

*ENGLISH TRANSLATION FOR REFERENCE PURPOSE ONLY*

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## Basic Policy on Internal Control System

Established May 10, 2006  
Last Revised June 26, 2025

**Daio Paper Corporation**

The Company has resolved the following basic policy on the internal control system at the Board of Directors meeting. The Company continuously improves and strengthens the basic policy through constant review based on the actual operation of the policy.

1) Framework to ensure that the executions of duties by the Daio Group (“Group”)’s Directors and employees conforms to laws and regulations as well as the Articles of Incorporation

(1) The Board of Directors makes decisions on important management matters in accordance with the Rules for the Board of Directors, receives reports from Executive Directors on their respective performance of duties, and supervises individual Directors’ performance of duties.

(2) The Company clearly defines the decision-making authority and duties of Directors and employees by level of positions in its internal rules established by the Board of Directors, such as the Rules on Professional Duties and Authority, and the Rules for *Ringi* Decision-making, and ensures that Directors and employees properly perform their duties by properly applying these rules.

(3) The Company establishes internal rules designed to promote risk management and compliance, installs the Risk and Compliance Committee, and appoints a Director in charge of risk management and compliance to serve as the chair.

(4) Under the direction of the director in charge of risk and compliance, the Risk and Compliance Committee deliberates and determines policies and measures for the development of the Group’s compliance and risk management systems, as well as monitors and evaluates these systems, and report the results to the Board of Directors as necessary.

(5) The Risk and Compliance Committee establishes subcommittees as subordinate organizations as necessary, and the subcommittees report the progress of their initiatives to the Risk and Compliance Committee regularly.

(6) The Company complies with laws and regulations and takes responsible actions based on its ethical view.

i. In addition to the Daio Group Management Philosophy, the Company has established the Daio Group Code of Conduct and the Compliance Rules, setting forth the criteria and guidelines for acts and conduct expected of and specifically prohibited for officers and employees in order to realize the management philosophy. The Company makes continuous efforts to educate and raise awareness of directors, other officers, and employees within the Group in alignment with these criteria and guidelines.

ii. In evaluating the conduct of the Company’s Executive Directors, the Remuneration Committee seeks to build consensus with them on responsible conduct, having individual interviews when deemed necessary.

(7) The Group has established the Daio Group Corporate Ethics Hotline, a whistleblower system, with

outside lawyers serving as an external contact point and the Audit and Supervisory Committee Office as an internal contact point. The Company has also established operational rules, setting forth the obligation to report in the event of gaining knowledge of ethical issues, illegalities, etc. and providing for consideration to the privacy of whistleblowers and their protection from detrimental treatment. The Company strives to promote the use of the whistleblower system by making these rules known to all companies within the Group.

(8) The Company requires its subsidiaries that they comply with laws and regulations, and that they establish necessary rules, inform and educate the content thoroughly within the company, and fulfill their duties with a great sense of ethics.

(9) As a rule, the Company designates its officer or employee to serve as a part-time director or company auditor of a subsidiary to supervise the performance of duties by its representative and executive directors.

(10) The Company regularly provides information about compliance for our officers, employees, and officers of our subsidiaries and give compliance training.

2) Framework to save and manage information about the execution of duties by Directors at the Company  
The Company properly saves and manages critical information and documents about the execution of duties by Directors and management decision-making in accordance with the Internal Rules established for proper management of document data. Directors may access such information and documents as needed.

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

(1) The Risk and Compliance Committee establishes internal rules to promote risk management and identifies and assesses the risks that may have a serious effect on our business so that appropriate actions according to the severity of the risks are taken, thereby preventing these risks from becoming a reality. The Committee also deliberates on policies and measures to manage important risks, and provide a complete company-wide risk management structure based on decisions by the Board of Directors.

(2) The Company provides guidance, supervision, and support for its subsidiaries to identify and assess risks that may have a serious effect on the subsidiaries' business so that appropriate actions are taken to prevent materialization of those risks.

(3) The Group establishes The Crisis Management Rules and the Daio Group's BCM (Business Continuity Management) Basic Rules which specify our crisis management structure in preparation for natural disasters or any other emergencies that may cause a significant loss to the company. The Group ensures that all our officers and employees follow these Rules.

(4) In case of any unforeseen emergency, the Company follows the Crisis Management Rules and the

Daio Group's BCM (Business Continuity Management) Basic Rules to quickly set up an internal system according to the severity of the possible effect on the Group in order to minimize losses and continue and restore business operations, while identifying the cause and taking measures to prevent a recurrence.

(5) To fully conform to the internal control and reporting system pertaining to financial reporting that is based on the Financial Instruments and Exchange Act, the Group continues to develop and operate effective and efficient internal control and make necessary corrections, thereby ensuring the reliability and appropriateness of our financial reporting.

4) Framework to ensure that the Group's Directors efficiently execute their duties

(1) The Group has established the Rules on Division of Duties, the Rules on Professional Duties and Authority, and the Rules for *Ringi* Decision-making to clearly define the scope of responsibilities, duties, and authority of Directors and to ensure appropriate division of roles and collaboration among different units.

(2) For the purpose of expediting decision-making, improving management efficiency, and enhancing business execution functions, the Board of Directors, by its resolution, delegates decision-making authority on the execution of certain important business operations to individual Directors pursuant to the relevant law and the Company's Articles of Incorporation, while focusing its efforts on making important management decisions and supervising business execution. Likewise, the Management Meeting, composed of the management team members, makes decisions on matters delegated by the Board of Directors to better adapt to changes in the business environment.

(3) The Company has the executive officer system in place in order to make quick and courageous management decisions and establish a robust and flexible business execution structure by clearly defining the roles and responsibilities of the Board of Directors which makes decisions on critical management matters and supervises business execution, and Executive Officers. The Board of Directors and Executive Officers execute operations.

5) Framework to ensure appropriate operations across the Group

(1) The Company submits its subsidiaries' board meeting minutes to the heads of the Units at the Company that are responsible for these subsidiaries and the Internal Control Promotion Department.

(2) The Company establishes internal rules for appropriate management, supervision, and support of subsidiaries and affiliates which specify the matters that must be approved by or reported to the Company.

6) Matters regarding Directors and employees designated to assist the Company's Audit and Supervisory Committee with the execution of its duties; matters regarding their independence from Executive Directors

The Audit and Supervisory Committee Office has been established and staffed by employees to assist with the execution of its business. In making personnel decisions such as appointment and transfer of such staff employees, the Company will seek and respect the opinion of the committee.

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

Employees assigned to the Audit and Supervisory Committee Office work exclusively for the committee and are independent from the control of Directors (excluding those serving on the Audit and Supervisory Committee).

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

Directors and employees of Group companies regularly report to the Company's Audit and Supervisory Committee on the status of business execution, internal audit findings, and other material matters. In addition, in the event of gaining knowledge of any material facts concerning illegalities or other compliance issues, they are to promptly report to the Company's Audit and Supervisory Committee.

9) Framework for safeguarding reporters in the preceding item (i.e., whistleblowers) from being subjected to detrimental treatment for reporting

The Company prohibits subjecting a person within the Group to detrimental treatment for reporting to the Company's Audit and Supervisory Committee.

10) Matters regarding the procedures for advance and reimbursement payments to members of the Company's Audit and Supervisory Committee for expenses incurred in the performance of their duties (limited to the committee's duties) and the policy on payment of other expenses and payables incurred in association with the performance of such duties

The Company pays all expenses and payables incurred by members of the Audit and Supervisory Committee in connection with the performance of their duties, unless the Company proves that such expenses were unnecessary for the performance of their duties.

11) Other frameworks for ensuring the effectiveness of audits by the Company's Audit and Supervisory Committee

The Audit and Supervisory Committee has regular meetings with the Representative Director to exchange opinions on audit-related matters. The committee also works closely with the Internal Audit Department and units responsible for internal control to ensure the effectiveness of its audits.

#### Supplementary Provision

(Establishment, revision, and abolishment of the Basic Policy)

Article 1 The Board of Directors makes the final decision on the establishment, revision, and abolishment of the Basic Policy.