

# Daio Abundant and Affable Future 2030

At the Daio Paper Group, we will achieve the Three Well-beings to realize an abundant and affable future through the four pillars of our management philosophy that have underpinned the promotion of our business operations since our establishment.

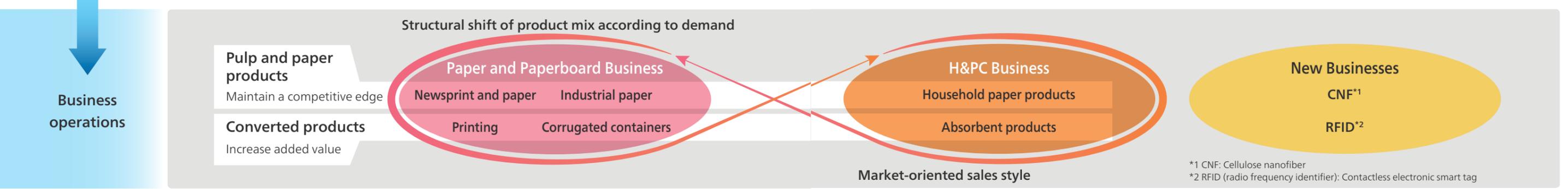
While embodying the four pillars of our management philosophy, we will ensure a link between the solutions of social issues that we have been addressing and the SDGs to be achieved by the world community, thereby contributing to the attainment of the SDGs through our business operations.



Daio Paper Group Sustainability Vision

Three Well-beings	<b>1. Hygiene</b> Protect well-being of the body We will make hygiene products accessible, inspire good habits, protect people's health, and realize an inclusive society in every community.	<b>2. Life</b> Enhance well-being of lifestyle We will provide services that enhance lifestyles, improve the quality of life and enable people to lead happy and enriching lives.	<b>3. Regeneration</b> Restore well-being of the earth We will actively conserve the environment and regenerate the earth back into a planet with abundant nature where diverse organisms coexist and thrive.
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Four pillars of our management philosophy and social issues that we have been addressing	<b>D Dedicated</b> Dedication to manufacturing <ol style="list-style-type: none"> <li>Strategic transformation of our business portfolio</li> <li>Acceleration of global expansion</li> <li>Creation of new businesses</li> </ol> <p>As a manufacturer that is the closest to customers, we are continuing to implement our sales philosophy "what is made by Daio is sold only by Daio sales representatives." By identifying society's needs quickly, we have reflected them into our business operations, products, and services.</p>	<b>A Attentive</b> Bonds with local communities <ol style="list-style-type: none"> <li>Coexistence with local communities</li> <li>Establishment of sustainable supply chain</li> </ol> <p>Our united efforts with local government and communities, as well as related industries, including papermaking, converting, distribution and logistics, have led Shikokuchuo City, the place of our founding, to develop into Japan's top city of paper.</p>	<b>I Integrated</b> Corporate culture providing safety and motivation to work <ol style="list-style-type: none"> <li>Respect for human rights, development of human resources, and compassion for employees</li> <li>Fair and highly transparent management</li> </ol> <p>Believing that employees are a company's driving force, we established a health insurance association in 1958. Since then, we have been working on employee health and vitality from a management viewpoint, and are fully committed to human resource development (e.g. foreign language training, study abroad program, technical skills training).</p>	<b>O Organic</b> Contribution to the global environment <ol style="list-style-type: none"> <li>Response to climate change</li> <li>Realization of a recycling-oriented society</li> <li>Forest conservation and maintenance of biodiversity</li> </ol> <p>Inheriting our founder's tenet "Should our business cause pollution in my hometown and disturb the local community, we had better not carry on that business," we have been engaged in forest recycling (afforestation), paper recycling (achievement of a high utilization rate of recovered paper), etc.</p>
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Contribution to achieving the SDGs	<p style="text-align: center;"><b>Major Initiatives</b></p> <p><b>Sales of environmentally-friendly products</b></p> <ul style="list-style-type: none"> <li>Environmentally-conscious products (e.g. using recovered paper)</li> <li>Products that reduce plastic waste</li> <li>FSC certified paper</li> </ul> <p><b>Sales of products against infectious diseases</b></p> <ul style="list-style-type: none"> <li>Masks, sanitizing wet wipes, and paper towels</li> </ul> <p><b>Provision of products and services for an aging population</b></p> <ul style="list-style-type: none"> <li>Provision of services to reduce care-givers' anxiety and burden</li> <li>Sales of products for active seniors</li> </ul>	<p style="text-align: center;"><b>Major Initiatives</b></p> <p><b>Contribution to invigorating and developing local communities</b></p> <ul style="list-style-type: none"> <li>Coexistence together with local business partners</li> <li>Preservation and creation of employment through capital investment</li> <li>Formation of a pulp and paper industrial cluster</li> </ul> <p><b>Coexistence with and support for the local community of each production base</b></p> <ul style="list-style-type: none"> <li>Invigoration of the local economy</li> <li>Cooperation with local communities toward establishing infrastructure supplying daily-use and irrigation water</li> </ul>	<p style="text-align: center;"><b>Major Initiatives</b></p> <p><b>Respect for human rights and diversity</b></p> <ul style="list-style-type: none"> <li>Empowerment of female employees (increasing percentage of female managers)</li> <li>Promotion of paternity leave uptake</li> <li>Employment of the disabled</li> </ul> <p><b>Development of global human resources</b></p> <ul style="list-style-type: none"> <li>Reinforcement of language training programs</li> <li>Overseas training programs for young employees</li> </ul> <p><b>Work style reform and health and productivity management</b></p> <ul style="list-style-type: none"> <li>Promotion of paid leave uptake</li> <li>Promotion of smoking cessation and improvement of mental health care</li> </ul>	<p style="text-align: center;"><b>Major Initiatives</b></p> <p><b>CO<sub>2</sub> emissions reduction, absorption and fixation</b></p> <ul style="list-style-type: none"> <li>Transition to biomass fuel</li> <li>Effective use of waste fuel</li> <li>Energy saving and improvement in energy use efficiency</li> <li>Improvement of logistics efficiency and promotion of modal shift</li> <li>CO<sub>2</sub> absorption and fixation through forestation</li> </ul> <p><b>Reduction, reuse, and recycling (3Rs)</b></p> <ul style="list-style-type: none"> <li>Achievement of a high utilization rate of recovered paper</li> <li>Recycling and reuse of water</li> </ul>
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## Initiatives to Achieve the SDGs

# Dedicated

Dedication to Manufacturing

Mishima Mill, Daio Paper

### Material Issues:

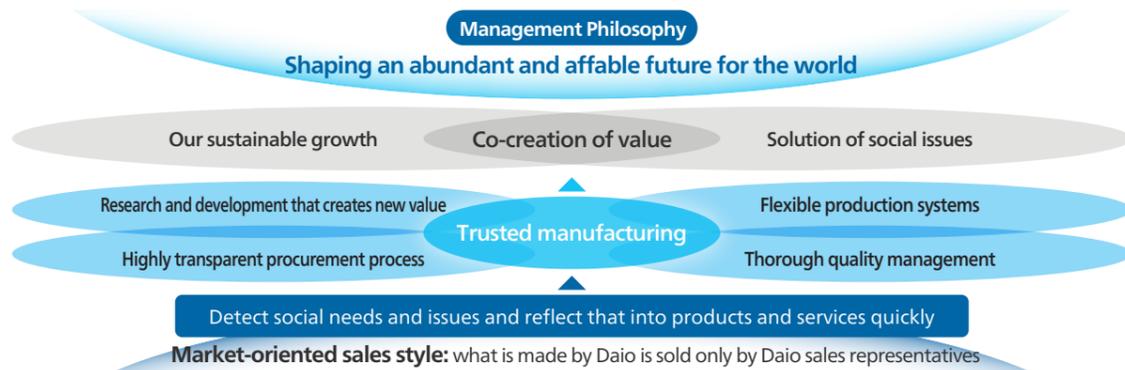
Strategic transformation of our business portfolio / Acceleration of global expansion / Creation of new businesses

### Basic Approach

As a manufacturer that is the most familiar with customers' needs, we operate based on the belief "what is made by Daio is sold only by Daio sales representatives." While providing high-quality and value-added products and services, we are striving to realize people-friendly manufacturing in harmony with the global environment.

As a full-range paper manufacturer engaged in the production and sale of paper, paperboard and home and personal care products,

we quickly detect social needs and issues in a wide range of fields, reflect that knowledge into our research and development that creates new value and also into our flexible production systems, and ensure high transparency in our procurement process and thoroughness in quality management. By doing so, we will realize "trusted manufacturing" and co-create value from sustainable corporate growth and the solution of social issues.



### Major Initiatives

#### Strategic transformation of our business portfolio / Shift from graphic paper to packaging paper

**Our sustainable growth**

- Launching new products in growing fields
- Sales in overseas markets with demand growth

**Solution of social issues**

- Preservation of employment through continuous operation of machines
- Sales of FSC certified paper and paper with recovered paper pulp content



N7 paper machine, rebuilt into a machine that produces containerboard  
**DAIO FSJPK**  
 FSC® Certified Japan Premium Kraft Linerboard (FSC-C01571)

In accordance with our strategy to deal with decline in demand for newsprint and paper, we have been proceeding with a shift from graphic paper to packaging paper. Last year, we rebuilt the N7 paper machine of the Mishima Mill into a machine that produces containerboard, thereby preserving the local employment. At the same time, we have launched export of paper to China and other parts of Southeast Asia by taking advantage of our competitive production equipment, which can use pulp for any type of paper, and our location next to the sea.

As we have done for our domestic business, we are striving to establish a highly productive business model for the exports. To do so, while meeting local users' needs in terms of quality, we have developed DAIO FSC Certified Japan Premium Kraft Linerboard (FSJPK). As a product unsusceptible to market fluctuations and designed for overseas markets, this linerboard is characterized by high burst strength, FSC certification, and a combination of recovered paper pulp and kraft pulp. In China and other parts of Southeast Asia, there is shortage of kraft pulp equipment. This linerboard uses in-house produced kraft pulp for high burst strength, and it also contains high strength recovered paper pulp of stable quality. Hence, it is gaining recognition in our users' countries as an environmentally-friendly linerboard that can obtain forest certification. This product, highly acclaimed for its high burst strength, high strength, and stable quality, enabled us to expand our customer base and strengthen our profitability more than originally expected. While continuing to proceed with the strategic transformation of our business portfolio, we will develop products with consideration given to solving social issues through our business operations.

\*Initiatives for achieving Targets 3 and 5 of Goal 8, Targets 2 and 5 of Goal 12, and Target 2 of Goal 15



### Acceleration of global expansion / Heart Support Project

**Our sustainable growth**

- Increase of our brand profile at home
- Establishment of a foundation for making inroads into the African market

**Solution of social issues**

- Hygiene improvement (control of infectious diseases)
- Access to occupational training, etc.



We would like to contribute to solving social issues in developing countries, such as infectious diseases due to insufficient hygiene, and poverty due to unemployment because of lack of skills. In 2018, we initiated the Heart Support Project and have provided employment opportunities for female teachers, access to occupational training, and support in other forms. This fiscal year again, we launched the project Heart Support 2021 and plan to teach local citizens how to make cloth sanitary pads to help them obtain a skill for earning income and also to promote the use of sanitary pads to control infectious diseases. We will continue to implement the Heart Support Project to solve social issues. At the same time, we will work to increase our brand profile at home and establish a foundation for making inroads into the African market, thereby accelerating our global expansion.



\*Initiatives for achieving Target 3 of Goal 3 and Target 5 of Goal 4



### Creation of new businesses / Application development of cellulose nanofiber

**Our sustainable growth**

- Business expansion through new business launch

**Solution of social issues**

- Development of environmentally-friendly products in the automobile, sports, beauty care and other fields contributing to a better quality of life
- Transition from fossil fuel materials to non-fossil fuel derived materials



Cellulose nanofiber (CNF) is produced by refining wood fiber (pulp), an environmentally-friendly material, to nanosized fibrils. We take advantage of its features when we develop applications for CNF. Setting application development targets to be achieved by 2030 in seven fields, we have already put CNF to practical use in two fields. The number of samples that we provide have increased considerably as the growing need to reduce CO<sub>2</sub> emissions is raising the interest in weight reduction, plastic reduction, etc. through usage of and replacement with CNF. To respond to this trend, we are planning to operate a new CNF composite resin pilot plant in FY2021 and establish an integrated manufacturing process in order to improve our productivity drastically. In addition, we have established a system of supplying products in the five forms—not only aqueous dispersion, but also molded sheets, dry powder, highly-transparent aqueous dispersion, and resin pellets. By accelerating our process toward commercialization, we will realize a new business launch.

(FY)	2017 results	2018 results	2019 results	2020 results	2021 targets	2023 targets	2026 targets	2030 targets
CNF commercialization fields	1	1	1	2	2	3	5	7

#### Commercializable applications and prospective solution of social issues

CNF features	Gas barrier Oxygen barrier	Transparency Light-permeable	Size stability As high as silica glass	Lightweight and high strength 1/5 the weight of steel 5 times the strength of steel	Pore controllability Large specific surface area	Other functional features Fine particles Dispersion and moisturizing
Applications	Food bag with gas barrier, etc.	Replacement for glass, etc.		Car body, etc.	Artificial bone reinforcing agent, etc.	Paint, ink, cosmetic products, etc.



\*Initiatives for achieving Targets 2 and 4 of Goal 8, Target 5 of Goal 9, Target 2 of Goal 12, and Target 16 of Goal 17

# Initiatives to Achieve the SDGs

## Attentive Bonds with Local Communities



Plant tour at the Kawano Mill

Material Issue:

### Coexistence with local communities

#### Basic Approach

As a global corporate group with operating bases in eight countries, the Daio Paper Group aims to be a good corporate citizen and earn trust throughout the world. We actively support local initiatives to contribute to local development while realizing coexistence with local communities through our business operations.

Both at home and abroad, we will continue to hold plant tours for local residents and students and to participate in local communities, thereby enhancing their understanding of our business operations and growing harmoniously with local communities.



**Coexistence with and support for local communities**

We are striving to enhance understanding of our business operations by, for example, holding plant tours for local residents and students, promoting local sports, and participating in volunteer activities. While contributing to each country and region's rich development, we will continue to grow together with local communities.

**Response to declining birthrate and aging population**

We are striving to contribute to community development so that the vulnerable communities can live without worry, by, for example, providing services that will lead to the extension of healthy life spans and supporting the establishment of a community-based integrated care system. To respond to the declining birthrate and aging population, we are providing support for people to enjoy comfortable lives.

**Contribution to invigorating and developing local communities**

While respecting each country and region's laws, various international norms, cultures, religions, customs, etc., we will contribute to developing people's daily lives, cultures and industries around the world through our global business operations.

#### Major Initiatives

##### Coexistence with and support for local communities / Response to declining birthrate and aging population

Trilateral cooperation between Hirakata City (Osaka Prefecture), Shinwa Syouji Co., Ltd., and Daio Paper for recycling resources

In some areas of Hirakata City, their neighborhood associations are becoming unable to collect recyclable paper due to their declining birthrate and aging population. In addition, many residents, including those living alone, sort recyclable paper not as recyclable garbage but as burnable garbage. Some research on the composition of burnable garbage has revealed that more than 10% of the



Recyclable paper collected by Hirakata City



Recovered paper bales being loaded

garbage is recyclable paper. To solve this problem, the city is now taking the lead in collecting recyclable paper. If such recyclable paper is collected rather than thrown away as burnable garbage, it will lead to the reduction of waste and also reduction of the operating load of the relevant incinerator. To ensure that the collected paper is recycled, the three entities of Hirakata City, Shinwa Syouji, and Daio Paper have signed an agreement on the use of the paper collected by the city. This agreement ensures a stable supply of recyclable paper from Hirakata City, an effective use of the resources, and solution of the problem resulting from the declining birthrate and aging population. While maintaining close cooperation with the city and the wholesaler of recyclable paper, we will continue to strive to achieve a sustainable cycle of recycling.

\*Initiatives for achieving Target 6 of Goal 11, Target 5 of Goal 12, and Target 17 of Goal 17



#### Contribution to invigorating and developing local communities

- 1) Provide stable supply of water for daily use and irrigation that supports local agriculture and dairy farming
- 2) Provide neighboring residents with a space for setting a water tank for irrigation
- 3) Provide indigenous people's groups with skill training for growing fruits

1) Located in Chile, South America, Forestal Anchile LTDA works in cooperation with local communities toward establishing infrastructure and realizing local development. Purranque City, Osorno Province, Region X, where we own forests, suffers from a water shortage every dry season. In 2016, we were requested by the city's mayor and local residents to cooperate in drilling a well, but it was likely that such a well might not produce a sufficient amount of water. After continuing to engage in dialogues with local residents and in-house discussions, we proposed the best possible solution of setting a water pipe and water tanks. We installed an approximately 2,300-m water pipe from the river running through forests possessed by Forestal Anchile and set water tanks. As a result, it has become possible to supply water on a stable basis, when



Intake from Puquitrhue River



Two water tanks set on the property of a school in Los Riscos



Irrigation tank



Skills training for local residents

power and water supply systems, which are within the jurisdiction of the regional government, are established.

- 2) To help secure irrigation water for local residents, we have provided a space for setting a tank for storing 13,000 L of spring water together with water intake equipment.
- 3) To contribute to local economic development, we provide indigenous people's groups with skills training for growing fruits, together with the necessary resources. We will continue this training so that local residents can obtain the necessary skills and realize sustainable agricultural development.

\*Initiatives for achieving Targets 3 and 4 of Goal 2, Target 4 of Goal 6, Target 1 of Goal 11, and Target 16 of Goal 17

Material Issue:

### Establishment of sustainable supply chain

#### Basic Approach

At the Daio Paper Group, we perform procurement activities based on our Sustainable Procurement Guidelines in the stance described on the right.

Daio Paper Group Sustainable Procurement Guidelines Based on the SDGs

<https://www.daio-paper.co.jp/wp-content/uploads/2021001en.pdf>

1. We comply with laws and regulations, social norms and internal rules, respect the cultures and customs of the countries where our suppliers are located, and fulfill our corporate social responsibility by giving due consideration to human rights, environmental conservation, safety and health, and contributions to local communities in our supply chain in order to realize a sustainable society.
2. We build good partnerships with our suppliers, conduct fair and equitable transactions, and work to mutually improve and develop quality and technical capabilities.
3. We cooperate with our suppliers to formulate a business continuity plan (BCP) and monitor and promote its implementation, aiming to secure a stable supply system.

#### Major Initiatives



##### Establishment of sustainable supply chain



We have established the Daio Paper Group Sustainable Procurement Guidelines Based on the SDGs, which set forth our commitments throughout our corporate group and supply chain not only to improve quality and technology, but also to ensure legal compliance in the fields of human rights, environmental preservation, safety and health, etc., conduct fair and equitable transactions, ensure BCP, and contribute to local communities. We have communicated the guidelines to our business partners and placed them on our website. Moreover, to confirm that our procurement is in accordance with the guidelines, we have conducted a questionnaire survey among our business partners. With the survey's response rate reaching 87%, 56% of the respondents are rated 3.5 or higher on a 5-point scale. To accomplish our FY2030 targets—response rate: 100%; and percentage of business partners rated 3.5 or higher on a 5-point scale: 90% or higher—we are giving feedback to the respondents, while asking and supporting low-rated respondents to make improvements. Furthermore, we are considering dividing the guidelines into 1) compliance, 2) request, and 3) recommendation to evaluate business partners with a special weight on compliance. We will continue to work to realize sustainable procurement throughout our supply chain, while striving to achieve harmonious growth and development.

##### CSR Procurement: procurement based on the Sustainable Procurement Guidelines



\*Initiatives for achieving Target 7 of Goal 8, Target 3 of Goal 10, and Targets 4 and 6 of Goal 12, Targets 1 and 2 of Goal 15, and Target 16 of Goal 17

	(FY) 2017 results	2018 results	2019 results	2020 results	2021 targets	2023 targets	2026 targets	2030 targets
Supplier survey response rate	-	-	-	87%	90%	100%	100%	100%
Suppliers rated 3.5 or higher on a 5-point scale	-	-	-	56%	65%	75%	85%	90%
Retention of forest certification at home and abroad	100%	100%	100%	100%	100%	100%	100%	100%



Initiatives to Achieve the SDGs

# Integrated

Corporate Culture Providing Safety and Motivation to Work

In an internal meeting

**Material Issues:**  
**Respect for human rights, development of human resources, and compassion for employees / Fair and highly transparent management** ▶ Corporate Governance from P. 57

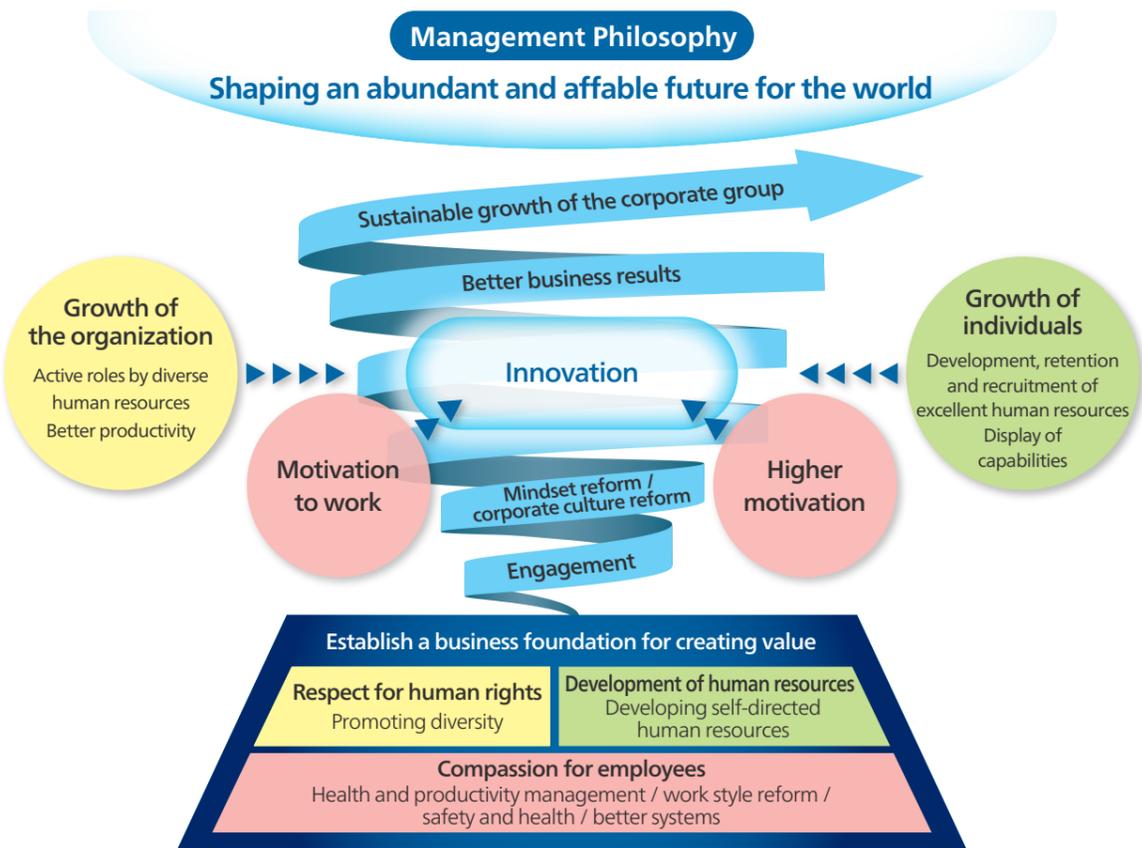
## Basic Approach

At the Daio Paper Group, we are striving to establish a corporate culture providing safety and motivation to work, in order to foster human resources who can take on challenges toward increasing corporate value on a sustainable basis under our founding spirit "Passion with sincerity leads to greatness."

To further respond to diversifying needs and risks, we will take advantage of our diverse human resources and provide many more opportunities for them to fully demonstrate their ability. By doing so, we will generate innovation and reinforce

our ability to create value and maintain our competitiveness.

We are striving to establish a workplace environment with consideration given to health and safety, as well as a system and culture where employees can feel their growth and are motivated. We are also aiming to ensure that each individual is fairly evaluated and treated based on his/her role, responsibilities, and achievements. By making these efforts, we will foster self-directed human resources who dare to take on challenges and "think, decide and act for themselves."



Investment in the future

Investment in training, health and productivity management, better systems, etc.

## Major Initiatives



### Promotion of diversity & inclusion

- 1) Establish an environment where diverse human resources can play active roles
- 2) Promote corporate culture reform to enable everybody to take on challenges

For our future growth, it is essential for women to play even more active roles in all our business fields, including H&PC Business, which serves as the engine of our growth. We are actively assigning female employees to the H&PC Business, which has the widest variety of opportunities for them to play active roles, and fostering prospective female managers on a well-planned basis through various programs, such as cross-industrial interaction programs, launched in 2014, and practical management skill training programs, to be newly started. In addition, we are also making various efforts to reform the mindsets of all employees, such as using internal social media to disseminate messages directly from the president (from 2021) and organizing training programs on diversity for the senior and middle management (from 2020) and training programs on unconscious bias for all employees (from 2019). Furthermore, we are working to increase the paternity leave uptake to 100%, and are also encouraging employees to use the flextime system, remote work system, etc., building an internal network for parenting employees, and promoting a cross-sectional reform of our corporate culture under the lead of young employees. By pursuing a work style reform with a focus on productivity and ensuring an appropriate work-life balance, we will continue our reform toward establishing a corporate culture where all employees can take on challenges and play active roles.



\*Initiatives for achieving Targets 1, 5 and C of Goal 5

	(FY)	2017 results	2018 results	2019 results	2020 results	2021 targets	2023 targets	2026 targets	2030 targets
Female managers (entire company)		1.4%	1.5%	2.0%	2.2%	2.4%	4.5%	6.5%	10.0%
" (H&PC)		2.5%	3.1%	3.4%	3.5%	4.3%	6.0%	10.0%	15.5%
Female employees on the managerial track (entire company)		13.5%	13.3%	13.7%	13.6%	16.8%	18.0%	24.5%	29.5%
" (H&PC)		21.9%	22.4%	21.7%	21.6%	25.0%	28.0%	36.0%	40.0%
Paternity leave uptake		3.0%	5.0%	4.0%	6.0%	20.0%	100.0%	100.0%	100.0%
Disabled employees		2.1%	2.2%	2.3%	2.3%	2.3%	2.6%	2.7%	2.7%



### Development of human resources

- 1) Develop next-generation leaders and global human resources
- 2) Develop self-directed human resources

To ensure medium and long term development, we are continuing to foster next-generation leaders and global human resources. In particular, for employees who may in the future engage in our overseas businesses, which serve as the engine of our growth, we provide not only our conventional overseas training program, but also those indicated below to remove their hesitation about working abroad and increase their foreign language proficiency.

In addition, to develop self-directed human resources who "think, decide and act for themselves," we have enabled employees to shape their career and develop their capabilities on a self-directed basis by, for example, giving them options to join an external management training program, study for an MBA, and utilize Daio Career Challenge (internal open call for employees to select their own career). By making these efforts, we are striving to enhance employees' engagement and motivation.



\*Initiatives for achieving Targets 3 and 4 of Goal 4

- ▶ Remove hesitation about working abroad 1) Overseas training program for young employees 2) Workshop on working overseas 3) Training program on global mindset
- ▶ Increase foreign language proficiency 1) TOEIC online IP test 2) Financial support for online English conversation training 3) Short-term overseas training program for language proficiency

	(FY)	2017 results	2018 results	2019 results	2020 results	2021 targets	2023 targets	2026 targets	2030 targets
Employees fostered as next-generation leaders		36	45	52	60	68	84	108	140
Employees with TOEIC 600+		241	239	215	223	250	350	500	600
Transfers under the internal open call system		31	32	36	41	49	70	100	150



### Compassion for employees

- 1) Health and productivity management
- 2) Work style reform
- 3) Safety and health
- 4) Better HR systems

To realize sustainable growth as a vibrant and sound corporate group, we need to enhance employees' engagement and performance. To do so, we announced the Daio Paper Group Declaration of Health in FY2014 and the Work Style Reform Declaration in FY2016. For health and productivity management, we place our focus on ensuring an appropriate work-life balance, improving lifestyle habits, providing ample care for mental health, and supporting early detection of disease and prompt cure. While ensuring that the PDCA cycle runs smoothly, we implement a wide variety of measures. Specifically, we have introduced flexible working systems, including a flextime system, a remote work system, and annual paid leave that can be taken by the hour. In addition, we are encouraging employees to quit smoking by launching a quit-smoking challenge in FY2019 for those in managerial positions, including the top management. We have also initiated a health counseling service and started offering group long-term disability (GLTD) insurance for compensating loss of earnings. We will continue to make efforts to establish an environment where employees can fulfill their responsibilities without worry in this age of the 100-year life.



	(FY)	2017 results	2018 results	2019 results	2020 results	2021 targets	2023 targets	2026 targets	2030 targets
Smoking rate		31.0%	31.2%	30.5%	26.1%	25.0%	22.0%	18.0%	15.0%
Average overtime work hours (of nonmanagerial employees)		21.4h	22.0h	23.0h	20.8h	20.0h	18.0h	15.0h	10.0h
Paid-leave uptake		58.2%	71.0%	78.0%	67.2%	70.0%	80.0%	80.0%	90.0%

\*Initiatives for achieving Targets 4, 6 and 9 of Goal 3, Target 1 of Goal 5, Targets 5 and 8 of Goal 8, and Targets 2 and 3 of Goal 10



## Initiatives to Achieve the SDGs

**Organic**  
Contribution to the Global Environment

Plantation owned by Forestal Anchile

### Material Issues:

Response to climate change / Realization of a recycling-oriented society / Forest conservation and maintenance of biodiversity

### Basic Approach

At the Daio Paper Group, we established the Global Environmental Charter in 1993 ahead of any other company in the papermaking industry. Based on its basic principle, we have been actively committed to solving environmental problems through our business operations. To ensure a link between the previous initiatives in which we have been engaged so far and our initiatives toward accomplishing the SDGs based on the Daio Paper Group Sustainability Vision, which was

established this May, and also to incorporate these initiatives into our business management, we have revised the Global Environmental Charter at the same time. We will continue environmentally-friendly business operations toward realizing a sustainable carbon-free society in harmony with the global environment, a recycling-oriented society, and a society that coexists in harmony with nature.

#### Daio Global Environmental Charter

##### Principle

Daio Paper Group will expand its business globally in harmony with the global environment while actively tackling environmental problems with the aim of realizing a sustainable society.

##### Basic Policy

- Mitigation of global warming
- Forest conservation and maintenance of biodiversity
- Effective use of resources and environmentally friendly procurement of raw materials
- Reduction and effective use of waste
- Development and deployment of technologies and products with lower environmental impact
- Reduction of environmental load together with supply chain partners
- Legal compliance and active environmental communication/ coexistence with local communities

For details of each item, read this QR code.

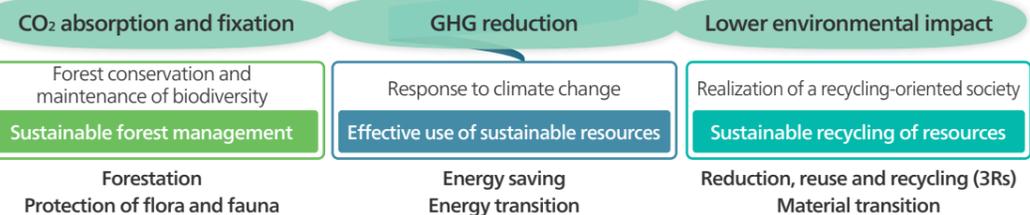


### Management Philosophy

## Shaping an abundant and affable future for the world

#### Future Visions

- A borderless society that coexists in harmony with nature
- Carbon neutrality throughout the supply chain
- A recycling-oriented society with less waste
- An earth that is regenerated back into a planet with abundant nature and its forest area restored
- Clean energy used throughout the world
- A shift from plastic to non-fossil fuel derived materials



## Major Initiatives



### Response to climate change Installation of a biogas generator using papermaking wastewater

Toward the target of reducing CO<sub>2</sub> emitted through production activities by 46% compared to FY2013 by FY2030, we are working on fuel transition, energy saving, etc. As part of such measures, we began to operate a biogas generator at the Mishima Mill in October 2020. It has been designed to extract biogas (derived from biomass generated when organic matter is fermented) from methanol-containing wastewater from the kraft pulping process, and to effectively use the biogas as a replacement for fossil fuel. Since this biogas contains methane, we use the extracted gas as it is in the lime calcination facility (kiln) in the mill, thereby replacing fossil fuel and reducing CO<sub>2</sub> emissions (approximately 15,000 t per year) and drainage load. We will continue to implement various measures that will lead to lower CO<sub>2</sub> emissions toward achieving carbon neutrality.



©Sumitomo Heavy Industries Environment Co., Ltd.

Anaerobic treatment facility (biogas generator)

\*Initiatives for achieving Target 2 of Goal 7, Target 4 of Goal 9, and Target 16 of Goal 17



### Realization of a recycling-oriented society Promotion of the use of hard-to-recycle recovered paper (gypsum board, laminated paper, etc.)

Toward the target of raising the ratio of hard-to-recycle recovered paper pulp in containerboard to 30% by FY2030, we are promoting the use of hard-to-recycle recovered paper, which used to be incinerated due to high levels of contaminants that inhibit recycling (i.e. plastics such as DVDs that come with magazines). Using our proprietary technology, we automatically sort pulp fiber from plastics and utilize the former as papermaking raw materials and the latter as fuel for waste boilers to generate power instead of fossil fuel. By using the waste, which used to be merely incinerated, as an energy source, we can reduce the use of fossil fuel, also contributing to reducing CO<sub>2</sub> throughout the value chain. In addition, Iwaki Daio Paper is constructing a waste boiler that will use waste-derived fuel, which has been difficult to use so far (scheduled for operation in January 2023). The completion of the boiler will transform Iwaki Daio Paper into a mill that uses only in-house power generated from non-fossil fuels.



Waste boiler No. 5 under construction at Iwaki Daio Paper

(FY)	2017 results	2018 results	2019 results	2020 results	2021 targets	2023 targets	2026 targets	2030 targets
Ratio of hard-to-recycle recovered paper pulp in containerboard	11.6%	13.7%	16.7%	16.7%	21.8%	24.0%	27.0%	30.0%

\*Initiatives for achieving Target 4 of Goal 8, Target 5 of Goal 12, and Target 1 of Goal 14

- Maintain almost half of our forests as natural forests and protect Patagonian Cypress, a designated natural treasure
- Breed and release endangered freshwater fish Kawabata-moroko (Hemigrammocypris neglectus) in the Yoshino River



### Forest conservation and maintenance of biodiversity

1) Located in Republic of Chile, South America, Forestal Anchile LTDA maintains almost half of its 59,000 ha of forests, or 28,000 ha, as natural forests to protect the designated natural treasure Alerce (Patagonian Cypress). While communicating with the Chile National Forest Corporation and local NGOs, the company has a specialized organization conduct research on the forests to check the growth of the trees. Referring to recommendations from the organization, the company is carrying out preservation activities appropriately.



Kawabata-moroko, endangered freshwater fish inhabiting the Yoshino River

In addition, the company regularly performs monitoring in those areas within its forests that are recognized as highly worthy of protection, and such areas comprise natural forests and zones that endangered species might inhabit. The company designates monitoring plots in the protected forest adjacent to the plantation where logging will be done and conducts monitoring before and after its operations. Moreover, this fiscal year, the company has newly begun to use images captured from the sky by drones in order to confirm that its operations has no impact on the flora and fauna ecosystems. The company will continue to work toward ensuring coexistence and coprosperity of a wide variety of creatures.

2) The Tokushima Factory of Daio Paper Products Corporation is a member of an association breeding and releasing Kawabata-moroko, designated as Endangered Class IA. Using water tanks on its property, the factory has been breeding 200 fish that it received from Tokushima Prefecture in January 2016. The fish population declined by 50 in the first two years. However, by protecting the remaining fish from birds, setting protective cases for its fry, and managing the water temperature even more carefully, the factory has been successfully increasing the number of the fish since the third year. Although this project has not yet reached the phase of releasing the fish, 791 individual fish were identified as of July 2021. For further breeding, the plant has added various measures, such as monitoring the water quality, setting spawning beds, and cleaning the protective cases. Toward the target of releasing at least 200, the number of the fish originally received from the prefecture, to their original habitat, the factory will continue to breed the fish in cooperation with Tokushima Prefecture.

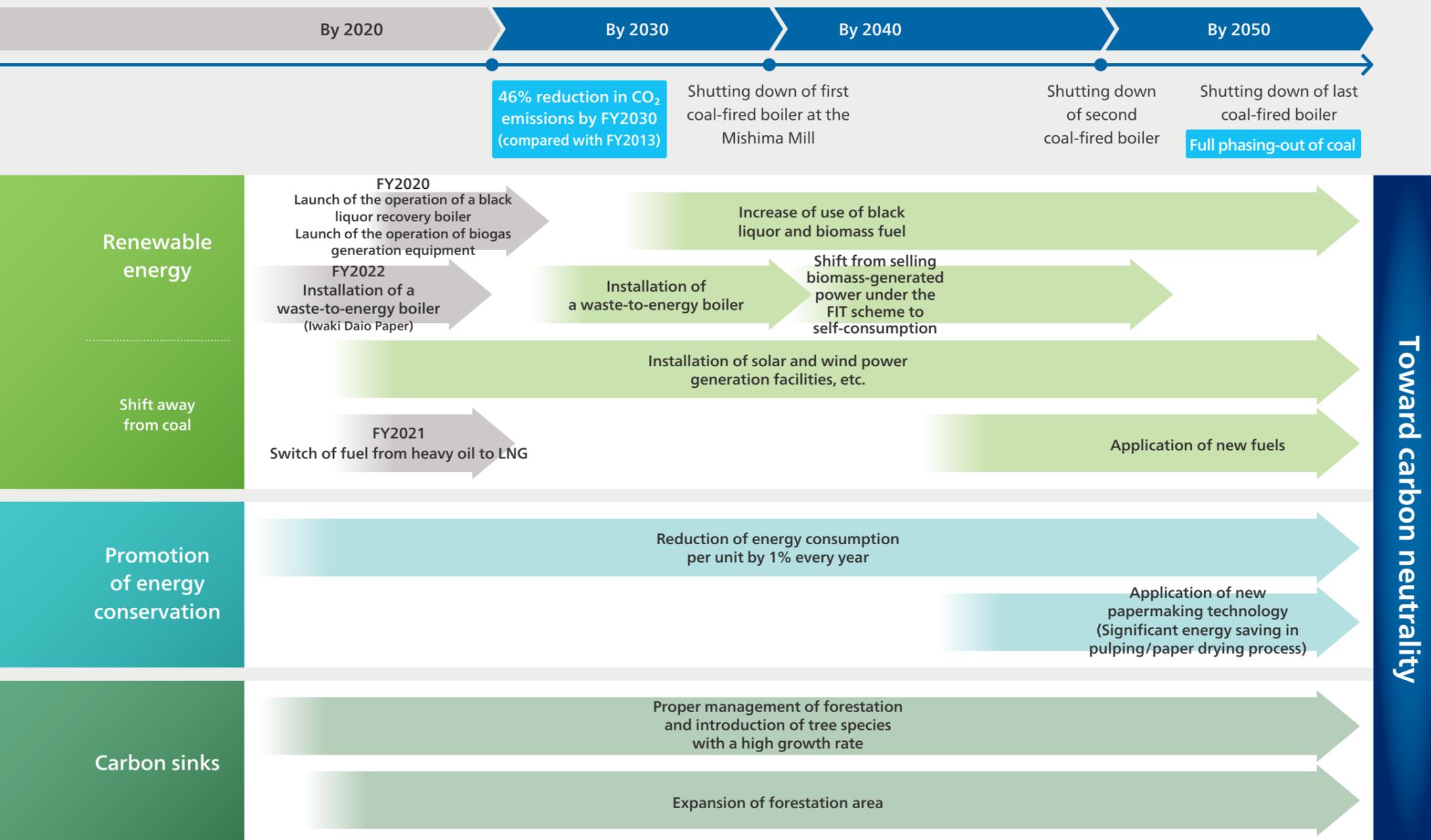
\*Initiatives for achieving Target 6 of Goal 6, Targets 1, 2, 4, and 5 of Goal 15, and Targets 16 and 17 of Goal 17

## Initiatives toward a Carbon-free Society

At the Daio Paper Group, we have declared our commitment to achieving carbon neutrality by 2050. We have been proceeding with a wide variety of environmentally-conscious initiatives, such as increasing energy efficiency and using biomass fuel. In line with the roadmap that we have established, we will continue to implement measures toward realizing carbon neutrality.

### Roadmap to Achieving Carbon Neutrality by 2050

We will actively work to reduce dependence on fossil fuel by applying know-how and new technologies that enable us to use alternative fuels.



### Information Disclosure in line with the TCFD Recommendations

We position response to climate change as a top priority of management. Our policy, specific initiatives, etc. regarding climate change are examined at the Sustainability Committee, which reports to the Board of Directors and deliberates on such issues on a regular basis. Toward disclosing information in line with the TCFD recommendations, we are currently conducting scenario analysis, starting from the paper and paperboard business, which is expected to have a significant impact. We plan to provide a disclosure in the four TCFD thematic areas by April next year.

### Shikokuchuo City Carbon Neutrality Council Established

#### – Discussing Measures and Roadmap for Region-Wide Energy Transition –

On June 21, 2021, the Shikokuchuo City Carbon Neutrality Council, consisting of major energy users in Shikokuchuo City, was established, with Daio Paper serving as a founding member.

As indicated by the Green Growth Strategy through Achieving Carbon Neutrality in 2050, formulated by the Japanese government in December 2020, it is becoming essential for private companies to make efforts toward realizing carbon neutrality.

To address global warming, we are making a wide variety of efforts, such as energy conservation and fuel transition. To accomplish our target of reducing our CO<sub>2</sub> emissions by 46% compared to FY2013 by FY2030, we are now proceeding with various measures steadily.

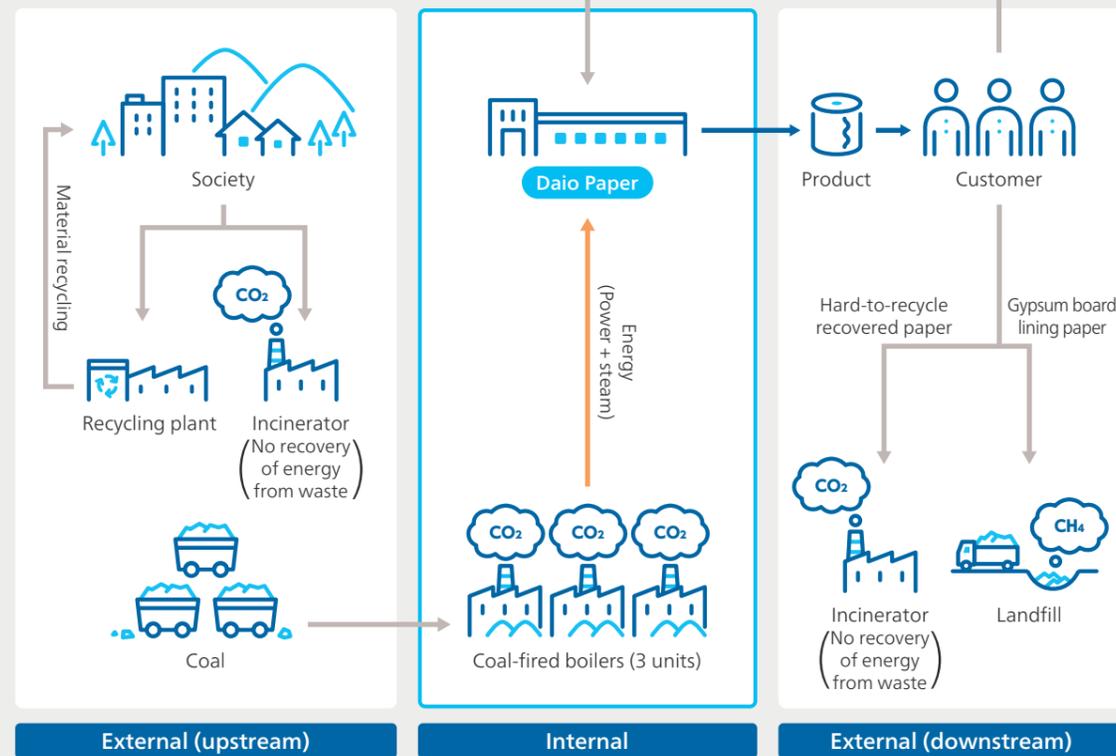
To realize carbon neutrality by 2050, however, we have to, at present, depend on innovation to some extent. The key to the adoption of new technology lies not only in each individual company's efforts, but also in cooperation between companies and in cooperation with local governments and financial institutions.

Boasting the highest shipment value of paper products in Japan, Shikokuchuo City is a major center of papermaking and its related industries. The city is home to a cluster of papermakers, all located in a certain area. The council intends to take advantage of this feature of the circumstances and implement initiatives toward realizing carbon neutrality through public-private cooperation.

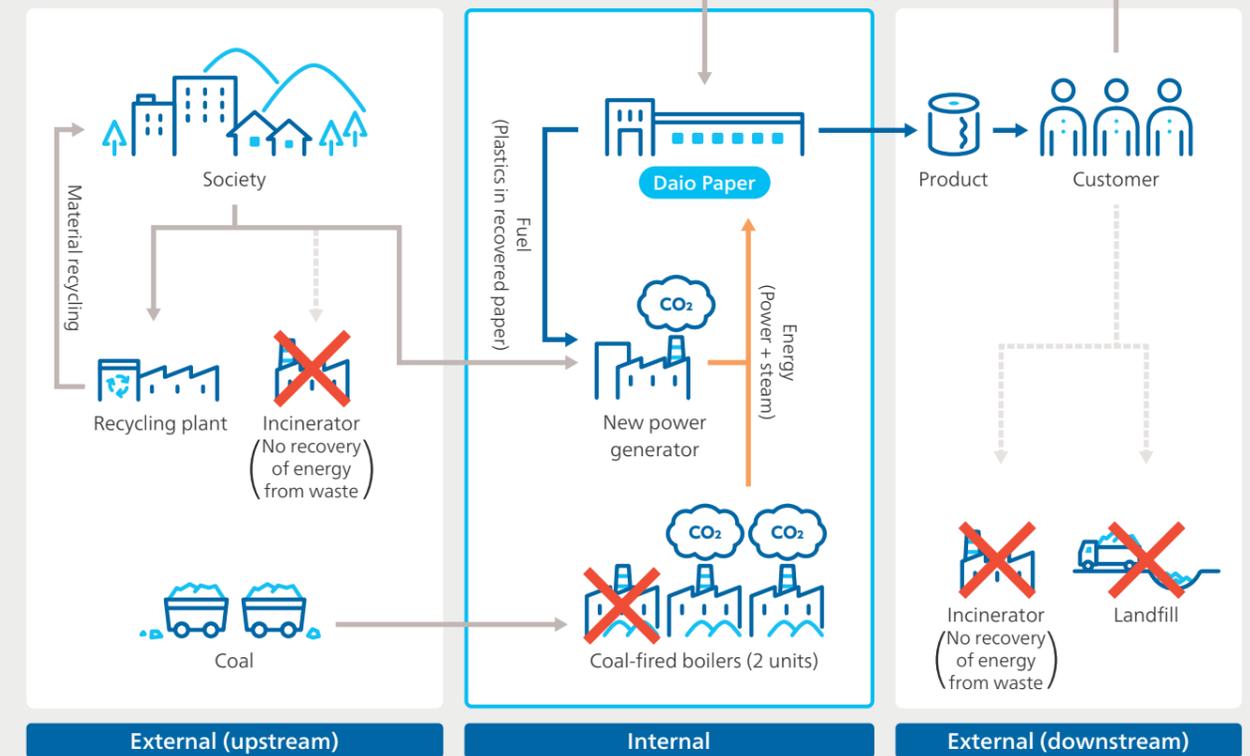
In the first phase, the council will define its entire vision regarding a carbon-free society, collect information on cutting-edge technology trends and policy trends, and formulate a roadmap toward realizing carbon neutrality. Thereafter, while updating the roadmap, the council will proceed to the second phase, where they will implement various measures in order to contribute to achieving carbon neutrality in Shikokuchuo City.

While respecting the bonds with local communities, Daio Paper will continue to contribute to protecting the global environment.

Mishima Mill at present



As of FY2030 (One coal-fired boiler shut down)



FY2030 Target to Combat Global Warming

Reducing CO<sub>2</sub> Emitted through Production Activities by 46% Compared to FY2013  
- Shut Down One of the Three Coal-fired Boilers at the Mishima Mill -

Proper management of forestation and expansion of overseas forestation area

Promotion of energy conservation (reduction of energy consumption per unit by at least 1% every year)

Installation of a new waste-to-energy boiler at the Mishima Mill (Environmental assessment in progress)

Installation of solar power generation equipment at production bases in Japan and abroad

Message from the General Manager of the Production Division

Contributing to Achieving Carbon Neutrality by Continuing Our Initiatives for Environmental Conservation

Hiroshi Yamasaki

Director, Managing Executive Officer  
Responsible for Production Unit; General Manager of Production Division



At the Daio Paper Group, we formulated the Sustainability Vision in May 2021 and declared in the vision that we strive to achieve carbon neutrality by FY2050 under our long-term vision for global warming countermeasures. We also set the milestone target of reducing our CO<sub>2</sub> emissions by 46%

compared to FY2013 by FY2030.

Moreover, this May, we announced our endorsement of the TCFD as part of our measures for disclosing information on climate change. Currently, we are preparing for information disclosure based on the TCFD recommendations,

and we plan to make the disclosure by April 2022.

We believe that response to climate change should be regarded as a matter that we should work on actively as a going concern, not reluctantly as something unavoidable. We will implement specific measures step by step, not just stop at mere information disclosure.

We have already taken the first step toward accomplishing the target. At the Mishima Mill, we began to operate 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 FY2021, we plan to partially switch our lime kilns' fuel source from heavy oil to liquefied natural gas (LNG), a low-carbon fuel.

In addition to these efforts at the Mishima Mill, we are installing another waste boiler at Iwaki Daio Paper. Fueled by wood residue and waste plastic, the mill's third waste boiler is scheduled for operation in FY2022. The completion

of the boiler will transform Iwaki Daio Paper into a mill that uses only in-house power generated from non-fossil fuels. Moreover, Iwaki Daio Paper's surplus power will be transferred to its adjacent Elleair Product's Fukushima Factory, which is expected to contribute to reducing Fukushima Factory's power purchases. This project is recognized as the first "collaborative energy-efficiency plan" under Ministry of Economy, Trade and Industry's Act on the Rational Use of Energy (Energy Conservation Act).

We also plan to newly install a waste boiler at the Mishima Mill, with environmental assessment currently underway. By doing so, we will shut down one of the three coal-fired boilers at the Mishima Mill by FY2030. Even after that, we will continue to reduce our dependence on coal by making effective use of biomass and waste-derived fuel. We will completely phase out coal usage and achieve carbon neutrality by FY2050.

## Corporate Governance

### Directors, Audit & Supervisory Board Members and Executive Officers (As of the end of September 2021)

#### Representative Directors



#### Masayoshi Sako

Chairman and Representative Director  
Jan. 2005: General Manager of Sales Promotion Division, Home & Personal Care Business Group  
Jun. 2008: Executive Vice President and Director  
Jun. 2011: President and Representative Director



#### Yorifusa Wakabayashi

President and Representative Director  
Chief Executive Officer  
Jan. 2012: Executive Officer, General Manager of Newsprint Sales Division  
Apr. 2016: Executive Officer, General Manager of Paper Sales Division  
Jun. 2017: Director, General Manager of Home & Personal Care Domestic Business Group  
Jul. 2018: Director and Managing Executive Officer, General Manager of Home & Personal Care Domestic Business Group



#### Toshihiro Adachi

Executive Vice President and Representative Director  
Executive Vice President  
Responsible for Corporate Unit, Compliance and Sustainability  
Jun. 2012: Director and Senior Managing Executive Officer  
Apr. 2016: Representative Director and Senior Managing Executive Officer  
Apr. 2019: Executive Vice President and Representative Director



#### Kunihiro Okazaki

Executive Vice President and Representative Director  
Executive Vice President  
Responsible for Sales, Resources and Materials Procurement Division and Global Logistics Division  
Jun. 2015: Director and Senior Managing Executive Officer  
Apr. 2016: Representative Director and Senior Managing Executive Officer  
Apr. 2019: Executive Vice President and Representative Director

#### Directors



#### Hiroshi Yamasaki

Director, Managing Executive Officer  
Responsible for Production Unit  
General Manager of Production Division  
Jun. 2012: Executive Officer, Acting General Manager of Mishima Mill, Production Division  
Jul. 2016: Director, General Manager of Resources and Materials Procurement Division  
Apr. 2019: Director, Deputy General Manager of Production Division, Production Unit and General Manager of Mishima Mill



#### Yukihiro Tanaka

Director, Managing Executive Officer  
General Manager of General Affairs and Personnel Division, Corporate Unit  
Jun. 2015: Executive Officer, General Manager of General Affairs Division  
May 2017: Executive Officer, General Manager of Corporate Planning Division  
Jun. 2017: Director, General Manager of Corporate Planning Division and in charge of Safety & Environment Control Department  
Apr. 2019: Director, General Manager of Corporate Planning Division, Corporate Unit



#### Atsushi Ishida

Director, Managing Executive Officer  
General Manager of Industrial Paper and Containerboard Business Group, Paper & Paperboard Unit  
Jul. 2018: Executive Officer, General Manager of Containerboard and Corrugated Container Business Group  
Jun. 2019: Senior Executive Officer, General Manager of Industrial Paper and Containerboard Business Group, Paper & Paperboard Unit



#### Hiroyuki Shidara

Director, Managing Executive Officer  
General Manager of Domestic Business Group, Home & Personal Care Unit  
Jun. 2017: Executive Officer, General Manager of Baby & Feminine Care Products Sales Division, Home & Personal Care Domestic Business Group  
Apr. 2018: President and Representative Director, Elleair International (Thailand) Co., Ltd.  
Jul. 2020: Executive Officer, General Manager of Human & Family Care Sales Division, Domestic Business Group, Home & Personal Care Unit



#### Nobuhiko Yoshida

Director (Outside)



#### Yoichi Takei

Director (Outside)



#### Yoshinobu Hiraishi

Director (Outside)



#### Haruko Ozeki

Director (Outside)

#### Audit & Supervisory Board Members



#### Hiromitsu Fujii

Audit & Supervisory Board Member



#### Tsutomu Ariyasu

Audit & Supervisory Board Member



#### Yoichiro Yamakawa

Audit & Supervisory Board Member (Outside)



#### Takemi Nagasaka

Audit & Supervisory Board Member (Outside)



#### Kyoko Okada

Audit & Supervisory Board Member (Outside)

#### Executive Officers

Managing Executive Officers	<b>Toshiki Yamagami</b>	General Manager of Overseas Business Group, Home & Personal Care Unit; General Manager of Overseas Business Promotion Division
	<b>Hiroshi Mizobuchi</b>	General Manager of Product Development Division, Home & Personal Care Unit; Responsible for Marketing Division, Marketing and Development Support Department, Home & Personal Care Unit
	<b>Hiroyuki Fujita</b>	Chairman and Director of Santher -Fábrica de Papel Santa Therezinha S.A.
Senior Executive Officers	<b>Michihiko Tamaki</b>	General Manager of Advanced Materials R&D Center, Production Division, Production Unit
	<b>Takahisa Kashiwabara</b>	President and Representative Director of Elleair International China (Nantong) Co., Ltd.
	<b>Toshikatsu Tanahashi</b>	Deputy General Manager of Production Division, Production Unit; General Manager of Mishima Mill, Production Division, Production Unit
	<b>Shuhei Shinagawa</b>	General Manager of Corporate Planning Division, Corporate Unit
	<b>Takashi Yoshida</b>	General Manager of Intelligence Technology Planning Division, Corporate Unit
Executive Officers	<b>Satoshi Iseki</b>	General Manager of Global Logistics Division
	<b>Mitsuru Ogawa</b>	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
	<b>Toru Shimizu</b>	President and Representative Director of Elleair International Turkey Kişisel Bakım Ürünleri Üretim A.Ş.
	<b>Akihiro Yoshino</b>	President and Representative Director of Daio Paper Products Corporation
	<b>Mikiro Shiramine</b>	General Manager of Resources and Materials Procurement Division
	<b>Takashi Imaizumi</b>	General Manager of Intellectual Property Department, Corporate Unit
	<b>Junichi Ikawa</b>	General Manager of Accounting Department, Business Administration Division, Corporate Unit
	<b>Tetsuya Kawabata</b>	General Manager of Newsprint and Paper Business Group, Paper & Paperboard Unit
	<b>Akihisa Yano</b>	Acting Manager of Mishima Mill, Production Division, Production Unit (Responsible for Utility Unit)
	<b>Masahiko Takeshima</b>	President and Representative Director of Elleair International (Thailand) Co., Ltd.
	<b>Yukio Kume</b>	Executive Vice President and Director of Elleair International China (Nantong) Co., Ltd.
	<b>Makoto Saito</b>	General Manager of Human & Family Care Sales Division, Domestic Business Group, Home & Personal Care Unit



## Basic Policy on Corporate Governance

At the Daio Paper Group, we strive to maintain growth on a steady and stable basis, increase corporate value over the medium to long term, and engage in business operations in harmony with the global environment.

We regard the enhancement of corporate

governance as one of our most critical management issues. As a corporate group trusted by all stakeholders including shareholders, business partners, employees and local residents, we aim to contribute to the development of a lively lifestyle, culture and industry for society.

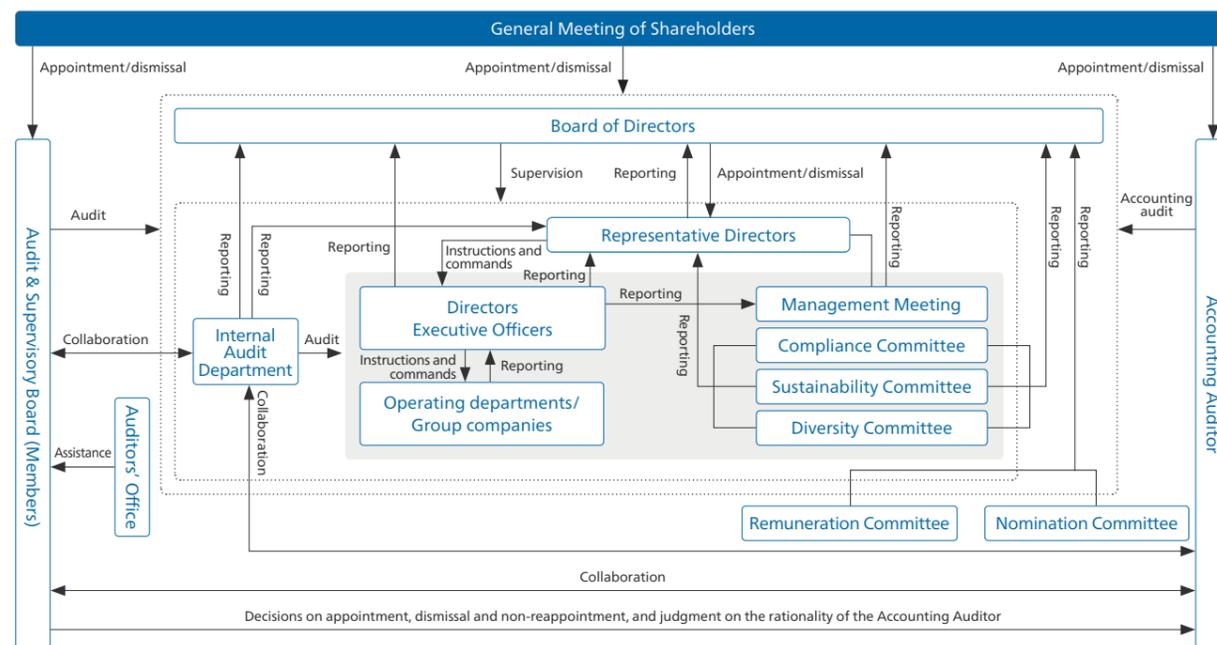
## Overview of the Corporate Governance Structure

Daio Paper is a company with an Audit & Supervisory Board. As such, while the Board of Directors makes decisions on management policies and important business execution and supervises the business execution for the entire Daio Paper Group, the Audit & Supervisory Board and its members, independent from the Board of Directors, audit the Directors' performance of their duties. Moreover, in April 2021, we changed the structure of the Board of Directors and revised the Executive Officer system for the purpose of clarifying the functions of the Board of Directors, which is engaged in decision making and supervision, and the Executive Officers, who are engaged in business execution. By doing so, we will further speed up corporate decision making and reinforce the supervisory function of the Board of Directors. We will continue to aim to enhance corporate value by realizing a structure ensuring decisive, timely management decision making and agile and robust business execution.

## 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	Established the Nomination Committee
2019	Introduced the stock-based incentive system
2021	Changed the structure of the Board of Directors and revised the Executive Officer system

### Corporate Governance Structure



### (1) Board of Directors

The Board of Directors supervises management in general, including the performance of duties by the management, ensures the fairness and transparency of management, and makes decisions on the execution of important business matters as stipulated in laws and regulations and the Articles of Incorporation.

The Board of Directors comprises a necessary and appropriate number of members to ensure an effective management structure and substantial discussions at the Board of Directors. In addition, it also includes four independent Outside Directors, fulfilling the criteria for such members to account for at least one-third of the Board of Directors, in light of the importance of their functions for ensuring appropriate corporate governance.

### (2) Audit & Supervisory Board

The Audit & Supervisory Board comprises five members, including three Outside Audit & Supervisory Board Members. Based on the audit plan set by the Audit & Supervisory Board, the members of the board not only attend the Board of Directors meetings and other important meetings and exchange views with the top management, but also work in close cooperation with the Accounting Auditor and the Internal Audit Department to investigate the condition of the internal control system through business audits and accounting audits. By doing so, the Audit & Supervisory Board strives to strengthen and enhance its ability to exercise proper oversight of management.

### (3) Accounting Auditor

Appointed as Accounting Auditor, PricewaterhouseCoopers Aarata LLC performs proper accounting audits at appropriate times based on laws and regulations.

The appointment of the firm as Accounting Auditor is based on our comprehensive judgement that it has a certain scale of network for performing auditing operations effectively, that its auditing quality and oversight structure are sufficient, that its audit duration and timing, specific audit guidelines and audit remuneration are reasonable and appropriate, and that it has sufficient audit experience.

### (4) Management Meeting

To speed up decision making, the Management Meeting, which comprises the Chairman, 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.

### (5) Discretionary Committees

#### ① Remuneration Committee

The Remuneration Committee is intended to enhance the objectivity and transparency of decisions on Directors' remuneration. The committee reports to the Board of Directors after evaluating each full-time Director's performance and deciding on his/her remuneration amount in accordance with the remuneration decision policy resolved by the Board of Directors.

The Remuneration Committee is chaired by an independent Outside Director, with the majority consisting of independent Outside Directors. Two Outside Audit & Supervisory Board Members attend as observers.

#### ② Nomination Committee

The Nomination Committee is intended to enhance objectivity and transparency in the nomination of candidates for Director and the appointment and dismissal of the Directors. As an advisory body to the Board of Directors, the Nomination Committee receives inquiries from the Board of Directors regarding, for example, the nomination of candidates for Director and the appointment and dismissal of the Directors, and reports back on the inquiries in accordance with the nomination policy set out in the Corporate Governance Guidelines.

The Nomination Committee is chaired by an independent Outside Director, with the majority consisting of independent Outside Directors. Two Outside Audit & Supervisory Board Members attend as observers.

③ Compliance Committee

The Compliance Committee is intended to strengthen the risk management and compliance of the Daio Paper Group. The committee checks the Group's risk management structure by comprehensively identifying and assessing risks for the group, by implementing unified management of the group's risk control measures, and by engaging in deliberation on those risk control measures in accordance with the severity of the risks. Chaired by the Director responsible for compliance, the Compliance Committee comprises ten members, 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.

Under the Compliance Committee, there are eight subcommittees. Each subcommittee deliberates, makes decisions and implements specific measures for each type of risk, forming an even more highly effective risk management structure.

Organization Chart of the Compliance Framework



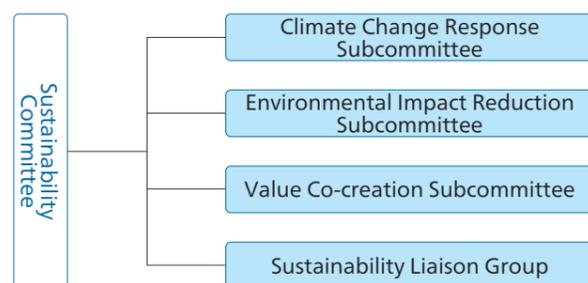
④ Sustainability Committee

The Sustainability Committee is intended to formulate sustainability strategies for the entire Group (sustainable corporate strategies in the aspects of the environment, society and governance), to enhance the group's social value by solving social issues, and also to realize the sustainable growth of the group's corporate value. The committee decides on material issues related to sustainability, as well as on targets, commitment, and initiatives for such material issues. Chaired by the Director responsible for the Corporate Unit, the Sustainability Committee comprises ten members, including the General Manager of the Production Division and Outside Directors. One full-time Audit & Supervisory Board Member and one Outside Audit & Supervisory Board Member attend as observers.

Under the Sustainability Committee, there are three subcommittees: the Climate Change

Response Subcommittee, the Environmental Impact Reduction Subcommittee, and the Value Co-creation Subcommittee, plus the Sustainability Liaison Group. Setting specific initiatives and KPIs, the Sustainability Committee deliberates on various measures and check their progress toward achieving the targets.

Organization Chart of the Sustainability Framework



⑤ Diversity Committee

The Diversity Committee is intended to achieve diversity in the entire Group's organizations by, for example, increasing the number of female managers and establishing an environment where flexibility in working styles is available. Established directly under the President and Representative Director, the Diversity Committee decides on the basic policy for promoting diversity throughout the Group, and also on material issues. At the same time, the committee establishes measures to promote diversity and work style reform, and implements such measures while reporting to

the Board of Directors, disseminating messages from the top management, and enlightening employees, including senior and middle management.

Chaired by the President and Representative Director, the Diversity Committee comprises seven members, including the General Manager of the General Affairs and Personnel Division. One Executive Vice President and Representative Director, one full-time Audit & Supervisory Board Member and one Outside Audit & Supervisory Board Member attend as observers.

Reasons for Selection of Each Outside Officer

Outside Directors

Name	Independent Officer	Reasons for selection	No. of Board of Directors meetings attended (FY2020)	Important concurrent positions*1
Nobuhiko Yoshida	○	We have appointed him as an Independent Officer based on our determination that he would be able to perform his duties as an Outside Director appropriately from an independent perspective by utilizing his extensive experience and broad insight cultivated while serving as President and Representative Director and other positions at other companies. In addition, he fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	15/15	Director and Advisor, Japan Metal Roofing Association
Yoichi Takei	○	We have appointed him as an Independent Officer based on our determination that he would be able to perform his duties as an Outside Director appropriately from an independent perspective by utilizing his expertise as an attorney-at-law and higher viewpoint and broad experience cultivated while serving as an officer at other companies. In addition, he fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	11/12*2	Partner/attorney-at-law, Meitetsu Law Offices Outside Auditor, YAMAKIN (JAPAN) CO., LTD. Outside Director, NIPPON THOMPSON CO., LTD.
Yoshinobu Hiraishi	○	We have appointed him as an Independent Officer based on our determination that he would be able to perform his duties as an Outside Director appropriately from an independent perspective by utilizing his extensive experience, high-level expertise and broad insight cultivated while serving as a diplomat in various countries. In addition, he fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	—*3	Advisor, Asociacion Nippo Chilena
Haruko Ozeki	○	We have appointed her as an Independent Officer based on our determination that she would be able to perform her duties as an Outside Director appropriately from an independent perspective by utilizing her extensive experience, high-level expertise and broad insight cultivated while serving as the legal head and an officer at another company. In addition, she fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	—*3	—

Outside Audit & Supervisory Board Members

Name	Independent Officer	Reasons for selection	No. of Board of Directors meetings attended (FY2020)	Important concurrent positions*1
Yoichiro Yamakawa	○	We have appointed him as an Independent Officer based on our determination that he would be able to perform his duties as an Outside Audit & Supervisory Board Member appropriately from an independent perspective by utilizing his expertise as an attorney-at-law and extensive experience cultivated while serving as an officer at other companies. In addition, he fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	15/15	Partner/attorney-at-law, KOGA & PARTNERS
Takemi Nagasaka	○	He 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. We have appointed him as an Independent Officer based on our determination that he would be able to perform his duties as an Outside Audit & Supervisory Board Member appropriately from an independent perspective by utilizing his advanced knowledge of finance and accounting. In addition, he fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	15/15	Audit & Supervisory Board Member (Independent), Nabtesco Corporation Audit & Supervisory Board Member (Outside), SOLIZE Corporation
Kyoko Okada	○	We have appointed her as an Independent Officer based on our determination that she would be able to perform her duties as an Outside Audit & Supervisory Board Member appropriately from an independent perspective by utilizing her broad knowledge of CSR and corporate culture and extensive experience cultivated while serving as an Audit & Supervisory Board Member at other companies. In addition, she fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	12/12*2	Outside Audit & Supervisory Board Member, Subaru Corporation Outside Audit & Supervisory Board Member, Japan Consumer Credit Service

\*1: As of June 29, 2021 \*2: Appointed June 26, 2020 \*3: Appointed June 29, 2021

## Measures to Enhance the Effectiveness of the Board of Directors

To promote substantial, productive discussions at the Board of Directors meetings and to enhance the effectiveness of the Board of Directors, we will

continue to implement the measures indicated below, including providing information that will help Outside Officers deepen their understanding of our operations.

Measures	Frequency	Details
Holding briefing sessions for Outside Officers before the Board of Directors meetings	Once a month	We hold a briefing session for Outside Officers before the monthly meeting of the Board of Directors so that they can deepen their understanding of the discussion points, the background, purposes, etc. of the proposals to be presented at the meeting. By doing so, we strive to ensure time for a substantial discussion at the meeting.
Distributing materials for the Board of Directors meetings in advance and utilizing briefing materials	Once a month	We distribute the relevant materials before each meeting of the Board of Directors, and also utilize briefing materials that summarizes the overview, background, purposes, risk countermeasures, etc. of the proposals to be presented at the meeting. By doing so, we strive to ensure that the points of the proposals are understood clearly.
Ensuring that our Officers perform site inspections	A few times a year	We ensure that our Officers inspect manufacturing sites at our mills and other facilities a few times a year in order to help them deepen their understanding of our operations.
Holding information-exchange sessions between Outside Directors and Audit & Supervisory Board Members	Twice a year	We hold information-exchange sessions between our Outside Directors and Audit & Supervisory Board Members twice a year in order to ensure even closer cooperation between them.
Providing a wide variety of information for Outside Officers	At appropriate times	We share a wide variety of industrial reports, information on our IR efforts, etc. with our Outside Officers, thereby striving to help them deepen their understanding of industrial trends and our operations.

## Evaluation of the Effectiveness of the Board of Directors

Since 2016, we have been evaluating the effectiveness of the Board of Directors annually, in order to regularly examine whether the Board of Directors is functioning properly, and continue to identify issues and implement measures for improvement. With cooperation from an external organization, we conducted a self-evaluation questionnaire 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, we carried out an analysis and evaluation. The overview of the evaluation results is as follows.

### (1) Overview of the Evaluation Results

We evaluated the 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. As a result, we confirmed that the Board of Directors is largely functioning properly and that its effectiveness is sufficiently ensured.

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

The previous fiscal year's effectiveness evaluation of the Board of Directors revealed a need to review the composition of the Board of Directors. To address this issue, we revised the Executive Officer system effective April 1, 2021 and changed the structure of the Board of Directors effective June 29 of the same year for the purpose of clarifying the functions of the Board of Directors, which is engaged in decision making and supervision, and the Executive Officers, who are engaged in business execution. By doing so, we will speed up decision making and reinforce the supervisory function of the Board of Directors.

### Policy and Framework of IR Activities

At the Daio Paper Group, we follow our corporate motto "Passion with Sincerity" and carry out IR activities with a focus on making timely, appropriate and fair information disclosure to shareholders and investors and promoting sincere and proactive communication with them.

### (3) Points Evaluated as Requiring Further Improvement

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

In July 2016, we established the IR team to promote engagement (constructive dialogue) with shareholders and investors. We will continue to make efforts to explain our management policy and business conditions clearly and to reflect feedback from shareholders and investors in our corporate activities appropriately.

### Principal IR Activities Conducted in FY2020 (from April 2020 to March 2021)

Activities	Number of events	Details
One-on-one meetings with institutional investors	67 times	IR interviews and teleconferences with domestic and overseas analysts and institutional investors
Earnings and strategy briefing for analysts and institutional investors	6 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	4 times	Small meetings and one-on-one meetings with analysts and institutional investors at domestic and overseas investment conferences
Events for institutional investors	0 times*	Briefings and mill tours for institutional investors by persons in charge of IR
Events for individual investors	0 times*	Briefings for individual investors by persons in charge of IR

\*Not conducted due to the COVID-19 pandemic

**Skills Matrix** The table below shows the fields in which we expect our Directors to contribute significantly based on their respective insight and experience.

Name	Position	① Corporate management	② Corporate planning / M&A	③ Sales / marketing	④ Manufacturing / technology development	⑤ Finance / accounting	⑥ Personnel / HR development	⑦ Legal affairs / risk management	⑧ Overseas business / global experience
Masayoshi Sako	Chairman and Representative Director	●	●						●
Yorifusa Wakabayashi	President and Representative Director, Chief Executive Officer	●	●	●					
Toshihiro Adachi	Executive Vice President and Representative Director, Executive Vice President	●				●		●	
Kunihiro Okazaki	Executive Vice President and Representative Director, Executive Vice President	●		●			●		
Hiroshi Yamasaki	Director, Managing Executive Officer				●			●	●
Yukihiro Tanaka	Director, Managing Executive Officer		●				●	●	
Atsushi Ishida	Director, Managing Executive Officer	●	●	●					
Hiroyuki Shidara	Director, Managing Executive Officer	●		●					●
Nobuhiko Yoshida	Director (Outside)	●	●				●		
Yoichi Takei	Director (Outside)		●					●	
Yoshinobu Hiraishi	Director (Outside)							●	●
Haruko Ozeki	Director (Outside)	●						●	●

## Message from an Outside Director



### Nobuhiko Yoshida

Outside Director  
Chairman of the Nomination Committee  
Chairman of the Remuneration Committee  
Member of the Compliance Committee

## Ensuring that Operation of the Evolved Governance Structure Is Deeply Rooted under the New Management Structure with Passion and Sincerity Embraced as an Unchanging Value

### Q Tell us what you think about the features and challenges of Daio Paper's governance.

We have long inherited the founding spirit "Passion with sincerity leads to greatness" as an unchanging value, and this tenet has underpinned our governance for generations. In addition, the first of the four pillars of our management philosophy is "Dedication to manufacturing," which shows our emphasis on *genba* (actual location) and *genbutsu* (actual product), and this spirit is completely reflected in the operation of the Board of Directors. This organ comprises 12 Directors, including four Outside Directors, who make decisions on important matters and supervise the execution of the decisions. Moreover, Executive Officers and Business Groups or Department General Managers who are well-informed in the matters related to the proposals to be presented at the meetings are permitted to attend Board of Directors meetings to explain those proposals in detail. In particular, the Managing Executive Officers are obligated to attend the Board of Directors meetings, and although they are not entitled to vote, they are entitled to present proposals and explain them. This symbolizes our determination to ensure the sense of *genba* even at the Board of Directors. This, of course, does not mean that we intend to blindly adhere to our current reality as it is toward the future. We are pursuing governance that will make it possible for us to develop our ideas, beliefs, and readiness

for change, all based on deep insight of *genba*, into our future dreams and ideal visions.

Operated in a fair manner, both Inside and Outside Directors present their views without hesitation during the meetings of the Board of Directors. This April, we achieved a great evolution of our governance structure by, among other measures, reforming the Executive Officer system, reducing the number of Directors, and ensuring that Independent Directors constitute at least one third of the membership of the Board of Directors. I understand that I am expected to fulfill the role of making operation under the new structure take root deeply.

With this background, our challenge lies in how to increase diversity. This year, a female Outside Director has been newly appointed. Although we are striving to increase the percentage of female managers to 10.0%, the current reality is 2.2%, showing that there is a lot to be improved. It is said that diversity is correlated with innovative outcomes, because a diverse organization facilitates the birth of ideas and flashes of inspiration that are not observed in homogenous organizations. Considering our ongoing shift to the H&PC Business, which manufactures tissue, disposable baby diapers, feminine care products and other items, we believe that an increase in gender diversity is integral to our corporate growth.

### Q In April 2020, the Sustainability Committee was established. Tell us about the functions and roles expected to be played by the committee.

The Sustainability Committee is intended to formulate sustainable corporate strategies for the entire corporate

group in the aspects of the environment, society and governance and to enhance the group's corporate value

by solving social issues. Chaired by Executive Vice President Adachi, the committee comprises ten members, including the General Manager of the Production Division and Outside Directors. In addition, two Audit & Supervisory Board Members attend as observers. The committee is called on a monthly basis. Serving as the cornerstone of our corporate strategy, sustainability is an extremely crucial issue that will affect even the future direction that we should take for our business operations. We will incorporate the Sustainability

Vision, established this May, into each unit's medium to long term action plan. We expect that the Sustainability Vision will serve an important engine for introducing sustainability into the entire Group's management. Toward accomplishing our carbon neutrality target, we have already decided to shut down a coal-fired boiler at the Mishima Mill by 2030 and realize transition to another energy source. We will make efforts toward reducing GHG emissions not only at our mills but also throughout our supply chain, including logistics.

### Q Tell us about the roles played by the Nomination Committee in the change of the President that took place this fiscal year.

The roles and functions of the Nomination Committee and the Remuneration Committee are like the two sides of the same coin. I chair both committees, each of which comprises the same members. One of the important responsibilities of the Nomination Committee is to select successors. As an Outside Director, I closely oversee the selection process to confirm that the successors are not selected simply because they are convenient for the current President, and this oversight is an important responsibility. If we take a passive approach, however, we cannot present an alternative proposal, even if we have some objections. In this regard,

the Remuneration Committee conducts an annual interview with each Director to evaluate his/her performance. These interviews which continued for years served as an excellent foundation for the Nomination Committee to evaluate the candidate for the successor to the President. As the Nomination Committee, we were able to report back to the Board of Directors on the proposal of the candidate for the President, while following the necessary process and ensuring transparency and objectivity. I believe that this means that we managed to fulfill the committee's role.

### Q Did you consider the option of selecting a President from outside?

In the case of Daio Paper, where the founding spirit has been inherited and rooted deeply for generations, I personally feel that selecting a President from inside is appropriate in terms of employee satisfaction, unity, etc. At an interview with the Remuneration Committee, Chairman Sako (then, the President) said, "Our biggest responsibility lies in fostering a

next-generation leader," emphasizing to each member the importance of developing a successor. The fact that the new President was chosen from inside of Daio Paper is proof that Daio Paper has succeeded in their endeavor of developing a successor.

### Q Tell us about your expectations on the new management structure.

Four and half a years ago, when I was asked by Chairman Sako (then, the President) to evaluate 40 candidates for leaders, I directly interviewed President Wakabayashi (then, the Executive Officer and General Manager of the Paper Sales Division). After examining him based on various evaluation points, I left the following comments: "Demonstrating high self-awareness, his performance as a General Manager who leads and inspires his staff is perfect. As other companies continue to shrink or decline, I believe that we will eventually

bank on him to lead our paper business to a bright future." At the ceremony held this April to welcome new employees, the President told them not to be afraid of initiating reform for themselves in the changing environment, and to decide and act positively. I have great expectations for him, who will proceed with measures powerfully toward solving a wide variety of issues and realizing sustainable growth under the key phrase of "reform and endeavor."

### Q Do you have a message for stakeholders?

Chairman Sako frequently quotes this maxim by Yoshida Shoin: "A lack of dreams means a lack of ideals. A lack of ideals means a lack of plans. A lack of plans means a lack of implementation. A lack of implementation means a lack of success. Therefore, a lack of dreams means a lack of success." At this precise moment in our long history, the Daio Paper Group is pushing forward with a wide variety of measures toward accomplishing our fourth and fifth medium-term

business plans, and also our dreams and ideals awaiting us beyond the plans. We will also continue to reinforce our relationships with various stakeholders, such as shareholders, investors, employees, business partners, and members of local communities, so that those relationships become even more sound and positive. We would like to ask our stakeholders to continue on this journey forward together with us.