees to autonomously develop careers and capabilities by utilizing “Daio Career Challenge”

(in-house career selection and job posting system), and accepting applicants for external training programs.

In addition, to strengthen the internal development of human resources who will play an active role on the global stage, we have continued to implement overseas study abroad programs, overseas working workshops and global mindset training, and we will newly establish an overseas language study abroad program for young employees starting in FY2024, in an effort to quickly develop and expand our global human resources.

We believe that increasing employee engagement leads to innovation and sustainable enhancement of corporate value, and we conduct an engagement survey once a year as a means of measuring the status of “Respect for the individual and a fair and co-creative relationship between the company and its employees,” which is the foundation of our human resource policies. Efforts for the resolution of issues in organizational management that can be read from the survey results is listed as one of the performance targets for each manager, and the entire company is promoting the improvement of engagement. In addition, “employee health” is essential for sound organizational management and sustainable corporate growth, and in the “Daio Group Declaration of Health” announced in FY2014, the company is committed to the promotion of physical and mental health by “permanently evolving and developing as a vibrant and healthy corporate group.” In March 2024, we were selected for the third time as one of the "KENKO Investment for Health Stock Selection" and for the seventh consecutive year as one of the "Certified KENKO Investment for Health Outstanding Organizations (Large Enterprise Category) - White 500".

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

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

With regard to investment in R&D, as stated in our long-term vision “Daio Group Transformation 2035,” we are aiming to increase R&D expenses ratio to 2.0% of total sales (in FY2035). Toward this goal, the Group will promote the reinforcement and improvement of its R&D system, including personnel and facilities, while increasing investment in R&D to create new products, services, and materials in stages. In particular, in the field of new materials such as cellulose nanofibers (CNF) and biorefineries, we will further accelerate investment in R&D to unlock the unlimited potential of wood resources and promote alliances with universities and overseas and domestic research institutions, as well as co-creation with external research institutes, etc., to stimulate innovation activities to secure competitive advantage in relation to other companies.

Also, in the field of home and personal care, since entering the sanitary paper market in 1979 with the Eliere brand, we have been developing products from the consumer's perspective through the

combined efforts of our marketing, sales, and development units, and expanding our product lineup to include processed products such as baby diapers, feminine care products, and adult diapers.

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

Regarding investment in intellectual capital, we define not only intellectual property but also various elements that can be converted into corporate value (e.g., knowledge, know-how, brands, trade secrets, and data) as intellectual capital in a broad sense, and we will actively invest in the formation, enhancement, and expansion of such intellectual capital to promote the creation and evolution of innovation in R&D and business activities. In addition, we view intellectual capital as a source of corporate value, and in conjunction with our long-term vision, we will seek to sustainable growth and maximization of corporate value from the intellectual property perspective by visualizing and converting intellectual capital as a source of strength into value.

[Supplementary Principle 4.1.1 Scope of Delegation to Executives]

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

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

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

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

See the Independence Standards of Outside Directors, annexed to the Corporate Governance Basic Policy, 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 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 between Knowledge, Experience, and Capability of the Board of Directors as a whole, and its Diversity and Scale]

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 (Procedure for Electing and Dismissing Directors) of the Corporate Governance Basic Policy.

For brief personal records of Directors and areas in which the Company expects them to excel (skill matrix) at this point, see the Notice of the 113th Annual General Meeting of Shareholders.

- Notice of the 113th Annual General Meeting of Shareholders:

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

[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]

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

<Method of implementation>

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

<Overview of the evaluation result>

The Board of Directors of the Company was evaluated from 10 standpoints: ideal state; composition; operation; discussion; business performance monitoring function; support system for Directors and Audit & Supervisory Board Members; training for Officers; dialogue with shareholders (investors); self-initiated execution of business; and operation of the Nomination Committee and Remuneration Committee. 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 fiscal year 2023>

Sustainability is considered an important management issue, and in June 2023, the Sustainability Promotion Department was promoted to a division, and the Sustainability Committee regularly reports

on its operations to the Board of Directors, where discussions continue on measures and other matters aimed at decarbonization and carbon neutrality.

<Issues for the coming years>

With the promotion of human capital management, which is the infrastructure for responding to changes in the business environment and achieving our medium- to long-term vision, as a priority issue, we will continue discussions on succession planning, development of global human resources and human resources in new fields, and building an organizational culture and systems that encourage employees to take on challenges, in order to enhance the effectiveness of human capital management.

[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 Basic Policy 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 20 (Policy on Constructive Dialogue with Stakeholders) of the Corporate Governance Basic Policy for our policy on constructive dialogue with stakeholders including shareholders.

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

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

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

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

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

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

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

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

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

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

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

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

[Actions toward Realizing the Management Conscious of the Cost of Capital and Share Prices]

The Company recognizes the return on equity (ROE) as one of its key indicators, and will strive to improve ROE by optimizing our business portfolio, improving profitability and strengthening our ability to generate cash flow, investing for sustainable growth, and improving asset efficiency. In the Fifth Medium-term Business Plan, we have set ROE target of 4.5% or higher, and we will implement initiatives to achieve a recovery to the level of the Third Medium-term Business Plan (around 10%) at the earliest possible time.

See the Company's medium-term business plans, various explanatory meetings' materials and the Integrated Report for the overview of targets and status of progress of the profitability of capital.

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/>

[Implementation Status for Dialogue with Shareholders]

The Company is having constructive dialogue with the investors and shareholders of major institutions in Japan or abroad through IR activities. The status of implementation of IR activities is disclosed in the [IR Activities] of this Report and the Integrated Report.

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

The Company will continue to strive 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 Affairs and Personnel 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 FY2023 will be shared with management and related units and utilized to improve the Group's management.

2. Capital Structure

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

Name/Company Name	Number of Shares Owned	Percentage (%)
Hokuetsu Corporation	41,589,008	24.81
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,001,100	7.76
Daio Kaiun Co., Ltd.	9,492,539	5.66
The Iyo Bank, Ltd.	7,072,998	4.22
The Ehime Bank, Ltd.	6,920,947	4.13
Custody Bank of Japan, Ltd. (Trust Account)	6,412,772	3.83
Ehime Paper Manufacturing Co., Ltd.	5,331,335	3.18
Kami Shoji Co., Ltd.	4,700,109	2.80
Oasis Japan Strategic Fund Ltd.	4,700,050	2.80
Hyogo Paper Manufacturing Co., Ltd.	3,179,630	1.90

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

Supplementary Explanation

- [Description of major shareholders] is based on the list of shareholders as of March 31, 2024.
- 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.
- 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 Section	Tokyo Stock Exchange Prime
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 yen to less than 1 trillion yen
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

—

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	15
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors	10
Establishment of Outside Directors	Established
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Naosuke Oda	Formerly worked for another company									△			
Yoichi Takei	Lawyer												
Makoto Horie	Formerly worked for another company												
Takako Masai	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
Naosuke Oda	○	Mr. Naosuke Oda was executives of JFE Holdings, Inc. and JFE Shoji Corporation until 2021. While the Company has sales and purchase transactions with JFE Shoji Corporation, their amount is small (the ratio of the total transaction amount in the consolidated sales of the Company or JFE Shoji Corporation is less than 1%). In view of the scale of the transactions, the Company has judged that this relationship would not affect Mr. Oda's independency.	The Company judged that Mr. Naosuke Oda 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 the President and Representative Director and other positions at other companies. The Company has designated Mr. Oda as an independent officer, as he satisfies the requirements stipulated by the Enforcement Rules for the Securities Listing Regulations and it has judged that he would cause no conflict of interests with general shareholders.
Yoichi Takei	○	Mr. Yoichi Takei is an independent officer.	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>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>
Makoto Horie	○	Mr. Makoto Horie is an independent officer.	<p>The Company judged that Mr. Makoto Horie will execute his duties appropriately as Outside Director from an independent standpoint by leveraging his wealth of experience and extensive insight regarding management such as global business experience gained through his career as the President and Representative Director and other positions at other companies.</p> <p>The Company has designated Mr. Horie as an independent officer, as he satisfies the requirements stipulated by the Enforcement Rules for the Securities Listing Regulations and it has judged that he would cause no conflict of interests with general shareholders.</p>
Takako Masai	○	Ms. Takako Masai is an independent officer.	<p>The Company has judged that Ms. Masai will execute her duties appropriately as Outside Director from an independent standpoint by leveraging her wealth of experience, advanced expertise, and extensive insight gained in the course of holding important positions in the financial industry, including foreign banks, domestic banks, and the Bank of Japan.</p> <p>The Company has designated Ms. Masai as an independent officer, as she satisfies the requirements stipulated by the</p>

		Enforcement Rules for the Securities 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 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. This committee is chaired by an independent Outside Director, and more than half of its members are independent Outside Directors. The committee receives inquiries from the Board of Directors and reports back on the nomination of candidates for Directors as well as Managing Executive Officers at the Company and the election or dismissal of these Directors and Executive Officers in accordance with the nomination policy set out in the Company's Corporate Governance Basic Policy. Two Outside Audit and Supervisory Board Members also attend the Nomination Committee meetings as observers.

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. The committee receives inquiries from the Board of Directors and reports back on the policy for decision of remuneration for full-time Directors as well as Managing Executive Officers at the Company. Further, the committee finalizes the evaluation of and remuneration for each of these individuals according to the policy for decision of remuneration approved by the Board of 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.

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.

[Audit and Supervisory Board]

Establishment of Audit and Supervisory Board	Established
Maximum Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit and Supervisory Board Members	4

Cooperation among Audit and Supervisory Board Members, Accounting Auditors, and Internal Audit Departments

The Audit and Supervisory Board Members hold regular meetings with the accounting auditor and receive reports and explanations on accounting audit and internal control audit in accordance with the Financial Instruments and Exchange Act including the status of development and operation of the system for execution of duty by the accounting auditor as well as audit plan and audit implementation status. They also exchange opinions and information as necessary during the accounting audit period.

The Audit and Supervisory Board Members have established the Auditor’s Office to improve the effectiveness of their audit and have 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.

The Company’s Internal Audit Department is independent from the business execution units and reports directly to the President. The Internal Audit Department implements audit of the Company and its subsidiaries in accordance with an annual plan approved by the Board of Directors and reports the audit results to the Board of Directors and Audit and Supervisory Board Members.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board Members	3

Number of Independent Audit and Supervisory Board Members	3
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Outside Audit and Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yoichiro Yamakawa	Lawyer													
Kyoko Okada	Formerly worked for another company													
Yoshikuni Noguchi	Certified Public Accountant													

* 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

			<p>gained through his career as an officer of other companies.</p> <p>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.</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 officer 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>
Yoshikuni Noguchi	○	Mr. Yoshikuni Noguchi is an independent officer.	<p>The Company judged that Mr. Noguchi will execute his duties appropriately as Outside Audit and Supervisory Board Member from an independent standpoint by leveraging his experience as a partner in an auditing firm and his high level of insight concerning finance and accounting.</p> <p>The Company has designated Mr. Noguchi as an independent officer, as he satisfies the requirements stipulated by the Enforcement Rules for the Securities</p>

			Listing Regulations and it has judged that he would cause no conflict of interests with general shareholders.
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[Independent officers]

Number of Independent Officers	7
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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
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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
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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 186 million yen, bonus of 0 million yen, stock-based remuneration of 36 million yen; a total of 222 million yen; the number of officers entitled: 10

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

basic remuneration of 37 million yen; a total of 37 million yen; the number of officers entitled: 2

●Outside officers

basic remuneration of 69 million yen; a total of 69 million yen; the number of officers entitled: 7

Notes:

1. Bonuses are not paid because consolidated ordinary loss has been recorded for the previous fiscal year.
2. The amount of stock-based remuneration is the amount recorded as the provision for share-based remuneration.
3. The Directors (excluding Outside Directors) include the two Directors who retired as of the closure of the 112th Annual Shareholders Meetings held on June 29, 2023.
4. The upper limit of remuneration for Directors (basic remuneration and bonus) is 500 million yen a year (resolution by the 110th Annual Shareholders Meetings held on June 29, 2021). Separately, the upper limit of remuneration regarding the stock-based remuneration system for Directors other than Outside Directors is 88 million yen a year (resolution by the 108th Annual Shareholders Meetings held on June 27, 2019).
5. The upper limit of remuneration for Audit and Supervisory Board Members is 65 million yen a year (resolution by the 105th Annual Shareholders Meetings held on June 29, 2016).

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

See the Policy for Determining 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 Shareholders Meetings.

[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 advice in response to request by officers and employees of the Company	Part time, no remuneration	June 28, 2007	One-year contract
Kunihiro Okazaki	Advisor	Public relations activities for the Company and provision of advice in response to request by officers and employees of the Company	Part time, with remuneration	June 26, 2024	One-year contract

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

2

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 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 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 15 or less as specified in the Articles 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.

The status of the Board of Directors' activities in FY2023 is as follows.

Number of meetings: 15

Attendance (average attendance rate): 99% for Directors

96.5% for Audit and Supervisory Board Members

See the Notice of the 113th Annual General Meeting of Shareholders for attendance status of individual officers.

The specific content of deliberations at the Board of Directors meetings in FY2023 is as follows.

i. Management strategy

Deliberated were review of the progress for the current medium-term business plan and consideration of the next medium-term business plan and long-term vision, the status of initiatives for sustainability-related issues, and succession planning for management, etc.

ii. Governance

Deliberated were review of the content of deliberations and members of the three voluntary committees(Risk and Compliance Committee, Sustainability Committee, Diversity Committee), establishment of the Daio Group Anti-Bribery Regulations, response to the Corporate Governance Code, and other relevant matters.

iii. Capital policy

Deliberated were dividend policy, review of capital cost, investments in and Loans to subsidiaries, loan/debt guarantees, and other relevant matters.

(2) Audit and Supervisory Board

The Company sets forth three out of four 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.

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.

Outside Audit and Supervisory Board Members provide appropriate recommendations and opinions as necessary based on their extensive experience and insight in their respective fields of expertise.

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.

The status of the Audit and Supervisory Board's activities in FY2023

Number of meetings: 16

Attendance (average attendance rate): 99%

(3) Accounting auditor

In the fiscal year 2023, 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: 1 year
- ii. Certified public accountants who provided auditing service:
Takashi Sadatome (duration of auditing service: 1 year)
Minoru Io (duration of auditing service: 1 year)
Takuya Suzuki (duration of auditing service: 1 year)
- iii. Composition of assistants related to auditing

At the Company, eleven certified public accountants and 56 other employees engaged in assisting 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 mainly makes decisions on the election and dismissal of the Executive Officers as well as their duties.

Correspondingly, the Executive Officers are responsible for performing their duties in accordance with the management policy determined by the Board of Directors.

(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 receives inquiries from the Board of Directors and reports back on the nomination of candidates for Directors as well as Managing Executive Officers at the Company and the election and dismissal of these Directors and Executive Officers in accordance with the nomination policy set out in the Company's Corporate Governance Basic Policy.

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. The Outside Audit and Supervisory Board Member attend as observer.

[Committee members (3)]

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

iv. Status of activities

The status of activities of the Nomination Committee in FY2023 is as follows.

	Title	Name	Attendance
Chair	Outside Director	Naosuke Oda	100% (3/3)
Member	Outside Director	Yoichi Takei	100% (3/3)
Member	Representative Director	Yorifusa Wakabayashi	100% (3/3)

Main contents of deliberations

In FY2023, the composition of the Board of Directors and the appointment of Directors and Executive Officers at or above the level of Managing Executive Officer were sufficiently deliberated, and a report was submitted to the Board of Directors. In addition, discussions were held on the succession plan, including the mechanism for training candidates.

(ii) Remuneration Committee

i. Purpose

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

ii. Authority

The Remuneration Committee receives inquiries from the Board of Directors and reports back on the policy for decision of remuneration for full-time Directors as well as Managing Executive Officers at the Company. Further, the committee finalizes the evaluation of and remuneration for each of these individuals according to the policy for decision of remuneration approved by 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: Naosuke Oda, Outside Director
- Yoichi Takei, Outside Director
- Yorifusa Wakabayashi, President and Representative Director Chief Executive Officer

iv. Status of activities

The status of activities of the Remuneration Committee in FY2023 is as follows.

	Title	Name	Attendance
Chair	Outside Director	Naosuke Oda	100% (4/4)
Member	Outside Director	Yoichi Takei	100% (4/4)
Member	Representative Director	Yorifusa Wakabayashi	100% (4/4)

Main contents of deliberations

Deliberated in FY 2023 were management indicators and compensation levels that should be reflected in officer's remuneration.

(iii) Risk and Compliance Committee

i. Purpose

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

ii. Authority

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

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

iii. Members

The Risk and Compliance Committee is chaired by the Director in charge of risk management and compliance and comprises Executive Officers and other members. The Outside director, the full-time Audit and Supervisory Board Member, the Outside Audit and Supervisory Board Member, and the General Manager of the Internal Audit Department attend as observers.

(iv) Sustainability Committee

i. Purpose

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

ii. Authority

The Sustainability Committee makes decisions regarding sustainability-related materiality (material issues) as well as goals, commitments, and initiatives that center on materiality. The Company established eight subcommittees that are linked to sustainability-related trends and materiality, and set forth specific initiatives and KPIs in efforts to achieve goals through deliberation of various measures and confirmation of progress.

iii. Members

The Sustainability Committee shall be chaired by the Representative Director and is comprised of the full-time Directors, and other members as designated by the chairperson. The Outside directors, the full-time Audit and Supervisory Board Member and the Outside Audit and Supervisory Board Member attend its meetings as observers.

(v) Diversity Committee

i. Purpose

To create diversity in the workplace across the Group by implementing measures that include providing work environments that enable employees to adopt flexible work styles irrespective of factors such as gender, age, nationality, with/without disability, and employment status.

ii. Authority

As a committee directly reporting to the Representative Director, 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 the Representative Director and is comprised of Directors and Managing Executive Officers. The Outside Director, the full-time Audit and Supervisory Board Member, and the Outside Audit and Supervisory Board Member attend its meetings as observers.

(vi) Investment and Loan Committee

i. Purpose

To establish certain investment criteria in consideration of capital cost to enable rational investment decisions on important investment and loan projects, and to prioritize investment and loan projects in accordance with medium- to long-term policy to enhance investment effectiveness.

ii. Authority

As an advisory body to the President on important investment and loan projects, the Committee evaluates the probability of investment and loan projects, and makes proposals, advice, reports, etc. to the Management Meeting and the Board of Directors. In addition, even after the investments and loans are implemented, the committee regularly evaluates the investment effects and, if necessary, formulates improvement measures or revises the investment and loan plan. 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 the Representative Director and consists of the full-time Directors, and other members as designated by the chairperson, with attendance of the Outside Directors and the full-time Audit and Supervisory Board Member as observers.

(7) Limited liability agreements

The Company has entered into limited liability agreements with Outside Directors and Audit and Supervisory Board Members pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation, to limit the amount of their liabilities stipulated in Article 423, Paragraph 1 of the Companies Act if they have performed their duties in good faith and without gross negligence. 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.

(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

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 lawyers, and 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 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.
Allowing Electronic Exercise of Voting Rights	Voting rights can be exercised via the internet, etc. (personal computer and smartphone).
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 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/ Notice of the convocation of the General Meeting of Shareholders and Extraordinary Report on the Results of the Exercise of Voting Rights 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 analysts, institutional investors, and the press, among others, on the day we announce our financial results. In addition, we hold strategic briefings by President and management for analysts, institutional investors, and the press when we announce our financial results for Q2 and year-end account settlement. 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 vision and management strategies.

	<p>Through this effort, we create opportunities to have dialogue with a diverse range of investors.</p> <p>As for the style of holding the meeting, it shall be held in an appropriate style according to the circumstances.</p>
Posting of IR Materials on Website	<p>https://www.daio-paper.co.jp/en/ir/library/ https://www.daio-paper.co.jp/en/ir/ir_news/</p> <p>We disclose summaries of our financial results, presentation materials, quarterly reports, annual securities reports, documents on our strategies, and integrated reports, among others, on the above web pages.</p>
Establishment of Department and/or Manager in Charge of IR	<p>The Company has established the IR Section of the Corporate Planning Department in the Corporate Unit. The section is responsible for setting up occasions for dialogue with institutional investors and analysts, organizing briefings, and disclosing information on our website.</p> <p>The section also works with relevant units as necessary while working on the above tasks.</p>
Other	<p>[Activities for domestic and international analysts and institutional investors]</p> <ol style="list-style-type: none"> 1. Accepting requests for interviews 2. Small meetings 3. Conferences organized by securities companies 4. Mill tours 5. Briefings for individual investors

3. Measures to Ensure Due Respect for Stakeholders

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

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) In order to promote compliance and risk management, the Company establishes internal rules and the Risk Management and Compliance Committee, and appoints a director in charge of risk management and compliance to serve as the chairperson of the committee.
 - (4) Under the direction of the director in charge of risk and compliance, the Risk Management 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 Management and Compliance Committee establishes subcommittees as subordinate organizations as necessary, and the subcommittees report the progress of their initiatives to the Risk Management and Compliance Committee regularly.
 - (6) The Company complies with laws and regulations and takes responsible actions based on its ethical view.
 - i. As well as the "Daio Group's Management Philosophy", the Company set forth the "Daio Group Code of Conduct" and "Compliance rules" which specifies the Group's officers' and employees' criteria for judgment, actions to be taken, and what are specifically prohibited to achieve the management philosophy, and the Company continuously educates and enlightens our Directors and employees. We regularly review the Internal Rules, and inform and raise awareness 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.
 - (7) 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.

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

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

We properly save and manage critical information and documents about the execution of duties by Directors and management decision-making in accordance with the Internal Rules established for proper management of document data. Directors 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 Risk and Compliance Committee establishes internal rules to promote risk management and identifies and assesses the risks that may have a serious effect on our business so that appropriate actions according to the severity of the risks are taken, thereby preventing these risks from becoming a reality. The Committee also deliberates on policies and measures to manage important risks, and provide a complete company-wide risk management structure based on decisions by the Board of Directors.
- (2) The Company provides guidance, supervision, and support for subsidiaries to identify and assess risks that may have a serious effect on subsidiaries' business so that appropriate actions are taken to prevent materialization of those risks.
- (3) The Group establishes The Crisis Management Rules and the Daio Group's BCM (Business Continuity Management) Basic Rules which specify our crisis management structure in preparation for natural disasters or any other emergencies that may cause a significant loss to the company. The Group ensures that all our officers and employees follow these Rules.
- (4) In case of any unforeseen emergency, we follow the Crisis Management Rules and the Daio Group's BCM (Business Continuity Management) Basic Rules to quickly set up an internal system according to the severity of the possible effect on the Group in order to minimize losses and continue and restore business operations, while identifying the cause and taking measures to prevent a recurrence.
- (5) To fully conform to the internal control and reporting system pertaining to financial reporting that is based on the Financial Instruments and Exchange Act, the Group continues to develop and

operate effective and efficient internal control and make necessary corrections, thereby ensuring the reliability and appropriateness of our financial reporting.

- 4) Framework to ensure that the Group's Directors efficiently execute their duties
 - (1) 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 Internal Control Promotion Department.
 - (2) We establish internal rules for appropriate management, supervision, and support of subsidiaries and affiliates which specify the matters that must be approved by or reported to the Company.
- 6) Matters regarding 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. In addition, the Company will ensure the effectiveness of audits by Audit & Supervisory Board Members through promotion of information sharing and close cooperation between the Internal Control Units/ the Internal Audit Department and Audit & Supervisory Board Members.

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 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 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

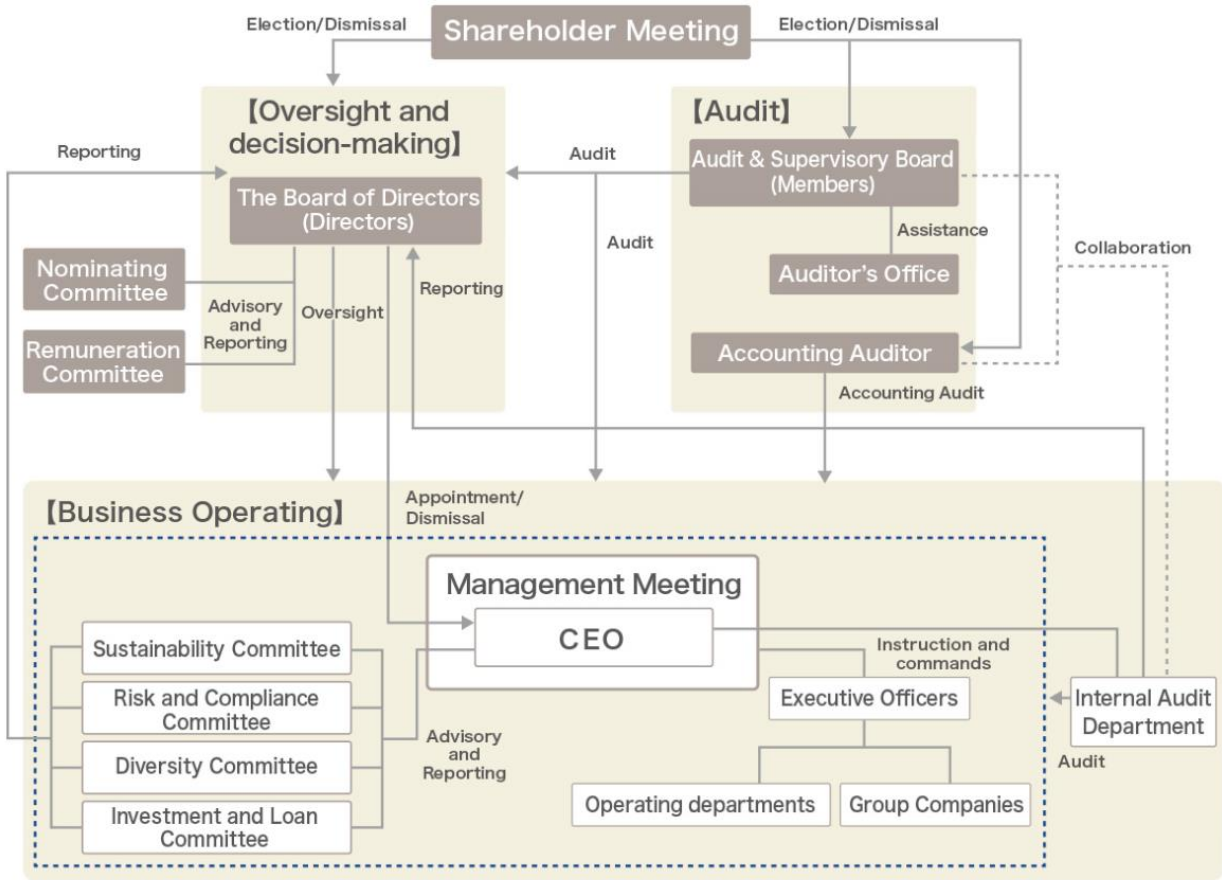
All important corporate information, including information on subsidiaries, whether it be decisions, facts which occurred, or financial information, is managed centrally under the secretariat of the Timely Disclosure Committee. The Timely Disclosure Committee determines as to whether or not material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

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

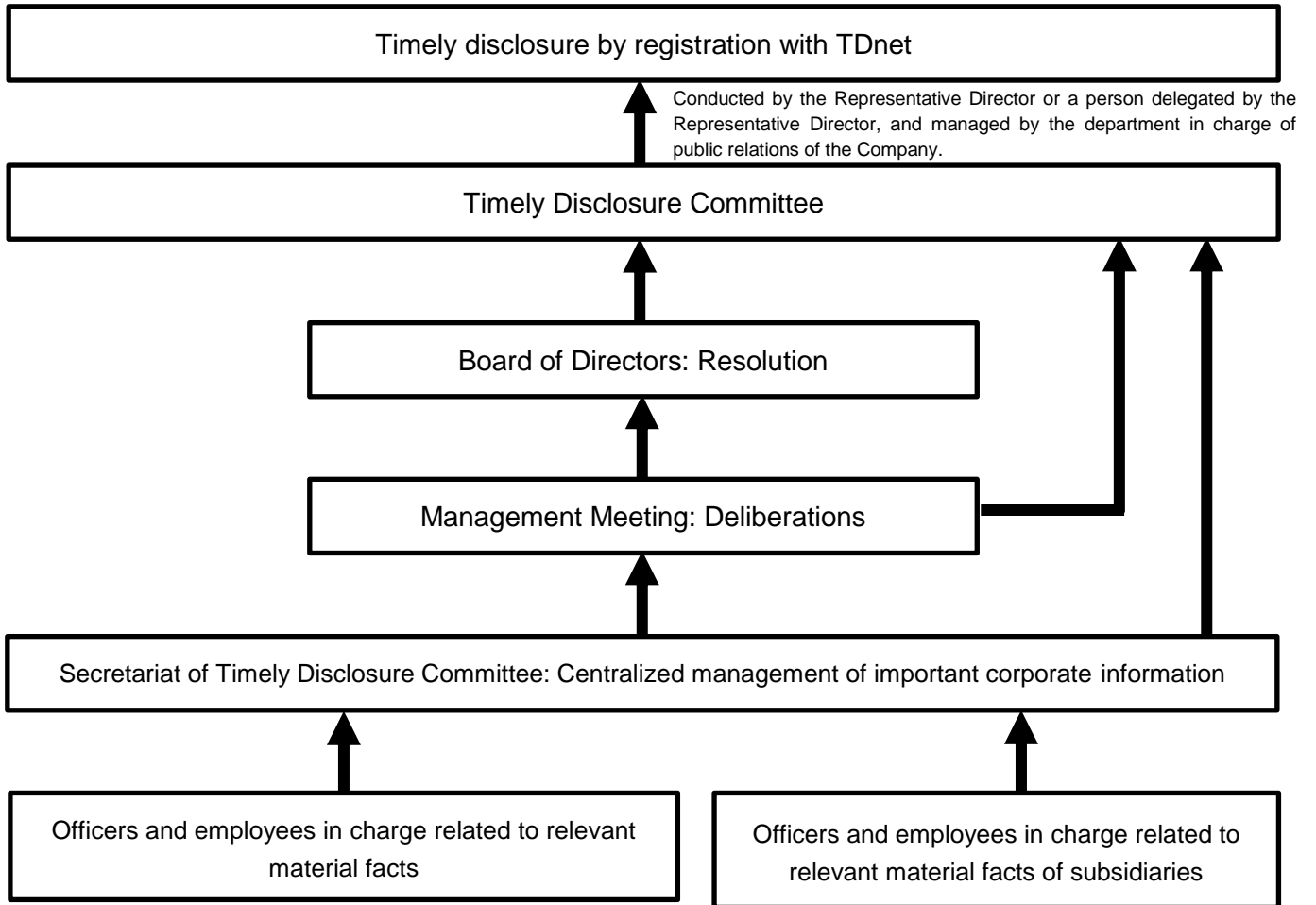
(2) Facts which Occured: The Company obligates its officers and employees in charge of subsidiaries to inform the secretariat of the Timely Disclosure Committee when they become aware that a material fact has occurred or is likely to occur.

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

[Reference 1] Corporate Governance Structure Chart



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



<Policy for Determining Individual Remuneration of Directors>

<Basic Policy>

In principle, the remuneration system for Directors 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 (FY2024)

Monthly remuneration	Bonus	Shares
80%	5%	15%

* 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 Shareholders Meetings. 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: Naosuke Oda, 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
 - Authority to carry out evaluations related to remuneration for individual full-time Directors as well as Managing 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.