

Value Creation Promotion Structure: Directors, Audit & Supervisory Board Members, and Executive Officers

Representative Directors



President and Representative Director
Masayoshi Sako



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



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



Director (Outside)
Nobuhiko Yoshida



Director (Outside)
Tetsuo Kitagawa



Director (Outside)
Mizue Unno

Directors



Director and Managing Executive Officer
Takashi Ono
Responsible for Production Unit; General Manager of Production Division



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



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



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



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



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



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



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



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



Director
Hiroyuki Fujita
General Manager of Newsprint and Paper Business Group, Paper & Paperboard Unit

Audit & Supervisory Board Members



Audit & Supervisory Board Member
Yasushi Nishikawa



Audit & Supervisory Board Member
Masashi Yano



Audit & Supervisory Board Member (Outside)
Yoichiro Yamakawa



Audit & Supervisory Board Member (Outside)
Yoshinobu Shimizu



Audit & Supervisory Board Member (Outside)
Takemi Nagasaka

Executive Officers

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

Corporate Governance Structure

Initiatives for Strengthening the Corporate Governance Structure

Daio Paper works toward strengthening its corporate governance based on the Corporate Governance Guidelines established in October 2015 and revised in December 2018, with the aim of becoming a company that is trusted by our shareholders and other stakeholders.

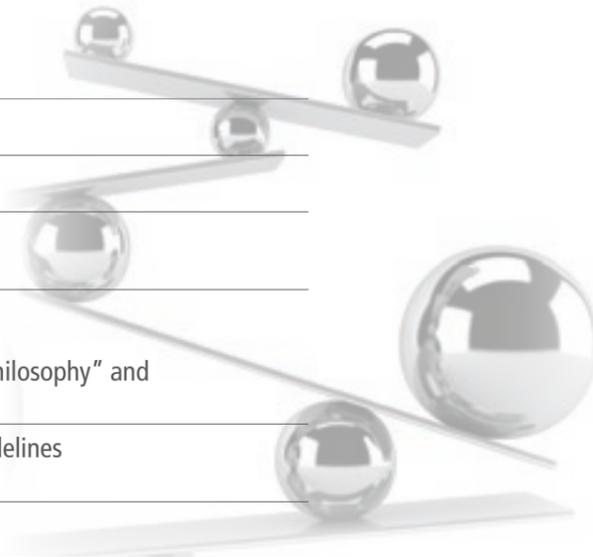
Basic Policy on Corporate Governance

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

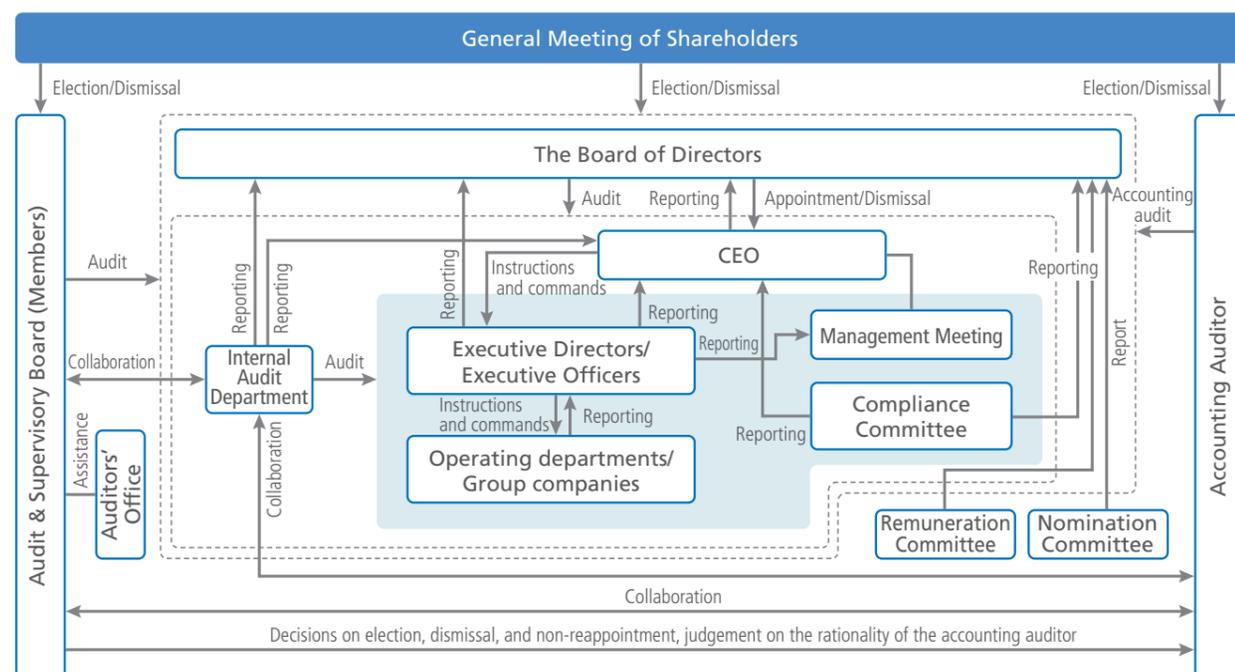
management issues as we strive to contribute to the development of a lively lifestyle, culture, and industry for society as a full-range papermaking company group that is trusted by all stakeholders including shareholders, business partners, employees, and residents of local communities.

Key measures implemented to strengthen corporate governance

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



Corporate Governance Structure (As of September 1, 2019)



Roles of the Board of Directors

The roles of the Board of Directors are to oversee the performance of duties by the management and the formulation of management strategy, etc. to ensure the fairness and transparency of management, and to make decisions on the execution of important business matters in accordance with laws and regulations and the Articles of Incorporation.

In addition, the Board of Directors delegates authority to lower-level meetings, such as the Management Meeting, and to the Directors and Officers in charge of each business operation. Accordingly, the

Board of Directors oversees the status of such meetings and the performance of duties by the Directors and Officers, etc.

Outside Directors, employing their respective experience and knowledge, oversee business execution by the Board of Directors and each Director and monitor conflicts of interest between the Company and each Director from the viewpoint of stakeholders, in order to ensure the sustainable growth of the Group and increase its corporate value over the medium to long term.

Evaluation of the Effectiveness of the Board of Directors

Since 2016, Daio Paper has been evaluating the effectiveness of the Board of Directors annually, with the aim of regularly examining whether the Board of Directors is functioning properly, and continuously identify issues and implement measures for improvement based on the results thereof. In 2018, continuing from the previous year, with the cooperation of an external organization, the Company conducted a self-evaluation targeted at all Directors and Audit & Supervisory Board Members regarding the composition and operation of the Board of Directors. Using the results of the questionnaire collected and tabulated by the external organization, it carried out an analysis and evaluation. An overview of the evaluation results is as follows.

Overview of the evaluation results of the effectiveness of the Board of Directors for FY2018

The Company has confirmed that its Board of Directors is largely functioning properly in terms of its composition, operation, strategy and execution, monitoring of business performance, support system for Directors and Audit & Supervisory Board Members, training for officers, dialogue with shareholders (investors), Directors' self-initiated execution of business, development plan and remuneration for the management team; and that its effectiveness is sufficiently ensured.

Efforts to address issues identified in the effectiveness evaluation of the Board of Directors

The effectiveness evaluation of the Board of Directors for FY2018 identified the issue of further acquisition of knowledge necessary for execution of duties. The Company endeavored to enhance the knowledge of its officers to enable more focused and effective deliberation on agenda items at Board meetings through holding workshops instructed by external experts and providing e-learning programs aimed at officers, etc. The Company will continue to make efforts to provide its officers means to further expand their range of knowledge.

Points evaluated as requiring further improvement

There were comments on this year's questionnaire that the Board of Directors needs to further enhance discussions on the Company's development plan to nurture future executive leadership candidates and an appropriate remuneration system with incentive pay linked to medium- and long-term performance. Therefore, we will recognize and share these issues and hold discussions going forward. The Company will continue to work to enhance the effectiveness of the Board of Directors by examining and implementing improvement measures for issues identified in the effectiveness evaluation of the Board of Directors.

Roles of the Audit & Supervisory Board

The Audit & Supervisory Board comprises five members, including three Outside Audit & Supervisory Board Members. It investigates the condition of the internal control system through business audits and accounting audits, in close cooperation with the internal audit division and Accounting Auditor, based on an audit plan determined by the Audit & Supervisory Board, in order to strengthen and enhance its management check function.

Outside Audit & Supervisory Board Members are appointed from among certified public accountants and lawyers who have expertise in corporate accounting and corporate laws as well as high-level insights and experience of corporate management, and they audit decision-making by the Board of Directors and the performance of duties by Directors from an objective and fair position.

2. Internal Audit

To ensure that the corporate governance framework of the entire Group is in order, the Internal Audit Department conducts on-site field audits and paper audits, etc. for each of the Company's operating departments, as well as domestic and overseas Group companies. These are conducted from the viewpoint of operational execution process, compliance, and risk management, etc., based on the annual audit plan approved by the Board of Directors.

Audit Framework

1. Audit by Audit & Supervisory Board Members

Audit & Supervisory Board Members attend Board of Directors meetings and other major meetings, and investigate the status of the Company's operations and financial standing, in order to audit the legality and appropriateness of the performance of duties by Directors.

Corporate Governance Structure

Compliance Framework

The Compliance Committee leads initiatives to identify risks and implement concrete risk control measures that are appropriate for different types of risk, and ensure that the Group's operations comply with laws and regulations, etc. by conducting compliance training for all employees across the Group.

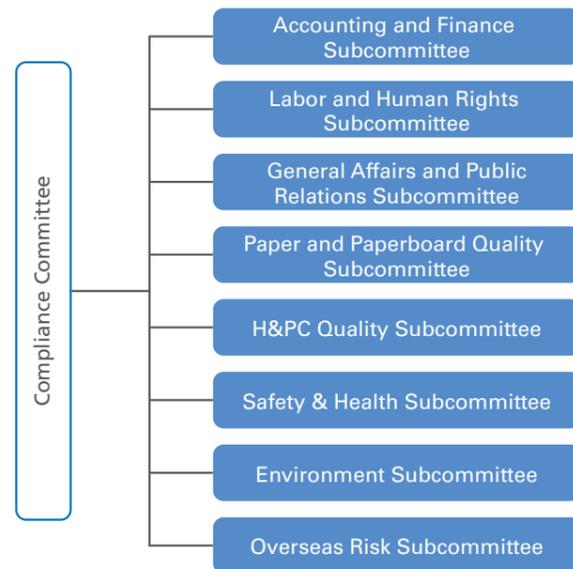
Initiatives to Strengthen Compliance

Daio Paper has established a compliance framework whereby the Compliance Committee implements unified management of risk control measures and deliberates and makes decisions on risk control measures that are appropriate for different levels of risk, with the objectives of strengthening and maintaining risk management and compliance.

The Compliance Committee, which deliberates on the risk management framework of the Daio Paper Group, is chaired by the Director responsible for Compliance, and comprises nine officers and employees of the Company, including all three Outside Directors.

The Compliance Committee has eight subordinate organizations. These subcommittees discuss, make decisions on and promote the implementation of concrete risk control measures that are appropriate for different types of risk, thus establishing a highly effective risk management structure.

Organization Chart of the Compliance Framework



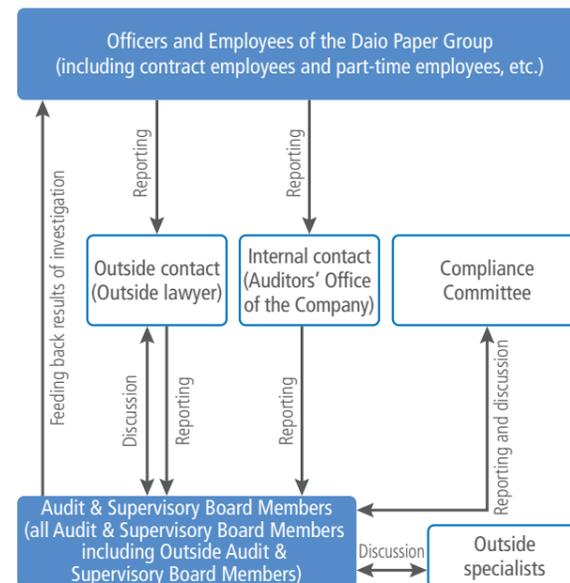
Implementation of a Whistle-Blowing System (Corporate Ethics Hotline)

The Daio Paper Group has established the Corporate Ethics Hotline, a point of contact for whistle-blowing. In addition, to promote the use of the whistle-blowing system, we established enforcement rules that obligate whistle-blowing when employees become aware of unlawful acts and situations, ensure the confidentiality of whistle-blowers, and protect whistle-blowers from disadvantageous treatment, and informed all employees across the Group of these rules.

The point of contact for whistle-blowing is the Auditors' Office (internal contact), whose staff assist Audit & Supervisory Board Members, and an outside lawyer (outside contact). This framework makes it easier for an employee to report illegal and other misconduct concerning top-level executives and administrative departments.

With regard to the cases that are reported, the Audit & Supervisory Board Members will lead the investigation of the reported issues, and request the relevant departments to take necessary corrective measures.

Schematic Diagram of Corporate Ethics Hotline



Responsibilities to Shareholders and Investors

Policy and Framework of IR Activities

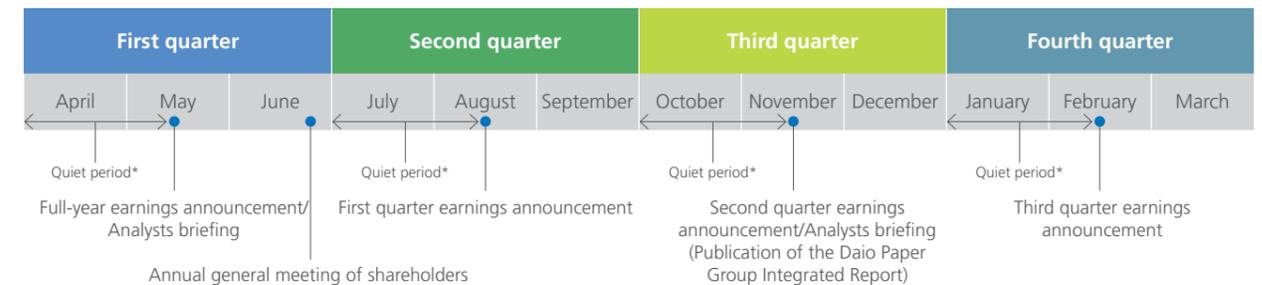
Guided by the "Passion with Sincerity" corporate motto, the Daio Paper Group is committed to making timely, appropriate and fair information disclosure, as well as to promoting sincere and proactive communication with shareholders and investors through its IR activities.

The Company established the IR team in July 2016 to promote engagement (constructive dialogue) with shareholders and investors. Daio Paper will continue to make an effort to explain its management policy and business conditions clearly, and to reflect feedback from shareholders and investors in its corporate activities appropriately.

Principal IR Activities Conducted in FY2018 (from April 2018 to March 2019)

Activities	Number of events	Details
One-on-one meetings with institutional investors	93 times	IR interviews and teleconferences with domestic and overseas analysts and institutional investors
Earnings and management strategy briefing for analysts and institutional investors	Twice	Briefings with the President and Director-in-charge as the main speakers held after the second and fourth quarters
Overseas IR roadshows	Once	Meetings with overseas investors (Europe and the U.S.) by persons in charge of IR and Corporate Planning
Events organized by securities companies	8 times	Small meetings and one-on-one meetings with analysts and institutional investors at domestic and overseas investment conferences
Company briefings for individual investors	Twice	Briefings for individual investors by persons in charge of IR

IR Calendar



*Quiet period: In order to prevent leakage of earnings information and ensure fairness, the Company, in principle, will observe a quiet period, beginning the day following the end of each quarterly accounting period and ending on the date of announcement of financial results for the said quarterly accounting period. During this period, we will not comment or answer questions regarding financial results and earnings outlook.

Information Disclosure Policy

The Company proactively utilizes various information disclosure tools, such as press releases and information posting on our corporate website, to ensure that financial information such as earnings, and non-financial information such as corporate strategy, risks and corporate governance, are disclosed timely and fairly to all stakeholders.



For details, please visit the "IR Information" page on our website.
<https://www.daio-paper.co.jp/en/ir/index.html>

Message from Outside Director



Nobuhiko Yoshida

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

Corporate Governance of the Daio Paper Group

I believe corporate governance is a framework that allows a company to reinforce its strengths and complement its weaknesses, enabling it to straighten itself out, widely earn the trust of stakeholders, and enhance its corporate value.

In other words, corporate governance is a framework and activity that serves as the foundation for the company to achieve sustainable growth.

The main pillars of the Company's current corporate governance framework were rebuilt in the course of implementing the First Medium-Term Business Plan "Restart—Solid Reform and Further Growth" spanning FY2012 to FY2014. Since then, Daio Paper has implemented additional measures and new initiatives. At the same time, Daio Paper has continued to tackle challenges, achieving robust growth and evolution. Its business has expanded from net sales of ¥407.3 billion in FY2012 to ¥533.9 billion

in FY2018. I believe this was the result of the proper manifestation and embodiment of the underlying corporate motto of the Company, "Passion with Sincerity," made possible through the improvement of corporate governance.

At the outset, I mentioned that corporate governance is the foundation for the company to achieve sustainable growth. This means that corporate governance of Daio Paper must be ensured through the commitment of all its employees.

For example, at the monthly meeting of the Compliance Committee, we deliberate on various issues regarding risk management and compliance of the entire Group, and decide on and implement countermeasures to cultivate a sound corporate culture and to ultimately achieve the future vision of the Group. The Compliance Committee receives raw information from its eight subcommittees, which are frontline organizations.

I think enrichment of the whistle-blowing system, which was established before the implementation of

the First Medium-Term Business Plan, is also ultimately underpinning sustainable growth of Daio Paper through its contribution to creation of safe workplaces.

As the Tokyo Stock Exchange defines corporate governance as "a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of shareholders and also customers, employees and local communities," disclosure of accurate corporate information to stakeholders is extremely important. The Timely Disclosure Committee along with the IR team, which was established in July 2016, are becoming increasingly important.

Currently, I serve as the Chairman of the Remuneration Committee and of the Nomination Committee. At the meeting of the Remuneration Committee, we consider and decide the officers' remuneration structure and the actual amounts of remuneration of individual officers. At this year's General Meeting of Shareholders, the introduction of a stock-based incentive system for full-time directors and executive officers was decided. The Nomination Committee was established recently to deliberate on proposals for nomination of officers and submit nomination proposals to the Board of Directors. We would like to examine how to optimize the nomination process so that it is transparent and also appropriate for the Company.

The Board of Directors meeting is at the core of the corporate governance framework. To enable a

thorough examination of each matter proposed and facilitate discussions on those based on deep insights, the Outside Directors and Outside Audit & Supervisory Board Members hold a preliminary briefing and review meeting prior to each Board of Directors meeting. The purpose of the briefing and review meeting is to identify and organize information such as the essence and concept of each matter proposed in advance, in order to point out or give advice on matters on the agenda to raise the level of discussion and improve the efficiency of the Board of Directors.

Amid the toughest business environment the Company has ever experienced, Daio Paper is taking a step forward and implementing an even more radical structural reform and growth strategy under the theme of "Move on: Reform and Soar Above," toward achieving net sales of ¥615.0 billion and operating profit of ¥32.0 billion in FY2020. The Company has also set its sights on further expanding net sales to ¥800 to ¥1,000 billion and operating profit margin to 10% in the future, and to that end, it is necessary for the Company to pursue a sound corporate governance framework in line with those goals.

I believe it is our responsibility to endeavor, with the efforts of all employees, to establish a corporate governance structure that allows us to look reality in the eye and overcome the challenges in order to pursue and achieve the Company's dreams and vision.

CORPORATE GOVERNANCE