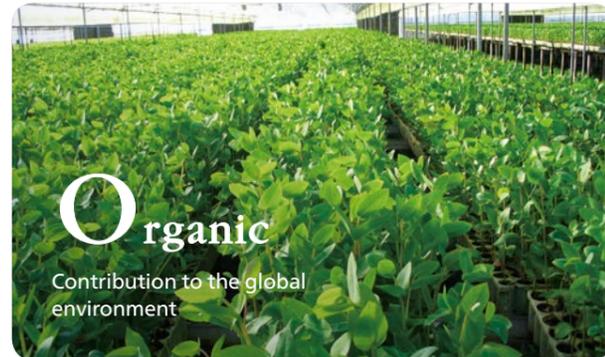


SDG Initiatives



Realization of the Management Philosophy through Business Activities

The Daio Paper Group’s management philosophy is “Shaping an abundant and affable future for the world.” To achieve this philosophy, we established DAIO (Dedicated, Attentive, Integrated, Organic) as our four pillars as well as set out the Daio Paper Group’s Code of Conduct to help us advance our initiatives. We will contribute to the SDGs by building trusting relationships with all stakeholders, in order to provide products that respond to changing demand trends, to grow in partnership with society as well as to conserve the global environment for the future.

Daio Paper Group’s Principal Value Creation Activities

Four Pillars of the Management Philosophy	Daio Paper’s Principal Value Creation Activities	Code of Conduct	SDGs
D Dedicated Dedication to manufacturing	<ul style="list-style-type: none"> Flexible production systems Thorough quality management Highly transparent procurement process Research and development that creates new value 	<ul style="list-style-type: none"> Sustainable Growth Environmental Awareness Trusted Manufacturing Integrity and Compliance 	
A Attentive Bonds with local communities	<ul style="list-style-type: none"> Responding to declining birthrate and aging society Enriching lifestyles of people around the world Sustainable growth in partnership with local communities 	<ul style="list-style-type: none"> Regional Awareness Sustainable Growth Contribution to the Global Society Environmental Awareness 	
I Integrated Corporate culture providing safety and motivation to work	<ul style="list-style-type: none"> Self-directed human resource development Promoting diversity Health and productivity management 	<ul style="list-style-type: none"> Regional Awareness Diverse Management Contribution to the Global Society Integrity and Compliance Trusted Manufacturing Safe Workplaces 	
O Organic Contribution to the global environment	<ul style="list-style-type: none"> Aiming for a low-carbon society Aiming for recycling-oriented society Aiming for a society that coexists in harmony with nature 	<ul style="list-style-type: none"> Sustainable Growth Integrity and Compliance Environmental Awareness Contribution to the Global Society 	

The Daio Paper Group’s Code of Conduct



Trusted Manufacturing

Supply high-quality and value-added products and services. As a manufacturer, we are most familiar with our customers’ needs around the world. So, what is made by Daio is sold only by Daio sales representatives, continuing in our founder’s spirit and giving us a direct connection to our customers to serve their needs and build trust.



Regional Awareness

Be good corporate citizens and earn the trust of the world where we work. We will take part in activities that contribute to society, including volunteer work, sporting events and cultural activities, to grow together with the countries and regions and contribute to growth and development.



Sustainable Growth

Respond to all our stakeholders’ needs, including customers, partners, shareholders, society and the global community. We will be agile and flexible to respond to sudden changes in the management environment, and we will work to grow our business in a way that is sustainable while strengthening our management foundations.



Safe Workplaces

Work safely and energetically. We will continue to maintain safe and vibrant workplace environments that offer employees challenges and growth potential.



Integrity and Compliance

Act with integrity and comply with social norms and regulations along with laws and ordinances. We will strive to be a company trusted by society, and we consider ethical matters among our top priorities, always following our “Employee Code of Ethics.”



Contribution to the Global Society

Respect the laws of each country and region as well as international standards. We will conduct all corporate activities with consideration for cultures and customs while championing the advancement of lifestyles, industries, and cultures around the world.



Diverse Management

Respect diversity and personalities of employees and coworkers. We will strive to foster an environment that allows every employee to achieve their highest potential. We nurture employees who reflect our roots as a small company and understand the value of taking on responsibilities outside their sphere of work: The employees who act with consideration, good judgment and proactivity.



Environmental Awareness

Conserve biodiversity and contribute to the global environment. We will aim to reduce CO₂ emissions and promote energy savings and recycling as per the DAIO Global Environment Charter.



Mishima Mill, Daio Paper

Basic Approach

As a full-range paper manufacturer engaged in the production and sale of paper, paperboard and home and personal care products, the Daio Paper Group aims for people-friendly manufacturing in harmony with the environment while providing high value-added products. We will achieve Trusted Manufacturing by

promoting initiatives such as flexible production systems, rigorous quality management, highly transparent procurement processes and research and development that creates new value, in order to be responsive to changing social needs in a broad range of fields.

Flexible Production Systems

The Mishima Mill, the Daio Paper Group's core paper mill, engages in fully integrated production ranging from pulp to paper and containerboard. Its annual production is approximately 2.1 million tons, or some 8% of Japan's total paper and paperboard production. Through the combination of all types of pulp and a variety of paper machines, the Mishima Mill has developed a production and sales structure that can flexibly align to market needs.



Thorough Quality Management

The Daio Paper Group's quality assurance framework that is based on ISO 9001 covers processes ranging from the purchase of raw materials through to the delivery of products. It also has a Quality Assurance Policy that guides its rigorous quality management. In our production of household paper, we have automated systems that inspect all products sheet by sheet and container by container. We also have quality inspectors who examine individual processes and products.

Highly Transparent Procurement Process

The Group procures materials with forest certification, which are materials audited by a third party for their legality, etc. For materials without forest certification, such as thinned wood, the Group investigates the logging areas and distribution channels of all suppliers to confirm that wood has been legally felled.

Research and Development that Creates New Value

The Daio Paper Group works to launch high value-added products with a focus on developing and improving products that fit changing user needs. We also develop new business fields and conduct research and development of new materials. In FY2019, the Group's total research and development expenses were ¥3,043 million.

Please see our website for more details. <https://www.daio-paper.co.jp/en/csr/dedicated/>

PICK UP: 1

Applying Moisturizer Technology of Elleair Lotion Tissue to Disposable Diapers

In October 2020, we launched GOO.N Plus, a disposable baby diaper that focuses on skin sensitivity. Babies' skin tends to dehydrate more easily than adults' and is also more vulnerable to injury. We considered the question of what a diaper can do to help their sensitive skin and came to the answer of infusing diapers with moisturizing agents. To find the best balance for the perfect softness, we went through repeated experiments with different amounts of moisturizing agents and conducted consumer testing with 1,500 subjects. We also adopted a new evaluation method which uses a 3D skin model with academic advice from Professor Hitoshi Masaki of Tokyo University of Technology, who is an expert in skin science. More than two years after conceiving the idea, we finally succeeded in commercializing the product. We say with pride to babies around the world, "This is the gentlest diaper!"



New product: GOO.N Plus with a moisturizing agent

PICK UP: 2

Rebuilding the N7 Paper Machine to Produce Containerboard

We started rebuilding the N7 paper machine in October 2019 into a machine that produces containerboard, for which there is robust demand. The machine conversion was completed on schedule in March 2020, and operations commenced in April. By making use of the infrastructural advantages of the machine, which is one of the most productive in Japan, and the coastal location of the Mishima Mill, we aim to increase exports to markets in China and SE Asia, where steady market growth for containerboard is anticipated.

The N7 machine is one of the most competitive containerboard machines in Japan, and it makes use of the highly cost-competitive pulp and energy of the Mishima Mill. It can manufacture using a high percentage of recovered paper pulp in its raw material and we are applying our advanced production technology and management expertise in its operation. Furthermore, as it makes use of hard-to-recycle recovered paper, which was previously disposed of as waste, as a raw material, it will contribute to the development of a recycling-oriented society.



Mishima Mill N7 machine after being rebuilt into a containerboard machine

PICK UP: 3

EliPla Paper Wins Encouragement Prize (the 29th Global Environment Award)

The 29th Global Environment Award (organized by Fujisankei Communications Group) has given Daio Paper's *EliPla* Paper, a high-density heavyweight paper that is an alternative material for plastic, the Encouragement Prize. *EliPla* Paper draws on Daio Paper's production technology for specialty paperboard that it developed over many years. It possesses both the rigidity required for paper knives and stir sticks as well as outstanding biodegradability, making it an environment-friendly material that is suitable as an alternative to plastic. Marine plastic from illegal dumping has been increasingly recognized as a problem, and initiatives to eliminate plastics are underway in each country. The organizers of the Global Environment Award recognized Daio Paper's efforts to solve such environmental problems and awarded us the Encouragement Prize.

In June 2020, Daio Paper also launched sales of *EliPla+* that has additional water- and oil-resistant properties. Going forward, we will remain dedicated to manufacturing in environment-friendly ways and of environment-friendly products.



Paper knife for *Homare no Jindaiko* (a popular sweet made by Okashino Kobai Corporation in Kumamoto City)



Attentive
Bonds with Local Communities

Heart Support Project

Basic Approach

As a global corporation with sites in eight countries worldwide, the Daio Paper Group aims to be good corporate citizens and earn the trust of the world where we work. Through our business activities, we will coexist in harmony with local communities and actively support local initiatives in order to contribute to local

development. In Japan and overseas, we work to enhance understanding of our business activities and grow harmoniously with local communities by holding plant tours for local residents as well as students and by participating in local communities.

Harmonious Growth with Local Communities

Responding to Declining Birthrate and Aging Population



Improving Quality of Life (QOL)

The Daio Paper Group promotes diverse initiatives to support comfortable lifestyles.

In response to aging population, we are making efforts to support nursing care by providing eldercare products and by providing assistance to the *Gambaranai Kaigo-seikatsu o Kangaeru Kai*, a committee that promotes stress-free nursing care.

In response to declining birthrate, we are supporting child-rearing by establishing "GOO.N Sucusuku House," a facility for employer-provided childcare services, and by cooperating with local governments in their measures to address the declining birthrate.

Enriching Lifestyles of People around the World



For people around the world

It is argued that widespread use of disposable baby diapers and feminine care products could contribute to preventing infectious diseases as well as contribute to women's economic empowerment.

To that end, the Daio Paper Group launched the Heart Support Project, which seeks to create opportunities for people to think about the circumstances of women around the world and act on it.

Sustainable Growth in Partnership with Local Communities



For local communities

We work to enhance understanding of our business activities by holding plant tours for local residents as well as students and by participating in local communities.

In China, approximately 1,500 people per year take part in our plant tours. In Indonesia, we have continued to engage in business activities that are rooted in the community. In particular, to help resolve concerns that mothers have about child-rearing and to provide parenting support, we provided places for them to talk and also conducted visits to local communities.

Please see our website for more details. <https://www.daio-paper.co.jp/en/csr/attentive/>

PICK UP: 1

Responding to COVID-19

In light of the shortage of masks in Japan due to COVID-19, Daio Paper began domestic production of masks in April 2020. As elderly people, in particular, are at high risk of becoming critically ill, and it is difficult to ensure social distancing in environments such as nursing care facilities, we prioritized supply to institutions and facilities requiring large volumes of masks for infection control. We have also taken part in a research project by RIKEN and others that studies the effectiveness of masks using the Fugaku supercomputer, and we intend to apply the results of the research to the development of masks.

We have also boosted production of alcohol-based sanitizing wet tissues as well as paper towels in response to greater awareness of infectious diseases and heightened hygiene consciousness.



Hyper Block Mask



(Left) Non-alcohol-based sanitizing wet tissue (Right) Alcohol-based sanitizing wet towel

PICK UP: 2

Heart Support Project

The Heart Support Project consists of activities by our feminine care brand Elis to support women around the world. We launched the project on International Day of the Girl Child on October 11, 2018, as the following year was the 40th anniversary of the Elleair brand.

In FY2019, we put out a call for social media posts featuring photographs with a heart-shaped motif and the hashtag #ハートサポート2019 ("heart support 2019"). Each post would advocate one out of seven types of programs supporting women's autonomy in Kenya, Africa, and we would carry out all the programs when our goal of 5,000 posts was achieved. In 2019, we reached the upper limit of 5,000 posts (equaling 5,000 programs) within 28 days of the campaign's launch.

In FY2020, we changed the target country of our support to Zambia. While the commencement of the project was postponed from its usual start date of October 11 due to COVID-19, we intend to go forward with the project and support programs as we monitor the local COVID-19 situation.



Fashion show (one of the support programs for the 2019 project in Kenya)

PICK UP: 3

Taking on Challenges to Achieve Dreams

As part of its social contribution activities, which include community-based sports and cultural activities, Daio Paper has been sponsoring the Tokyo Schoolgirls' Rubber Baseball Tournament since the first tournament for the elementary school division in 2012, and the first tournament for the junior high school division in 2015 in order to provide opportunities for girls—who really love baseball—to pursue challenges enthusiastically. Once again this year, many elementary and junior high school students engaged in heated battles to win the tournament.

We also hold the Daio Paper Elleair Ladies Open every November and 2020 marks the 39th tournament. In 2019, Hinako Shibuno won the tournament with over 18,000 spectators in attendance.



Tokyo Schoolgirls' Rubber Baseball Tournament (Elementary School Division), September–October 2020

SDG Initiatives



Integrated

Corporate Culture Providing Safety and Motivation to Work

Diversity training

Basic Approach

Based on its corporate motto and founding spirit "Passion with Sincerity," the Daio Paper Group operates its business with a priority on safety and peace of mind and works to be a company where employees can play active roles in good health and with enthusiasm. We respect the diversity and personalities of each and every

employee, and we will continue to develop as a vibrant and robust corporate group by providing a comfortable work environment that allows every employee to achieve their highest potential and nurturing employees who think, decide and act for themselves.

Growth Spiral



Self-Directed Human Resource Development

Strengthening Education and Career Development Support

With globalization, employee diversity is increasing. We expect to employ approximately 8,000 international individuals by FY2026, and we are boosting language education.

Moreover, in order to encourage each and every employee to think about their own career path independently and grow continuously and ambitiously toward their own career goals, we have strengthened career design training for each age group.

Promoting Diversity

Incorporating New Work Styles

In conjunction with the COVID-19 pandemic, we are working to incorporate new styles of working and enhance the comfort of work environments to enable our employees to be productive regardless of work scheduling and work location.

We incorporated flextime as well as an hourly leave policy that allows employees to take their annual paid leave by the hour. We have also allowed employees to work remotely, such as from home or from shared office spaces.

Health and Productivity Management

Promoting Health

The Health Management Committee, chaired by the Executive Vice President and Representative Director, Toshihiro Adachi, who also serves as the Chief Health Officer (CHO), has a tripartite structure made up of the Company, the health insurance union and the labor union.

Here at Daio Paper, we do not employ a top-down approach to promote health management. Instead, we believe in instilling the essence of health management into employees through diligent, steadfast activities.

Please see our website for more details. <https://www.daio-paper.co.jp/en/csr/integrated/>

Concrete Numerical Targets for Diverse Management and Health Management

Target Percentage of managerial positions filled by women: **5.0%** (By March 31, 2025) **Current** percentage: **2.2%** (As of September 30, 2020)

Creating a Comfortable Workplace Environment				Improving Lifestyle Habits			
Reduce overtime work				Achieve 100% take-up rate for medical checkups			
2017 (Result)	2018 (Result)	2019 (Result)	2020 (Target)	2017 (Result)	2018 (Result)	2019 (Result)	2020 (Target)
21 hours/month	22 hours/month	23 hours/month	18 hours or less/month	100%	100%	100%	100%
Enhancing Mental Healthcare				Promoting Efforts to Quit Smoking			
Improve participation rate in stress level tests				Reduce smoking rate			
2017 (Result)	2018 (Result)	2019 (Result)	2020 (Target)	2017 (Result)	2018 (Result)	2019 (Result)	2020 (Target)
98.8%	99.9%	100%	100%	31.0%	31.2%	30.5%	25.0% or less

Message from Management

Creating a Work Environment that Nurtures and Enables the Full Potential of Our Employees—Our Corporate Asset—for the Generation of New Value

Toshihiro Adachi
Executive Vice President and Representative Director
Responsible for Corporate Unit and Compliance; General Manager of Business Administration Division, Corporate Unit; Chief Health Officer (CHO)



The Daio Paper Group has continually championed self-directed human resource development, promotion of diversity and health management as measures to achieve sustainable corporate development.

Self-Directed Human Resource Development

We believe that developing self-directed employees—those who can think for themselves, set out their own paths and progress along it—is essential for achieving global growth.

Daio Paper has introduced a diverse range of learning programs to support the growth of its employees, and has established a framework that enables those employees to receive the necessary training for self-growth at the appropriate career stage and also according to their preferred work style. Furthermore, to encourage each and every employee to construct their own career path independently and to continue to grow with ambition, we provide support from all angles for self-directed career development, including career design training for each age group and internal recruitment that allows employees to apply for open positions on their own initiative.

Diversity Promotion

We believe that active participation by employees from diverse backgrounds will facilitate sustainable corporate growth. The Diversity Committee, established in FY2019, leads the

promotion of diversity management at the Daio Paper Group.

In the area of women empowerment, which is a key issue, we facilitate career development that is not constrained by gender stereotypes. This includes putting an emphasis on increasing the number of women in managerial positions and assigning women to a greater variety of departments as well as encouraging male employees to take childcare leave.

In addition, we continue to promote employment of older generations and individuals with disabilities, and recognizing that the understanding of LGBT individuals is a pressing issue, we have commenced training on the issue in the Group's personnel departments.

Health Management

We believe that a company's lasting growth can only be achieved if its employees and their families are physically and mentally healthy and energetically and actively playing their part in society.

The Daio Paper Group announced the "Daio Paper Group Declaration of Health" in 2014. Based on that, we are working to maintain and promote health with the participation of all employees through four initiatives: "Creating a comfortable workplace environment," "Improving lifestyle habits," "Enhancing mental healthcare" and "Promoting efforts to quit smoking."

SDG Initiatives



Forestry property of Forestal Anchile LTDA.

Basic Approach

In accordance with the "Daio Global Environment Charter," we expand our business globally in harmony with the global environment while actively tackling environmental problems with the aim of realizing a sustainable society. We have established an environmental management promotion framework to

implement the initiatives in the Daio Global Environment Charter, and use PDCA cycles in our Groupwide efforts toward those initiatives. We will continue to engage in environment-friendly business activities aimed at realizing a low-carbon, recycling-oriented society that coexists in harmony with nature.

Daio Global Environment Charter

Basic Policy

- | | |
|---|--|
| <ol style="list-style-type: none"> 1 Mitigation of global warming 2 Effective use of resources and environmentally friendly procurement of raw materials 3 Reduction of environmental loads together with supply chain partners 4 Forest conservation | <ol style="list-style-type: none"> 5 Reduction and effective use of waste 6 Development and deployment of technologies and products with lower environmental impact 7 Realization of sustainable partnership 8 Active environmental communication and coexistence with local communities |
|---|--|

Aiming for a Low-Carbon Society



Prevent Global Warming

- Practice of sustainable forest management
- Effective utilization of hard-to-recycle recovered paper
- Promotion of use of biomass fuel
- Promotion of use of natural energy
- Modal shift initiatives

Aiming for a Recycling-Oriented Society



Recycle

- Practice of sustainable forest management
- Zero emissions initiatives
- Recycling of paper resources
- Initiatives to reuse waste as resources
- Initiatives to increase recovered paper utilization rate

Aiming for a Society that Coexists in Harmony with Nature



Conserve Forests

- Practice of sustainable forest management
- Consideration for biodiversity
- Effective utilization of wood resources
- Promotion of procurement of materials with forest certification
- Survey of soil and groundwater

Please see our website for more details. <https://www.daio-paper.co.jp/en/csr/organic/>

PICK UP: 1

Biomass Boiler at the Mishima Mill Commences Operation

The Mishima Mill has been generating biomass power with black liquor, a waste product of the kraft pulping process, as the energy source in recovery boilers for some time. A newly installed biomass boiler was put into operation in July 2020. We are operating the boiler with expertise that we have developed to date, and the electricity generated is sold to electric power companies through the feed-in tariff (FIT) scheme. Compared to existing facilities, this cutting-edge black liquor recovery boiler improves efficiency by 5%, reducing CO₂ emissions by 25,000 t/year.

Going forward, Daio Paper will continue working to reduce its environmental impact by installing facilities that lead to effective utilization of renewable energy.



Biomass boiler at the Mishima Mill that utilizes the FIT scheme

Message from Management

Continuously Striving to Conserve the Environment and Contribute to the Realization of a Sustainable Society

Takashi Ono

Director and Managing Executive Officer Responsible for Production Unit; General Manager of Production Division; President and Representative Director of Daio Engineering Co., Ltd.



The Daio Paper Group recognizes the reduction of fossil fuel energy use as a key issue. We will transform Iwaki Daio Paper into a mill that uses only in-house power generated from non-fossil fuels by installing its third waste boiler fueled by wood residue and waste plastic (scheduled for operation in January 2023). At the Mishima Mill, we put into operation a high-efficiency black liquor recovery boiler in July 2020 as well as an anaerobic treatment facility that extracts biogas from pulp wastewater in October of the same year. In 2021, we plan to partially switch our lime kilns' fuel source from heavy oil to liquefied natural gas (LNG), a low-carbon fuel. In addition, we are considering installing a waste boiler, similar to the one we installed at Iwaki Daio Paper, at the Mishima Mill to further reduce the use of fossil fuel energy. We plan to shut down the coal boilers at the Mishima Mill in stages and we seek to completely phase out coal usage by 2050. We are also preparing to conduct environmental assessments of these facilities.

Next, in terms of recycling initiatives, Daio Paper has worked to promote a high utilization rate of recovered paper and has achieved a utilization rate of recovered paper that exceeds the industry average. To further promote recycling, we are increasing our usage of hard-to-recycle recovered

paper, which is recovered paper that used to be left unused and incinerated due to high levels of prohibitive materials that inhibits recycling, such as the base paper for gypsum board, laminated recovered paper, etc. Using our proprietary technology, we can automatically sort out plastics from those recovered papers to make them suitable for use as papermaking raw materials. The remaining plastics are used as fuel in waste boilers as an alternative to fossil fuel energy to generate power.

Furthermore, we are working toward the early commercialization of the ELLEX cellulose nanofiber (CNF) by developing technologies for mass production and expanding our CNF product lineup to meet diverse needs. Our CNF molded sheet, ELLEX-M, was adopted as a material in Revoldia CNF, a high-performance table tennis racket manufactured by Tamasu Co., Ltd. that launched in April 2020. ELLEX-M was also used as a material for the hood, rear doors and rear spoilers of a race car in 2019, and in 2020, it was used for the whole body exterior and interior panels. In addition, our CNF composite resin was also used for the car door mirrors. Going forward, we will continue to champion the shift from fossil fuel-derived materials to natural materials by developing CNF into a viable new business area.

Corporate Governance

Directors, Audit & Supervisory Board Members and Executive Officers (As of the end of September 2020)

Representative Directors



President and Representative Director
Masayoshi Sako



Executive Vice President and Representative Director
Toshihiro Adachi
Responsible for Corporate Unit and Compliance; General Manager of Business Administration Division, Corporate Unit



Executive Vice President and Representative Director
Kunihiro Okazaki
Responsible for Sales, Resources and Materials Procurement Division and Global Logistics Division

Directors



Director and Managing Executive Officer
Takashi Ono
Responsible for Production Unit; General Manager of Production Division; President and Representative Director of Daio Engineering Co., Ltd.



Director and Managing Executive Officer
Yorifusa Wakabayashi
General Manager of Domestic Business Group, Home & Personal Care Unit



Director
Hiroshi Yamasaki
Deputy General Manager of Production Division, Production Unit; General Manager of Mishima Mill, Production Division, Production Unit



Director
Yoshiyuki Shinohara
General Manager of Kani Mill, Production Division, Production Unit



Director
Toshiki Yamagami
General Manager of Overseas Business Group; General Manager of Overseas Business Promotion Division, Home & Personal Care Unit



Director
Tetsuya Watanabe
General Manager of Global Logistics Division; Responsible for Intelligence Technology Planning Division, Corporate Unit



Director
Yukihiko Tanaka
General Manager of Corporate Planning Division, Corporate Unit



Director
Hiromitsu Fujii
General Manager of General Affairs and Personnel Division, Corporate Unit



Director
Hiroshi Mizobuchi
General Manager of Product Development Division, Home & Personal Care Unit; Responsible for Marketing Division, Marketing and Development Support Department, Home & Personal Care Unit



Director
Hiroyuki Fujita
Chairman and Director of Santher-Fábrica de Papel Santa Therezinha S.A.



Director (Outside)
Nobuhiko Yoshida



Director (Outside)
Tetsuo Kitagawa



Director (Outside)
Yoichi Takei

Audit & Supervisory Board Members



Audit & Supervisory Board Member
Masashi Yano



Audit & Supervisory Board Member
Tsutomu Ariyasu



Audit & Supervisory Board Member (Outside)
Yoichiro Yamakawa



Audit & Supervisory Board Member (Outside)
Takemi Nagasaka



Audit & Supervisory Board Member (Outside)
Kyoko Okada

Executive Officers

Senior Executive Officer	Michihiko Tamaki	General Manager of Advanced Materials R&D Center, Production Division, Production Unit
	Atsushi Ishida	General Manager of Industrial Paper and Containerboard Business Group, Paper & Paperboard Unit
Executive Officer	Satoshi Iseki	President and Representative Director of Daio Logistics Co., Ltd.
	Mitsuru Ogawa	President and Representative Director of Miura Printing Corporation; Chairman and Representative Director of Daio Printing Corporation; Chairman and Representative Director of Daiwa Shiko Co., Ltd.; Chairman and Representative Director of Senmeisha Corporation
	Takahisa Kashiwabara	President and Representative Director of Elleair International China (Nantong) Co., Ltd.
	Toru Shimizu	President and Director of Elleair International Turkey Kişisel Bakım Ürünleri Üretim A.Ş.
	Akihiro Yoshino	President and Representative Director of Daio Paper Products Corporation
	Toshikatsu Tanahashi	Senior Deputy General Manager of Mishima Mill, Production Division, Production Unit (Responsible for Production Department)
	Mikiro Shiramine	General Manager of Resources and Materials Procurement Division
	Takashi Imaizumi	General Manager of Intellectual Property Department, Corporate Unit
	Shuhei Shinagawa	General Manager of Corporate Planning Department, Corporate Planning Division, Corporate Unit
	Junichi Ikawa	General Manager of Accounting Department, Business Administration Division, Corporate Unit
	Tetsuya Kawabata	General Manager of Newsprint and Paper Business Group, Paper & Paperboard Unit
	Hiroyuki Shidara	General Manager of Human & Family Care Sales Division, Domestic Business Group, Home & Personal Care Unit
	Takashi Yoshida	General Manager of Intelligence Technology Planning Division, Corporate Unit

Corporate Governance

Basic Policy on Corporate Governance

The Daio Paper Group (the "Group") will ensure that the Group sustains steady growth, increases corporate value over the medium to long term, and conducts business activities in harmony with the global environment. We regard the enhancement of corporate governance as one of our most important management issues as we strive to contribute to

the development of a lively lifestyle, culture and industry for society as a full-range papermaking company group that is trusted by all stakeholders including shareholders, business partners, employees and residents of local communities.

Key Measures Implemented to Strengthen Corporate Governance

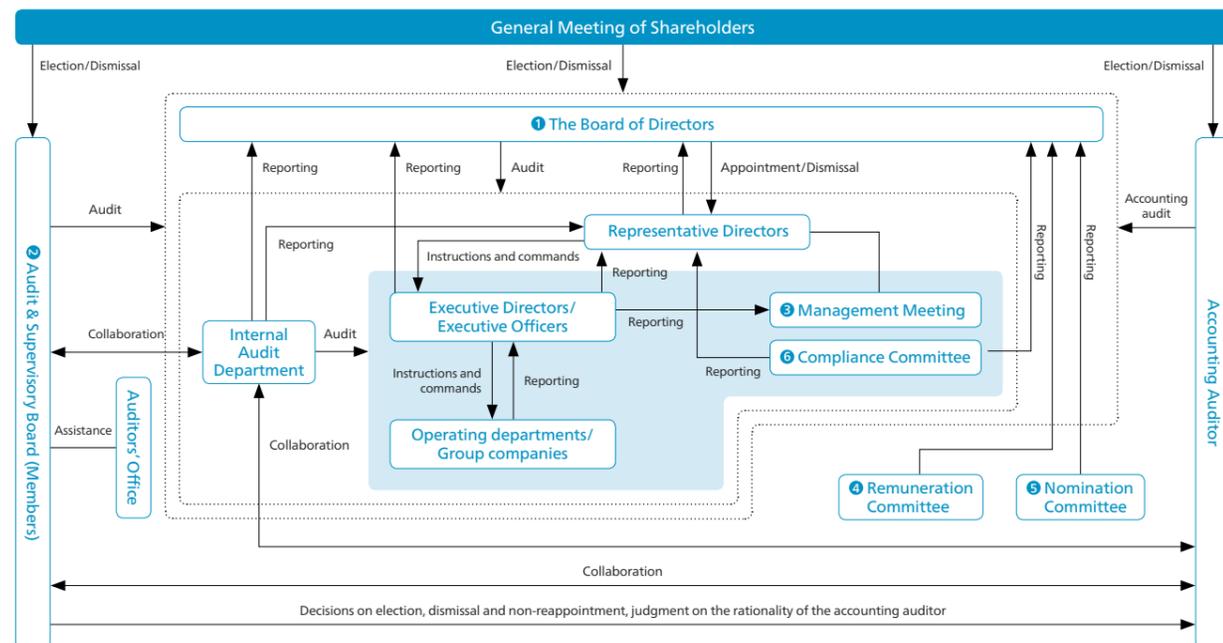
2011	Implemented a whistle-blowing system
2012	Appointed Outside Directors Established the Remuneration Committee
2015	Established the Daio Paper Corporate Governance Guidelines
2016	Started evaluation of the effectiveness of the Board of Directors Established the Daio Paper Group Management Philosophy and Code of Conduct
2018	Revised the Daio Paper Corporate Governance Guidelines Established the Nomination Committee
2019	Introduced the stock-based incentive system

Overview of the Corporate Governance Structure

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

The Company has also introduced an Executive Officer system with the objectives of speeding up business execution and clarifying responsibilities, as well as developing the next generation of management through participation in management as Executive Officers. The Board of Directors makes decisions on the election and dismissal of the Executive Officers as well as their duties. Correspondingly, the Executive Officers are responsible for performing their duties in accordance with the management policy determined by the Board of Directors.

Corporate Governance Structure



1 Board of Directors

The Board of Directors oversees the formulation of management strategy and supervises the performance of duties by the management, etc. to ensure the fairness and transparency of management. It also makes decisions on the execution of important business matters as stipulated in laws and regulations and the Articles of Incorporation. In addition, the Board of Directors delegates authority to lower-level meetings, such as the Management Meeting, and to the Directors and Officers in charge of each business operation. Accordingly, the Board of Directors oversees the status of such meetings and the performance of duties by the Directors and Officers, etc.

2 Audit & Supervisory Board

The Audit & Supervisory Board comprises five members, including three Outside Audit & Supervisory Board Members. Working in close cooperation with the internal audit division and Accounting Auditor, it investigates the condition of the internal control system through business audits and accounting audits based on an audit plan determined at the Audit & Supervisory Board Meeting, with the objectives of strengthening and enhancing its ability to exercise proper oversight of management.

3 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 & Supervisory Board Members attend the Management Meeting as observers to oversee the status of decision-making.

4 Remuneration Committee

The objective of the Remuneration Committee is to enhance the objectivity and transparency of decisions on Directors' remuneration. The committee, which reports back to the Board of Directors, determines the overall remuneration scheme for the full-time Directors of Daio Paper. It also evaluates the performance of and decides the amounts of remuneration for each individual Director. The Remuneration Committee is chaired by an independent Outside Director and independent Outside Directors make up a majority. Two Outside Audit & Supervisory Board Members attend as observers.

5 Nomination Committee

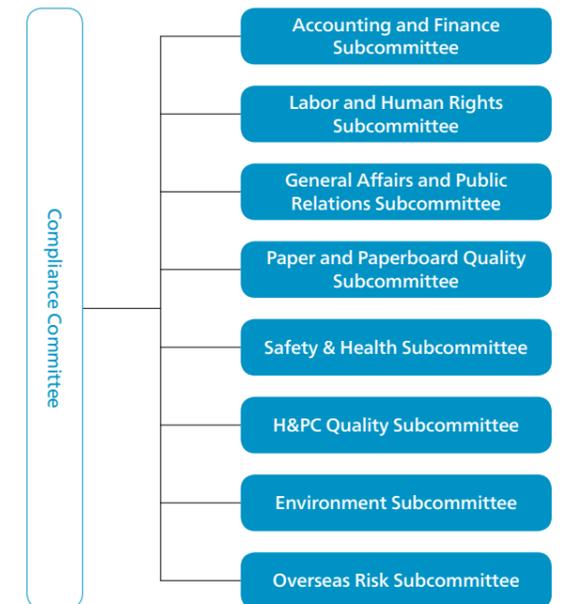
The objective of the Nomination Committee is to enhance objectivity and transparency in the nomination of candidates for Director and the election and dismissal of the Directors. As an advisory body to the Board of Directors, the Nomination Committee receives inquiries from the Board of Directors and reports back on the nomination of candidates for Director and the election and dismissal of Directors at Daio Paper in accordance with the nomination policy set out

in the Company's Corporate Governance Guidelines. The Nomination Committee is chaired by an independent Outside Director and independent Outside Directors make up a majority. Two Outside Audit & Supervisory Board Members attend as observers.

6 Compliance Committee

The objective of the Compliance Committee is to strengthen risk management and compliance at the Daio Paper Group. It audits the Group's risk management framework by comprehensively identifying and assessing risks of the Group and by implementing unified management of the Group's risk control measures. It is also in charge of deliberating and making decisions on those risk control measures in accordance with the severity of risks. The Compliance Committee is chaired by the Director responsible for compliance and comprises nine officers, including Outside Directors. One full-time Audit & Supervisory Board Member, one Outside Audit & Supervisory Board Member, and the General Manager of the Internal Audit Department attend as observers. The Compliance Committee has eight subcommittees under it. Each subcommittee deliberates, makes decisions and implements specific measures for each type of risk, forming a highly effective risk management system.

Organization Chart of the Compliance Framework



Reasons for Election of Each Outside Officer

Outside Directors

Name	Independent Officer	Reasons for election	No. of Board of Directors meetings attended (FY2019)	Important concurrent positions*1
Nobuhiko Yoshida	○	Having determined that Nobuhiko Yoshida would be able to perform his duties as an Outside Director appropriately from an independent perspective, utilizing his extensive experience and broad insight cultivated while serving as an officer at other companies, the Company elected him to that position.	17/17	Director and Advisor, Japan Metal Roofing Association
Tetsuo Kitagawa	○	Having determined that Tetsuo Kitagawa would be able to perform his duties as an Outside Director appropriately from an independent perspective, utilizing his expertise as a certified public accountant (CPA) and extensive experience and broad insight cultivated through his engagements in numerous accounting audits, internal control audits and compliance-related work at an audit firm, the Company elected him to that position.	14/17*2	Representative, Tetsuo Kitagawa Certified Public Accounting Firm Outside Auditor, T-Gaia Corporation CPA Examination Committee Member, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency
Yoichi Takei	○	Having determined that Yoichi Takei would be able to perform his duties as an Outside Director appropriately from an independent perspective, utilizing his expertise as an attorney-at-law and higher viewpoint and broad experience cultivated while serving as an officer at other companies, the Company elected him to that position.	—*3	Partner/attorney-at-law, Meitetsu Law Offices Outside Auditor, YAMAKIN (JAPAN) CO., LTD. Outside Director, NIPPON THOMPSON CO., LTD.

Outside Audit & Supervisory Board Members

Name	Independent Officer	Reasons for election	No. of Board of Directors meetings attended (FY2019)	Important concurrent positions*1
Yoichiro Yamakawa	○	Having determined that Yoichiro Yamakawa would be able to perform his duties as an Outside Audit & Supervisory Board Member appropriately from an independent perspective, utilizing his expertise as an attorney-at-law and extensive experience cultivated while serving as an officer at other companies, the Company elected him to that position.	17/17	Partner/attorney-at-law, KOGA & PARTNERS
Takemi Nagasaka	○	Takemi Nagasaka has experience of accounting audits and was subsequently in charge of the accounting and finance department at a company that operates business extensively in Japan and overseas. Having determined that he would be able to perform his duties as an Outside Audit & Supervisory Board Member appropriately from an independent perspective, utilizing his advanced knowledge of finance and accounting, the Company elected him to that position.	16/17	Audit & Supervisory Board Member (Independent), Nabtesco Corporation Audit & Supervisory Board Member (Outside), SOLIZE Corporation
Kyoko Okada	○	Having determined that Kyoko Okada would be able to perform her duties as an Outside Audit & Supervisory Board Member appropriately from an independent perspective, utilizing her broad knowledge of CSR and corporate culture and extensive experience cultivated while serving as an Audit & Supervisory Board Member at other companies, the Company elected her to that position.	—*3	Outside Audit & Supervisory Board Member, Subaru Corporation Outside Audit & Supervisory Board Member, NS Solutions Corporation

*1 As of June 26, 2020

*2 Assumed office on June 27, 2019

*3 Assumed office on June 26, 2020

Evaluation of the Effectiveness of the Board of Directors

Since 2016, the Company has been evaluating the effectiveness of the Board of Directors annually, with the aim of regularly examining whether the Board of Directors is functioning properly, and continuously identifying issues and implementing measures for improvement based on the results thereof.

In 2020, continuing from the previous year, with the

cooperation of an external organization, the Company conducted a self-evaluation targeted at all Directors and Audit & Supervisory Board Members regarding the composition and operation of the Board of Directors. Using the results of the questionnaire collected and tabulated by the external organization, it carried out an analysis and evaluation. The overview is shown below.

1. Overview of the Evaluation Results

The Company evaluated its Board of Directors from seven standpoints: composition; operation; strategy, execution, and business performance monitoring; support system for Directors and Audit & Supervisory Board Members; training for officers; dialogue with stakeholders (investors); and Directors' self-initiated execution of business. In conclusion, it confirmed that the Board of Directors is largely functioning properly, and that its effectiveness is confirmed and sufficiently ensured.

2. Efforts to Address Issues Identified in the Previous Year's Effectiveness Evaluation of the Board of Directors

The effectiveness evaluation of the Board of Directors for FY2019 identified a need to review the detailed rules for matters submitted to the Board of Directors. To address this issue, a revision proposal with the objectives of further enhancing discussions on the Company's direction, including medium- and long-term strategy, at Board of Directors meetings and implementing more effective oversight of the management team was drawn up. The proposal was resolved at the Board of Directors meeting in May 2020 and went into effect starting from the Board of Directors meeting held in June 2020.

3. Points Evaluated as Requiring Further Improvement

The Company will continue working to enhance the effectiveness of the Board of Directors, such as by reviewing its composition, in order to further improve the discussion of management strategy and other areas at Board of Directors meetings.

Policy and Framework of IR Activities

Guided by its corporate motto, "Passion with Sincerity," the Daio Paper Group is committed to making timely, appropriate and fair information disclosure, as well as promoting sincere and proactive communication with shareholders and investors through its IR activities.

The Company established the IR team in July 2016 to

promote engagement (constructive dialogue) with shareholders and investors. Daio Paper will continue to make an effort to explain its management policy and business conditions clearly, and to reflect feedback from shareholders and investors in its corporate activities appropriately.

Principal IR Activities Conducted in FY2019 (From April 2019 to March 2020)

Activities	Number of events	Details
One-on-one meetings with institutional investors	81 times	IR interviews and teleconferences with domestic and overseas analysts and institutional investors
Earnings and strategy briefing for analysts and institutional investors	2 times	Briefings with the President and Director-in-charge as the main speakers held after the second and fourth quarters
Overseas IR roadshows	0 times	Meetings with overseas investors by persons in charge of IR and Corporate Planning
Events organized by securities companies	3 times	Small meetings and one-on-one meetings with analysts and institutional investors at domestic and overseas investment conferences
Events for institutional investors	3 times	Briefings and mill tours for institutional investors by persons in charge of IR
Company briefings for individual investors	1 time	Briefings for individual investors by persons in charge of IR

Message from the Outside Director



Nobuhiko Yoshida

Outside Director

Chairman of the Remuneration Committee and the Nomination Committee; Member of the Compliance Committee

Deepening discussions on sustainable growth across the Company to increase our corporate value

“Corporate governance” is a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of shareholders and also customers, employees and local communities. This is the definition of “corporate governance” that appears at the beginning of Japan’s Corporate Governance Code released by the Tokyo Stock Exchange.

I would like to supplement the above definition with the following: “mechanisms and activities to further reinforce the strengths and complement the weaknesses of those companies, enabling them to pull themselves together, while enhancing their corporate value and helping them to achieve sustainable growth.” I believe that the strength and

splendor of Daio Paper arise from its ways of thinking and vitality, which are based on the Company’s underlying DNA trait of “Passion with Sincerity” and the “three *gen*” principle: solving problems by going to the actual location (*genba*); inspecting the actual situation (*genbutsu*); and ascertaining the actual facts (*genjitsu*).

The main pillars of the Company’s current corporate governance framework were rebuilt during the course of implementing the First Medium-Term Business Plan “Restart—Solid Reform and Further Growth,” which spanned from FY2012 to FY2014. Since then, and to this day, Daio Paper has been reinforcing it further with a variety of additional measures and new initiatives. At the same time,

Daio Paper has continued tackling challenges, responding to changes in its business environment, and growing significantly. Its business has expanded from net sales of ¥407.3 billion in FY2012 to ¥546.4 billion in FY2019. I believe this was the result of the proper manifestation of the spirit of “Passion with Sincerity,” made possible through the improvements the Company has made up to now in its corporate governance.

The Company’s corporate governance system is designed around the Board of Directors and the Audit & Supervisory Board, which have three Outside Directors and three Outside Audit & Supervisory Board Members, respectively, as members. The Board of Directors is responsible for formulating management strategies, making important business execution decisions and overseeing their execution, and the Audit & Supervisory Board Members attend major meetings, such as Board of Directors meetings, and audit the business performance and financial status as well as supervise the directors in the execution of their duties. Prior to each Board of Directors meeting, Outside Directors and Outside Audit & Supervisory Board Members hold a preliminary briefing and review meeting so that they can thoroughly examine proposals, and conduct advanced, lively discussions based on their deep insights. The purpose of the briefing and review is to raise the level, productivity and effectiveness of Board of Directors meetings through suggestions and constructive advice based on proper understanding of the essence and rationality of projects, the soundness of numerical values and other factors.

At the beginning of this message, I mentioned that corporate governance is “[a system of] mechanisms and activities to further enhance corporate value and help companies achieve sustainable growth.” This means that Daio Paper’s corporate governance is nothing less than something that must be achieved through the commitment of all of its employees and is built up by all of us. The following are some examples of the initiatives we have taken.

First, at the monthly meeting of the Compliance Committee, we deliberate on various issues regarding the risk management and compliance of the entire Group as well as decide on countermeasures. By implementing these measures, we are focusing on cultivating a sound corporate culture to ultimately achieve the future vision of the Group. The Compliance Committee receives raw information from its eight subcommittees, which are frontline organizations.

The enhancement of the whistle-blowing system, which was established before the implementation of the First Medium-Term Business Plan, also

fundamentally underpins the sustainable growth of Daio Paper through its contribution to the creation of safe and secure workplaces.

In addition, as one of the basic principles of the Tokyo Stock Exchange’s Corporate Governance Code is “ensuring appropriate information disclosure and transparency,” similarly, here at Daio Paper, we recognize that it is extremely important for the departments in charge, such as the Timely Disclosure Committee and the Corporate Planning Department, to uphold transparency through the disclosure of corporate information to stakeholders.

Also, the newly established Sustainability Committee has three subcommittees—the Climate Change Response Subcommittee, the Environmental Impact Reduction Subcommittee and the QOL Improvement Subcommittee—to deepen discussions on the Company’s concrete initiatives toward achieving the SDGs. This is also a specific action toward achieving our management philosophy of “Shaping an abundant and affable future for the world.”

Currently, I serve as the Chairman of the Remuneration Committee and the Nomination Committee. The Remuneration Committee deliberates and decides the officers’ remuneration structure and the actual amounts of remuneration of individual officers. At the General Meeting of Shareholders held in 2018, a resolution to introduce a stock-based remuneration system as a long-term incentive for full-time directors and executive officers was passed. The Nomination Committee deliberates and makes decision regarding proposals on the selection and appointment of full-time directors to be submitted to the Board of Directors.

We are now in the middle of the final year of the Third Medium-Term Business Plan, “Move on: Reform and Soar Above,” and the consolidated results forecast calls for net sales of ¥565.0 billion. Even as the COVID-19 outbreak continues to take hold, delaying a return to normal and slowing the recovery of both the global and Japanese economies, we are expecting an increase in net sales compared with the previous year, which, while modest at 3.4%, is an increase nonetheless.

Underpinned by the system of governance that the Company has built up so far, I would like Daio Paper to boldly overcome the COVID-19 crisis and take on the challenge of reaching new heights.