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## Corporate Governance Basic Policy

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**Daio Paper Corporation**

## Chapter 1 General Provisions

### Article 1 Purpose

This Basic Policy sets forth basic guidelines for the corporate governance of the Daio Group (hereinafter referred to as the “Group”) for the purpose of establishing effective corporate governance, under the following Corporate Motto, Management Philosophy, and Purpose to ensure sustainable growth and enhance corporate value over the medium to long term.

#### <Corporate Motto>

Passion with Sincerity

#### <Management Philosophy>

Shaping an Abundant and Affable Future for the World

“Dedicated” Dedication to manufacturing

Our dedication to society and local communities drives us to innovate and deliver new value born from attention to regions, resources, and realizations.

“Attentive” Bonds with local communities

Our attention to individual cultures and regions drives us to contribute and work in harmony with local communities, demonstrating our standing as good corporate citizens.

“Integrated” Corporate culture providing safety and motivation to work

We will strive to maintain a diverse and friendly corporate culture that offers new challenges and a sense of security and trust to employees.

“Organic” Contribution to the global environment

We will actively work to grow organically, solving environmental problems and realizing a sustainable society for the world over.

#### <Purpose>

Achieving three well-beings (hygiene, life, and regeneration) through “passion with sincerity” to realize our management philosophy of “shaping an abundant and affable future for the world.”

“Hygiene”

We will protect people’s physical well-being and realize inclusive society in every community.

“Life”

We will enhance people’s quality of life (QOL) by offering lifestyle-enhancing services.

“Regeneration”

We will make active efforts to conserve the environment to restore the earth into a planet with abundant nature where diverse organisms coexist and thrive.

### Article 2 Basic Approach to Corporate Governance

The Group promotes sustainability management based on its management philosophy “Shaping an Abundant and Affable Future for the World” to realize sustainable creation of values for all stakeholders and society as a whole.

In this context, the Group considers corporate governance as a mechanism to realize sustainable growth and the enhancement of corporate value over medium- to long-term and as ensuring the functioning of the mechanism, by clarifying the role and responsibility of “the decision making and supervisory functions” and “the business execution function” of the management and promoting swift and flexible decision-making and implementation.

Amid the rapidly changing business environment, the Group has been working on reforms for achieving medium- to long-term sustainable growth such as business portfolio reform and speeding

up global expansion by constantly adapting to the changing times and with foresight. At the same time, the Group will further enhance governance of management in line with the basic principles stated below with a right balance between offense and defense through initiatives, such as improvements in organizational structure to manage risks that are becoming increasingly complex and diverse, along with the expansion of overseas business and changes in society.

- (1) We honor the rights of shareholders and make efforts to provide an environment in which shareholders can properly exercise their rights and to ensure substantial equality among shareholders.
- (2) We acknowledge the importance of social responsibility and ensure appropriate collaboration with various stakeholders, including shareholders, customers, business partners, employees, and local communities, thereby engaging in sound business activities.
- (3) We ensure timely and appropriate disclosure of corporate information, including non-financial information, to be correctly understood and trusted by various stakeholders.
- (4) The Board of Directors provides highly effective supervision over Directors based on our fiduciary duty and accountability to shareholders.
- (5) We have beneficial and constructive dialogue to all shareholders as part of our efforts to achieve sustainable growth and increase our medium- to long-term corporate value.

## Chapter 2 Corporate Governance Structure at Daio Paper

### Article 3 Overview of the Corporate Governance Structure of the Company

The Company is incorporated as a company with an audit and supervisory committee. As such, the Board of Directors makes important management decisions and oversees business execution, with their performance of duties audited by the Audit and Supervisory Committee, a body independent from the Board of Directors. For the purpose of expediting decision-making, improving management efficiency, and enhancing business execution functions, the Board of Directors, by its resolution, delegates certain decisions on the execution of important business operations to an executive director serving as an executive officer, pursuant to the relevant law and the Company's Articles of Incorporation. For other business operations, the Management Meeting, which consists of the management team members (i.e. Executive Directors and Delegated Executive Officers), makes decisions on matters delegated by the Board of Directors. The Company also has an executive officer system in place to enable swift and resolute decision-making in business management and establish an agile and robust system for business execution toward achieving greater corporate value, by clearly defining the roles and responsibilities of the Board of Directors, a body responsible for making important management decisions, and Executive Officers who are responsible for executing business operations.

The Company is working to strengthen Group-wide corporate governance and compliance, ensuring objectivity and transparency in management by establishing the following non-mandatory committees: the Nomination Committee, which is responsible for deliberating and making recommendations to the Board of Directors on matters related to the nomination, election, and dismissal of Executive Directors and Delegated Executive Officers; and the Remuneration Committee, which is responsible for deliberating and making recommendations to the Board of Directors on a remuneration policy for the Company's Executive Directors and Delegated Executive Officers, as well as for evaluating their individual performance and determining the amount of remuneration for each in accordance with the remuneration policy resolved by the Board of Directors.

In addition, the Company has the following committees in place: the Risk and Compliance Committee, which deliberates on comprehensive risk identification and assessment, centralized response management, and response measures according to the severity of risks; the Sustainability Committee, which deliberates on sustainability initiatives; the Human Resources Strategy Committee, which is responsible for developing a basic policy on human resources strategies, setting priority issues, and advancing efforts to address them; and the Investment and Loan Committee, which deliberates on important investment and loan projects for the Group to assess the success probability

of each plan and the appropriateness based on the cost of capital and risks involved, with the aim of increasing the impact of investments.

#### Article 4 Roles of the Board of Directors

1. The Board of Directors is responsible for supervising the overall management of business, including the performance of duties by the management team, to ensure the fairness and transparency of management. It also acts on behalf of the Company in making decisions on the execution of important business operations. Provided, however, that the Board of Directors, by its resolution, delegates certain decisions on the execution of important business operations to an executive director serving as an executive officer, pursuant to the relevant law and the Company's Articles of Incorporation.
2. With respect to business operations other than those important business operations referred to in the preceding paragraph, the Board of Directors delegates the authority for their execution and decision-making thereon to lower-level meeting bodies, including the Management Meeting, and the officers in charge, and supervises the performance of duties by those meeting bodies and officers.
3. Directors supervise the management team from the viewpoint of stakeholders in order to ensure the sustainable growth of the Group and enhance corporate value over the medium to long term.
4. Given the importance of issues related to sustainability, the Board of Directors sets out the "DAIO Global Environment Charter," which is the basic policy on social responsibility that the companies across the Group should fulfill to protect the global environment, thereby raising officers' and employees' awareness. The Board of Directors works to help with the sustainable development of society and continue increasing the Group's corporate value by actively launching initiatives, with giving due consideration to stakeholders, to resolve the issues, based on the discussions at the Sustainability Committee.

#### Article 5 Composition of the Board of Directors

1. The Company's Articles of Incorporation set the number of Directors (excluding those on the Audit and Supervisory Committee) at no more than 15, and that of Directors serving on the Audit and Supervisory Committee at no more than five. As a matter of basic policy, the composition of the Board of Directors is determined within these limits but to ensure that the Board has a necessary and appropriate number of Directors to enable effective business management and substantive Board discussion, with due consideration given to ensuring the Board's diversity and expertise.
2. Considering the importance of Outside Directors' functions in corporate governance, one-third or more of the members of the Board of Directors shall be independent Outside Directors.
3. The Company selects Board of Directors candidates so that the Board of Directors will be evenly balanced between human resources capable of leveraging their strengths for the Group's business operation in a wide range of business areas and those who are suited for business management. The Company ensures that the Board of Directors as a whole has a good balance of knowledge, experience, and skills, along with diversity, that are suitable for the Group's business areas.

#### Article 6 Procedures for the Nomination and Dismissal of Directors not on the Audit and Supervisory Committee

1. Candidates for the Company's Board of Directors (excluding those designated to serve on the Audit and Supervisory Committee) shall be selected from a broad range of human resources with diverse backgrounds in accordance with the nomination guidelines set forth below, and determined by a resolution of the Board of Directors. In determining the candidates, the Board of Directors shall seek and receive the opinion of the Nomination Committee, on which independent Outside Directors constitute a majority with one of them serving as the chair.
  - (1) A person who has extensive knowledge and experience related to the Group's business management and operation.
  - (2) A person who will understand social responsibility and missions in operations and will be

capable of managing and operating business with fairness and accuracy based on high ethical standards.

2. Notwithstanding the preceding paragraph, independent Outside Director candidates for the Company's Board of Directors (excluding those designated to serve on the Audit and Supervisory Committee) shall be selected from a broad range of human resources with diverse backgrounds in accordance with the nomination guidelines set forth below, and determined by a resolution of the Board of Directors.
  - (1) A person who meets the Company's criteria for determining independence and have no risk of causing any conflict of interest with general shareholders.
  - (2) A person who understands the Management Philosophy and Purpose of the Company and has a good understanding of the social responsibility and role of the Group.
  - (3) A person who is fully aware of his or her role as an Outside Director and be capable of supervising business execution and management by the Directors and of providing accurate and appropriate opinions and advice, applying his or her knowledge of and activities in the fields of corporate management, the economy, legal affairs, accounting, tax, and audits, among others.
3. If a Director (excluding those designated to serve on the Audit and Supervisory Committee) is found to have violated law or if any event occurs that makes it difficult for the Director to properly perform his/her duties, the Board of Directors shall deliberate on and determine the action to be taken, possibly his/her dismissal from the position, or the submission of a dismissal proposal to the General Meeting of Shareholders. In doing so, the Board of Directors shall seek and receive the opinion of the Nomination Committee.
4. The Board of Directors shall supervise the training of successors to such a post as Representative Director, President and Chief Executive Officer, based on reporting by the Nomination Committee, taking account of our Management Philosophy and management strategies.

#### Article 7 Procedure for the Nomination of Directors Designated to Serve on the Audit and Supervisory Committee

1. Candidates for the Company's Board of Directors to serve on the Audit and Supervisory Committee shall be selected from a broad range of human resources with diverse backgrounds in accordance with the nomination guidelines set forth below, and determined by a resolution of the Board of Directors with approval from the Audit and Supervisory Committee.
  - (1) A person who has extensive knowledge and experience related to the Group's business management and operation.
  - (2) A person who is capable of auditing the business execution by Directors from a fair and objective standpoint, and of contributing to more sound and transparent management.
2. Notwithstanding the preceding paragraph, independent Outside Director candidates for the Company's Board of Directors to serve on the Audit and Supervisory Committee shall be selected from a broad range of human resources with diverse backgrounds in accordance with the nomination guidelines set forth below, and determined by a resolution of the Board of Directors with approval of the Audit and Supervisory Committee.
  - (1) A person who meets the criteria for determining independence that are specified by financial instruments exchanges, and have no risk of causing any conflict of interest with general shareholders.
  - (2) A person who understands the Company's Management Philosophy and fully understands the Group's social responsibility and role.
  - (3) A person who has a good understanding of the role of an independent Outside Director serving on the Audit and Supervisory Committee and the ability to audit, from a neutral and objective point of view, the execution of business by other Directors by applying his/her knowledge of and experience in the fields of corporate management, economics, legal affairs, accounting, tax affairs, auditing, etc., and thereby is able to contribute to improving the integrity and transparency of management.

#### Article 8 Policy regarding Training of Directors

1. The Company collects and provides information about the economic outlook, industry trends, legal compliance, corporate governance, finance and accounting, and other relevant matters that its Directors and Audit and Supervisory Board Members need to fulfill their roles and functions, thereby assisting the Directors and Audit and Supervisory Board Members with the performance of their duties.
2. After they assume their posts, the Company's Outside Directors and Outside Audit and Supervisory Board Members are briefed on and gain a full understanding of the Group's management strategies and management plans, the status of the Group's businesses, the business environment surrounding the Group, and the Group's management issues, among others, by the departments or officers in charge in a timely fashion to fulfill their roles and functions.

#### Article 9 Establishment of Non-mandatory Committees

1. With the aim of providing greater objectivity and transparency to the process of nomination, election, dismissal, etc. of Directors (excluding those designated to serve or serving on the Audit and Supervisory Committee), the Company shall establish the Nomination Committee, an advisory body to the Board of Directors, on which independent Outside Directors constitute a majority with one of them serving as the chair.
2. With the aim of providing greater objectivity and transparency to the process of determining remuneration for Directors (excluding those serving on the Audit and Supervisory Committee), the Company shall establish the Remuneration Committee, on which independent Outside Directors constitute a majority with one of them serving as the chair.
3. In order to further strengthen the Group-wide risk management and compliance capabilities, the Company shall establish the Risk and Compliance Committee to further strengthen the Group-wide risk management and compliance capabilities.
4. The Company shall establish the Sustainability Committee in order to map out its sustainability strategies (i.e., sustainable corporate strategies that are workable for the environment, society, and corporate governance) so that it will continue to work toward the solution of issues facing society and to increase its corporate value through business activities.
5. The Company shall establish the Human Resources Strategy Committee to promote human capital management, developing strategies for Group-wide initiatives to secure and foster human resources, promote diversity, equity, and inclusion (DE&I) in the workplace, and create a positive organizational climate.
6. The Company shall establish the Investment and Loan Committee to prioritize investment and loan projects in accordance with medium-to long-term management policy and to facilitate rational investment decisions through sufficient deliberation on the probability of investment and loan plans.

#### Article 10 Nomination Committee

1. Upon request from the Board of Directors, the Nomination Committee provides its opinion on the nomination, election, dismissal of the Company's Executive Directors and Delegated Executive Officers, in accordance with the nomination guidelines specified in Article 6.
2. The Nomination Committee shall be chaired by an independent Outside Director, and more than half of its members shall be independent Outside Directors.

#### Article 11 Remuneration Committee

1. Upon request from the Board of Directors, the Remuneration Committee provides its opinion on the guidelines for determining remuneration for the Company's Executive Directors and Delegated Executive Officers.
2. The Remuneration Committee finalizes the evaluation of and remuneration for each of these persons according to the policy on remuneration resolved by the Board of Directors.
3. The Remuneration Committee shall be chaired by an independent Outside Director, and more than half of its members shall be independent Outside Directors.

#### Article 12 Risk and Compliance Committee

1. The Risk and Compliance Committee deliberates the consolidated management of comprehensively identified and assessed risks, coupled with countermeasures, and measures based on the severity of each risk.
2. The Risk and Compliance Committee shall be chaired by the Director in charge of risk and compliance, comprised mainly of other officers, and attended by Outside Directors and Directors serving on the Audit and Supervisory Committee, and General Manager of Internal Audit Department, as observers.

#### Article 13 Sustainability Committee

1. The Sustainability Committee deliberates sustainability-related materiality (material issues), along with goals, commitments, and initiatives that center on materiality.
2. The Sustainability Committee shall be chaired by a Representative Director, composed mainly of other officers, and attended by Outside Directors and Directors serving on the Audit and Supervisory Committee as observers.

#### Article 14 Human Resources Strategy Committee

1. The Human Resources Strategy Committee develops the Company's basic policy on human resources strategies, sets priority issues, and advance efforts to address them.
2. The Human Resources Strategy Committee shall be chaired by an Executive Officer in charge of human resources, composed mainly of Directors and other officers, and attended by Outside Directors and Directors serving on the Audit and Supervisory Committee as observers.

#### Article 15 Investment and Loan Committee

1. The Investment and Loan Committee sets a priority order among the Group's key investment and loan projects in line with the medium- to long-term policy from a financial management viewpoint that takes capital costs into account, develops investment and loan plans, and conducts post-project evaluations to assess the impact of investments.
2. The Investment and Loan Committee establishes and reviews criteria for withdrawal from existing businesses, and conducts deliberations, etc., on restructuring or withdrawal from businesses that fall under the above criteria.
3. The Investment and Loan Committee shall be chaired by a Representative Director, composed of Managing Executive Officers serving on the Board of Directors and other members designated by the chair, and attended by Outside Directors and Directors serving on the Audit and Supervisory Committee as observers.

### Chapter 3 Actions to Protect the Interests of Stakeholders

#### Article 16 Monitoring System for Transactions between Related Parties

If the Group plans to conduct any transaction with related parties including its officers and major shareholders, or any other transaction that may cause a conflict of interest with the Group's related parties, the plan for the transaction shall be submitted to the Board of Directors in advance for approval and the outcome of the transaction shall be reported to the Board of Directors in order to prevent the transaction from damaging the interests of the Group and its stakeholders. When this occurs, any Director who would be involved in the conflict of interest shall not participate in the deliberation by the Board of Directors.

#### Article 17 Policy on Cross-shareholdings

1. The Company owns shares in its business partners and other entities as cross-held shares if doing

so will help increase the Group's medium- to long-term corporate value in terms of business development and expansion as well as sustainable growth, thereby building and maintaining cooperative relationships with various companies.

2. At its Board meeting held annually in May, the Company regularly examines the rationality and necessity of continuing to own the cross-held shares acquired pursuant to the preceding paragraph. The Board of Directors discusses the matter from a medium- to long-term perspective, considering the weighted average cost of capital (WACC) and return on assets (ROA). If the Board of Directors decides that cross-holding is no longer appropriate, the Company will consider reducing the shares based on dialogue and negotiation with relevant business partners.
3. When the exercise of voting rights pertaining to cross-held shares is proposed, the Company carefully reviews the proposal to consider the impact on the financial soundness of the issuer, whether the exercise will help increase the issuer's medium- to long-term corporate value as well as shareholder value, and all other aspects, before deciding whether to exercise the rights or not.
4. If a shareholder of the cross-shareholdings indicates to sell the shares in the Company, the Company will not interrupt the sale by suggesting to reduce transactions or other means.

#### Article 18 Corporate Ethics Hotline System

For the purpose of enabling early detection and spontaneous self-correction in the event of illegal or fraudulent conduct committed individually or correctively within the Group, and thereby safeguarding public trust, the Company shall establish a Corporate Ethics Hotline, through which all officers and employees can report any such behavior directly to the Audit and Supervisory Committee or an external law firm.

### Chapter 4 Ensuring Appropriate Information Disclosure and Transparency

#### Article 19 Policy on Information Disclosure

The Group shall comply with applicable laws and regulations, including the Financial Instruments and Exchange Act, and rules set by the Tokyo Stock Exchange, and ensure timely, appropriate, and fair disclosure of information. In addition, the Group shall, to the extent possible, provide prompt and accurate information on matters not subject to mandatory disclosure under the laws, regulations, or rules, when such information is deemed to be beneficial to stakeholders, leading to a better understanding of the Group.

### Chapter 5 Dialogue with Stakeholders

#### Article 20 Policy on Constructive Dialogue with Stakeholders

1. The Company values dialogue with stakeholders. It actively works to have constructive dialogue that is beneficial to all stakeholders on various occasions.
2. The Company makes efforts to have its management policy properly understood by stakeholders through constructive dialogue, and strives to ensure sustainable growth and enhance corporate value over the medium to long term.

#### 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.

## &lt;Independence Standards of Independent Outside Directors&gt;

To select independent Outside Director candidates, the Company considers the following requirements to determine whether each candidate has the required independence.

1. An independent Outside Director has no vital interests in the Group and is able to ensure his or her full independence.

More specifically, an independent Outside Director shall fall under none of the following:

- 1) A person for whom the Company is a major business partner, or an executive thereof; the Company's major business partner or an executive thereof
- 2) A consultant, accountant, or legal expert who has received a large amount of money or any other assets other than an officer's remuneration from the Company (or, if the person who has received those assets is a group such as a corporation or union, a person who belongs to the group)
- 3) An executive of the Company's major shareholder (a non-executive director also counts as an executive)
- 4) A person who fell under 1) to 3) above in the recent past
- 5) A close relative of any of the persons stated in a. to c. below (excluding those who are unimportant):
  - a. A person stated in any of 1) to 4) above
  - b. An executive of the Company's subsidiary
  - c. A person who fell under b. above or who was an executive of the Company in the recent past.

End