



Daio Group Integrated Report 2023



Daio Group

INTEGRATED REPORT 2023

Shaping an Abundant and
Affable Future for the World



 **DAIO PAPER CORPORATION**



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Visit the Daio Group website.

 <https://www.daio-paper.co.jp/en/>

Reporting Period

April 1, 2022 to March 31, 2023 (Some information from outside the reporting period is also included.)

Scope of Report

This report covers the 35 Daio Group companies.
Note: Some environmental and social data covers Daio Paper Corporation and its subsidiaries (specified in the text)
Daio Package Corporation; Yorii Insatsu Shiki Co., Ltd.; Uemura Shiko Corporation; Yoshikawa Shigyo Corporation; Yoshizawa Kogyo Corporation; Daio Miura Corporation; Iwaki Daio Paper Corporation; Dainichi Paper Corporation; Otsu Paper Corporation; Daio Paper Techno Corporation; Marubishi Paper Tec. Corporation; Elleair Paper Technology Co., Ltd.; Elleair Texel Corporation; Elleair Paper Co., Ltd.; Elleair Product Co., Ltd.; Daio Mill Support Tokai Corporation; Daio Paper Products Corporation; Daio Engineering Co., Ltd.; Daio Logistics Co., Ltd.; Daio Express Co., Ltd.; Tokyo Pulp & Paper International Co., Ltd.; EBS Co., Ltd.; Daiki Co., Ltd.; Elleair Resorts Golf Club Co., Ltd.; H&PC Brazil S.A.; Santher-Fábrica de Papel Santa Therezinha S.A.; Elleair International

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Description of Future Outlook

Forward-looking statements included in this report are based on various assumptions and do not assure or guarantee the achievement of future financial figures or the attainment of measures.

Turkey Kişisel Bakım Ürünleri Üretim A.Ş.; Forestal Anchile LTDA; Elleair International Korea Co., Ltd.; Elleair International (Thailand) Co., Ltd.; Elleair International China (Nantong) Co., Ltd.; PT. Elleair International Trading Indonesia; PT. Elleair International Manufacturing Indonesia; Oregon Chip Terminal, INC.

Guidelines Used as References

Environmental Reporting Guidelines 2018 (Ministry of the Environment, Japan); ISO 26000; International Integrated Reporting Framework, Japanese translation (IFRS Foundation); Guidance for Collaborative Value Creation (Ministry of Economy, Trade and Industry, Japan)

Publication Period

September 2023 (Publication of the next report is scheduled for September 2024.)

Period Covered by Fiscal Year

In this report, FY2022 denotes the consolidated fiscal year ended March 31, 2023. The same applies to other fiscal years.

External Evaluations



Recognized as a Health and Productivity Management Outstanding Organization "White 500" (large enterprise category) for six consecutive years



Selected for Bloomberg Gender-Equality Index for two consecutive years



Acquired a DBJ BCM (Business Continuity Management) rating from the Development Bank of Japan (DBJ) for two consecutive years

Management Philosophy of the Daio Group

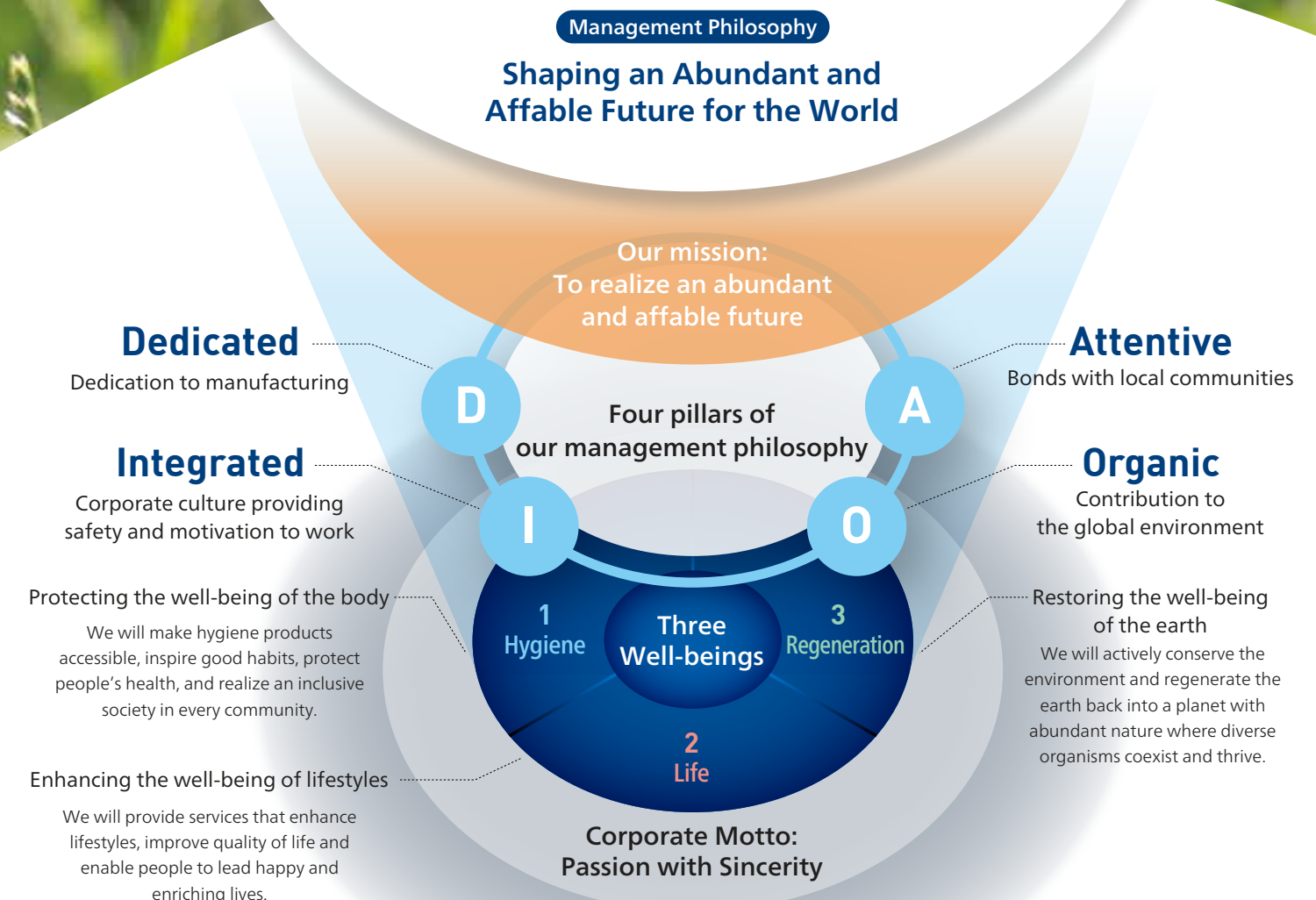
Shaping an Abundant and Affable Future for the World

Under our corporate motto of Passion with Sincerity (our value), we will achieve Three Well-beings (our vision) and realize an abundant and affable future (our mission). This is the embodiment of our management philosophy —“Shaping an abundant and affable future for the world.” This is our raison d’être—our purpose.

The four pillars of our management philosophy form the foundation to realize our goal of an abundant and affable future. The embodiment of these four principles will “shape an abundant and affable future for the world.”

We will incorporate the Three Well-beings that must be achieved into our business management.

Keeping in mind our corporate motto and unchanging values, “Passion with Sincerity,” we will continue to take on challenges.



Message from the President and CEO

Looking back on FY2022

Looking back on FY2022, the external environment was extremely challenging for Daio Paper with soaring resource prices resulting from the protracted situation in Russia and Ukraine and successive price hikes for food and other daily necessities, which put pressure on household budgets, coupled with unprecedentedly high raw material and fuel prices and the rapid depreciation of the yen. As I mentioned in last year's Integrated Report, we are now in the era of VUCA (volatility, uncertainty, complexity, and ambiguity), but the past year has been particularly challenging for us due to continuing high procurement prices for major raw materials and fuels such as coal, fuel oil, wood chips, and pulp, and rising logistics and packaging material costs, as well as the historic depreciation of the yen. All these combined have resulted in a significant

Building a resilient business foundation and achieving a V-shaped recovery by accelerating the shift of focus to the Home and Personal Care Business and the shift away from coal

Yorifusa Wakabayashi

President and Representative Director
Chief Executive Officer

increase in the production costs of paper products, converted products, and all other products for our company, which imports a lot of raw materials and fuels from overseas. In addition to these factors, a disaster loss from the boiler breakage accident that occurred at our subsidiary Iwaki Daio Paper Corporation in September 2022, and the restructuring costs including the restructuring of the production system had a massive adverse impact on our performance. As a result, for FY2022, although net sales increased 5.5% year-on-year to 646.2 billion yen, hitting a record high for 10 consecutive years, operating profit fell to a loss of 21.4 billion yen, and we posted the first operating loss since listing on the stock exchange in 1979. Ordinary profit and profit attributable to owners of parent posted losses of 24.1 billion yen and 34.7 billion yen, respectively. I am ashamed of these severe financial results. By business segment, the Paper and Paperboard Business implemented measures to pass on increased production costs to selling prices, but was unable to absorb the full impact of the soaring raw material and fuel prices, resulting in an increase in sales and a decrease in profit, thereby posting a segment loss. With regard to the Home and Personal Care (H&PC) Business, although net sales increased year-on-year due to price revisions in overseas operations and the impact of foreign exchange rates, the increased production costs caused by the rising pulp and packaging material prices could not be offset by self-reliant efforts such as price revisions, energy conservation, and cost reductions, both in Japan and overseas. As a result, the H&PC Business posted increased sales and decreased profit, resulting in a segment loss.

Since the First Medium-Term Business Plan (hereinafter "MTBP") in FY2012, we have steadily increased our business performance through three successive MTBPs, under which we implemented various measures to drive growth such as capital investment. These efforts bore fruit, and one year ago, in FY2021, we recorded our highest ever profits. However, in FY2022, the second year of the 4th MTBP, our performance took a sharp downturn, making it difficult to achieve

the numerical targets in the final year of the 4th MTBP. Under these circumstances, we have initiated measures to restore our business performance as soon as possible and strengthen our resilience. In FY2023, the effects of these measures will materialize throughout the year, and we will achieve a V-shaped recovery, as well as year-on-year increases in both sales and profit.

Shifting focus from the Paper and Paperboard Business to the H&PC Business

In order to strengthen our resilience even in this severe business environment, we have announced the following four measures: phased price revisions, thorough cost reductions, further promotion of structural reforms, and a shift in investment policy during the 4th MTBP period, and have implemented specific activities accordingly. We have already completed price revisions of the products in the Paper and Paperboard Business and also of the household paper products. As for cost reductions, we have reviewed our coal suppliers and procurement items, and streamlined our organization through restructuring and integration. Regarding the review of wood chip sourcing areas, we plan to increase the ratio of domestic materials by 10% from the current level by FY2026. With regard to structural reforms, we carried out a major revision of our energy policy, and in March 2023, commenced in-house consumption of biomass-generated power that had been sold under the feed-in tariff (FIT) scheme. In addition, we shut down the No. 3 paper machine (for manufacturing newsprint) at the Mishima Mill and restructured the production systems of the Newsprint Sales Division and the Paper Sales Division. For the H&PC Domestic Business Group, in addition to promoting structural reforms by establishing a new organization dedicated to improving S&OP (sales and operations planning) in April 2023, we started in-house production of fluff pulp in July this year. With regard to investment policy, we have decided to make a major shift from the initial policy for the 4th MTBP period, giving priority to energy-related

investments.

Comparing the current situation with that envisioned in the original 4th MTBP, although we had planned to welcome the epoch-making moment in which the sales ratio of the H&PC Business would exceed that of the Paper and Paperboard Business during the 4th MTBP period, the current situation is far from what we initially expected. We have concluded that in order to get to the envisioned ideal state, we need to further strengthen the H&PC Business. Positioning FY2023 as the year to start building a foundation for growth from the 5th MTBP onward, we have clarified our policy of shifting the focus largely from the Paper and Paperboard Business to the H&PC Business. We will reallocate resources to the H&PC Business in all aspects of people, equipment, and money (capital investment). However, this is in no way meant to make light of the existing Paper and Paperboard Business. Due to structural reforms centered on the Mishima Mill and a review of the sales structure, the Paper and Paperboard Business is now more than able to compete with its competitors. Going forward, we will pursue further efficiency by shifting from quantity to quality, and after solidifying our business foundation in Japan, we will shift to a business model that seeks to generate profits from overseas operations centered on the H&PC Business, using the stable earnings from the Paper and Paperboard Business as a source of funds. Although demand for paper and paperboard is not as strong as it used to be, we are seeing a certain level of demand, and we will secure solid profits by selling our value-added products.

H&PC Domestic Business enters the pet care products market while maintaining its competitiveness

The H&PC Business is our core business, and is a growth field that will drive our company in the future. In Japan, demand for health care is growing due to the aging of the population, and economic activities are expected to revive as the COVID-19 pandemic gradually subsides. However, we expect a contraction in demand for

baby care and feminine care products due to a decline in the number of births, and a significant decline in demand for sanitizing wet wipes and face masks, whose sales had been boosted by special demand from the COVID-19 pandemic. As we position the H&PC Business as our core business, we must find and nurture new growth opportunities while ensuring profits even in categories where market contractions are inevitable in Japan. To this end, in addition to carrying out structural reform of the S&OP process to leverage digital transformation to advance the automation of production and logistics planning, we commenced in-house production of fluff pulp in July of this year as a structural reform in terms of costs. While regaining competitiveness through these structural reforms, we will enter the pet care products market this fall as a new initiative. Pet care products specifically refer to absorbent pads, cat litter, diapers, wet wipes, etc. The average lifespan of both dogs and cats, which are the most common pets, has been increasing, and people feel closer to and regard their pets as family members rather than as objects to “keep.” The market for pet care products is expected to grow to about 145 billion yen by 2026, far exceeding the individual markets for baby care and feminine care products. If we can successfully develop the pet care product business into a pillar of our domestic business by leveraging the strength of the Elleair brand, it would open up the possibility of horizontally expanding that successful experience to overseas markets, including China, which is a “pet superpower.” Furthermore, in this field, not only can we apply the technology we have cultivated in the absorbent product business, we can also make maximum use of the cat litter manufacturing technology and know-how of Daiki, whose shares we acquired in 2022. We are also considering a recycling business model that contributes to the global environment, such as producing pet care products using rejects from the production of sanitary paper and disposable diapers. As consumers become increasingly environmentally conscious, this recycling business model could become an element that differentiates us from our competitors.

Positioning H&PC Overseas Business as a growth driver

We aim to achieve net sales of 800 billion yen to 1 trillion yen and an operating margin of 10% in FY2026, the final year of the 5th MTBP. We envision that the H&PC Overseas Business will account for more than 30% of the Group’s consolidated sales, and we will more vigorously promote the shift to overseas business as a driver of future growth. Currently, we are actively directing efforts to improve profitability, with priority on the productivity of the factories in China and Brazil, which are huge markets. In China, our core business is baby care and feminine care. In the baby care business, we will further strengthen our presence in the super-premium market. At the same time, we will promote the development of the standard market by enhancing the lineup of products for users in second- and third-tier cities in China, while leveraging the high recognition of the DaWang brand that we have cultivated to date. In the feminine care business, as the zero-COVID policy has ended and sales activities at stores have resumed, we will expand our product lineup and accelerate sales by taking advantage of the production capacity of the new machine, which commenced operation in 2022. In Brazil, following the premium strategy for toilet tissue, which we have been pursuing, we are working to enhance profitability by strengthening the premium category in absorbent products, and it has been going very well. In September 2022, we launched premium diaper pants in the baby care category, and sales of this new product have steadily increased, taking an 8% share in the premium market in terms of volume in just six months. Our next step is to promote the development of premium products in the feminine care category. In Southeast Asia, we are working to rebuild and strengthen our business structure to capture growing demand. The demand for disposable baby diapers in ASEAN is 2.6 times that of the Japanese market, and the population is expected to continue to grow. In the past, our activities have been

limited to Indonesia and Thailand, where we have bases. Going forward, we intend to enhance our presence by shifting our strategy to extend the coverage of our operations to the neighboring countries of our current bases. To promote this strategy, we established a sales subsidiary in Vietnam in July 2023. Vietnam is expected to have the third largest demand for disposable baby diapers in ASEAN, after Indonesia and the Philippines. So, starting with disposable baby diapers, we will work to increase our presence in the ASEAN region, with a view to expanding into the sale of feminine care products in the future.

Shifting the focus of human resources as well

In executing the strategy to shift focus to the H&PC Business, human resources will be critical. Based on our belief that people are valuable assets, we have been working to create an environment in which each individual can demonstrate their full potential. In order to successfully shift focus to the H&PC Business, we will promote a personnel strategy based on the two pillars of increasing the number of employees





central role in implementing strategies to enhance the diversity of human resources. This includes strengthening measures to ensure female employees can participate actively in the workforce, and encouraging male employees to take childcare leave, with the target of a 100% acquisition rate. Also, as a measure to improve employee engagement, surveys are conducted to visualize engagement, identify operational issues at each unit, and make improvements. Through structural reforms, we will promote the integration of some group companies, and seek to create a synergistic effect through increasing personnel exchanges, thereby leading to new developments.

Actively promoting sustainability and accelerating the shift away from coal

in the H&PC Business, and strengthening the internal development of global human resources who can play an active role overseas. More specifically, we will shift human resources from the Paper and Paperboard Business to the H&PC Business, and the Paper and Paperboard Business will be operated by a small number of highly skilled employees to support the Company as a revenue base. In addition, we will strengthen the development of global human resources by giving young employees the opportunity to experience overseas assignments as part of their career path, in addition to providing language training. We are planning to dispatch approximately 100 people overseas for training. We are encouraging motivated people under the age of 35 to step forward through open recruitment, self-nomination, or peer-nomination. We are considering personnel measures that would allow employees to experience an overseas assignment at least once early in their career, return to Japan to acquire further business expertise, and subsequently experience working overseas again, but this time as a manager at an overseas subsidiary or an acquired company. Promoting diversity is also essential for the advancement of overseas business. The Diversity Promotion Department plays a

I believe that sustainability initiatives can present major risks and at the same time business opportunities for our company. I feel a sense of urgency in that unless we accelerate our sustainability efforts, our survival could be at stake, and any delay in our efforts will only lead to our decline. In terms of organizational structure, we have upgraded the Sustainability Promotion Department to the Sustainability Promotion Division, to step up our sustainability efforts even further. Daio Paper upholds the management philosophy of “Shaping an abundant and affable future for the world,” and has set the vision of becoming a company that helps realize a sustainable society and solve social issues through its business activities. Unfortunately, we are currently using a large amount of coal, which emits greenhouse gases (GHG). Unless we resolve this situation, I fear that we may not even be able to pass down our company itself to future generations. This sense of crisis that I feel is, of course, shared with our employees. I stress to employees that our generation must avoid actions that could negatively impact the future, including exacerbating global warming through GHG emissions, which could impede the achievement of even the 1.5°C scenario set forth in the Paris Agreement.

To achieve carbon neutrality by 2050, we had planned to shut down a total of three coal-fired boilers, one every 10 years, in 2030, 2040, and 2050. However, with the Japanese government moving to introduce a carbon pricing system as early as FY2028, we believe that if we do not accelerate the shift away from coal, it could have a significant negative impact on our business performance. Therefore, in March of this year we switched to using power generated by our biomass-fired boiler internally, instead of selling it externally under the FIT scheme, and shut down the No. 3 paper machine at the Mishima Mill to improve our energy balance. This decision was very difficult for me, but I would like to take a major turn toward shutting down coal-fired boilers as soon as possible. However, it is not so easy to promote decarbonization while continuing the business of providing products to customers. Therefore, we are promoting various initiatives, such as reducing CO₂ emissions through the use of black pellets as an alternative fuel to coal, and accelerating the construction of waste-to-energy boilers. Furthermore, with regard to the fuel for waste-to-energy boilers, in addition to procuring RPF (Refuse Paper & Plastic Fuel: a fuel made from waste paper and waste plastic), which is the mainstream fuel for waste-to-energy boilers, we are considering the use of compost produced through in-vessel composting, which is being carried out by Mitoyo City in Kagawa Prefecture. In-vessel composting is a beneficial solution for municipalities as it allows them to sidestep the high costs associated with waste incineration. As a company who seeks to procure the compost as fuel for waste-to-energy boilers, I believe that we can forge a mutually advantageous relationship with the municipality.

To shape an abundant and affable future for the world

The Daio Group states that with our founding spirit of “Passion with sincerity leads to greatness” in mind, we strive to achieve the Three Well-beings of Hygiene (protect the well-being of the body), Life

(enhance the wellbeing of lifestyles), and Regeneration (restore the well-being of the earth) in order to realize our management philosophy of “Shaping an abundant and affable future for the world.” We will accomplish the Three Well-beings through the four pillars of our management philosophy: “Dedication to manufacturing,” “Bonds with local communities,” “Corporate culture providing safety and motivation to work,” and “Contribution to the global environment.” We believe that our management philosophy embodies the goal of sustainability management. Our ultimate goal is to improve hygiene and the standard of living globally by distributing our products worldwide, thereby enriching the lives of people around the world. At present, we are working to realize sustainable growth in order to deliver, through our products, the social value of hygiene and improved living standards to countries across the world, including the African continent, which we have not yet entered at the moment.

In our interactions with investors, we have often been praised as a company with the ability to transform. We must leverage this strength to accelerate our sustainability management. On the other hand, we are aware of the need to improve PBR as quickly as possible as it is currently below 1x. Our financial results deteriorated significantly in FY2022. Therefore, in order to improve PBR, it is important above all to steadily implement our growth strategies and thereby enhance our corporate value as quickly as possible. We are also strengthening management through figures within the Company, such as examining capital efficiency and cost-effectiveness by business segment, and conducting detailed analyses for investment execution. Also, we are sharing ROIC trees with frontline staff to raise their awareness of important financial KPIs. In FY2023, we will first focus on improving our financial strength, and then steadily promote the shift to the H&PC Business to bring us closer to our target for the next step, the 5th MTBP.

History of the Daio Group

—Relentless pursuit of value creation through speedy decision-making and execution, and global expansion by leveraging brand power—

“What is made by Daio is sold only by Daio sales representatives”—this saying has been passed down in the Daio Group, and in keeping with this, Daio’s sales representatives visit customers directly one by one to understand their needs and the quality required by them, and communicate such firsthand information to the production team to create what customers truly want. The Daio Group has grown to the present day through this unique system that is not seen in other paper manufacturers.

In addition, its culture of responding to social needs and fostering manufacturing by visiting actual sites and listening to customers' voices is still carried on today as its basic stance of emphasizing *genba* (actual place), *genbutsu* (actual object) and *genjitsu* (actual situation) based on the *San Gen* (three actuals) *Shugi* principle. Furthermore, the Group quickly senses and responds to market changes, and continues to strategically transform its business portfolio through speedy decision-making and execution, thereby actively expanding its global presence.

(Billions of yen)

600

500 ■ Paper and Paperboard Business ■ H&PC Business ■ Overseas H&PC Business ■ Other

400

300

200

100

1979

Elleair brand born
—Entered the Japanese tissue paper market, the last of the major paper manufacturers, and captured the top market share in just seven years—

1943

Founded to produce and sell washi (traditional Japanese paper)

FY1951

FY1960

FY1970

FY1980



Ceremony for the completion of a paper mill



Kawanoe Mill serving as the core of linerboard production



Construction of the New Mishima Mill



Facial tissue and toilet tissue at launch



Disposable baby diapers and sanitary napkins at launch

1947

The founder Isekichi Ikawa decided to switch from the production of *washi* (traditional Japanese paper) to *yoshi* (Western-style paper) because he foresaw a downturn in demand for *washi* and determined that the switch to *yoshi* would be the only way forward. Daio Paper thus started producing modern-style paper and newsprint.

1954

Daio Paper decided to strengthen the foundation for its development into an industrial paper manufacturer and newly installed kraft pulping equipment. As a result, the Company began to produce newsprint containing kraft pulp and pioneered kraft linerboard production by launching K Liner and KS Liner.

1972

Daio Paper decided to increase its production capacity to ensure the stable supply of all types of products, including not only newsprint and paperboard but also printing paper and packaging paper. The Company started construction of the New Mishima Mill with the aim of establishing a foundation for its development into a full-range paper manufacturer.

1979

Daio Paper decided to enter the household paper product market and began to produce and sell Elleair-brand facial and toilet tissue as part of its growth as a full-range paper manufacturer.

1980

Daio Paper decided to enter the absorbent product market. It started producing and selling disposable baby diapers in 1980 and sanitary napkins in 1982.

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Data and Information

—Financial and Corporate Data—



(Billions of yen)

600

500

400

300

200

100

2007

Acquired the Attento brand business from U. S.-based P&G

2017

Acquired the paper product business of Nisshinbo Holdings Inc.

2023

Entered the pet care products business with the “Elleair Pet Kimi Omoi” brand

FY1990

FY2000

FY2010

FY2020

FY2022



A stretch of forest owned by Forestal Anchile



Iwaki Daio Paper



Elleair International China (Nantong)



Kawanoe Mill, which was converted into a household paper mill



Santher (Brazil)

1989

Aiming to achieve sustainable forest management, Daio Paper decided to establish Forestal Anchile in Chile, South America, and went into the forestry business.

1996

Daio Paper decided to establish Iwaki Daio Paper in Iwaki City, Fukushima Prefecture, 180 km from Tokyo, the largest source of recovered paper in Japan. The new company began to produce and sell newsprint made from 100% recovered paper, Japan's first such product.

2011

In anticipation of a decline in domestic demand, Daio Paper decided to expand into overseas markets on a full scale and established a subsidiary for the local production of disposable baby diapers in Thailand in 2011, in China in 2012, and in Indonesia in 2014.

2018

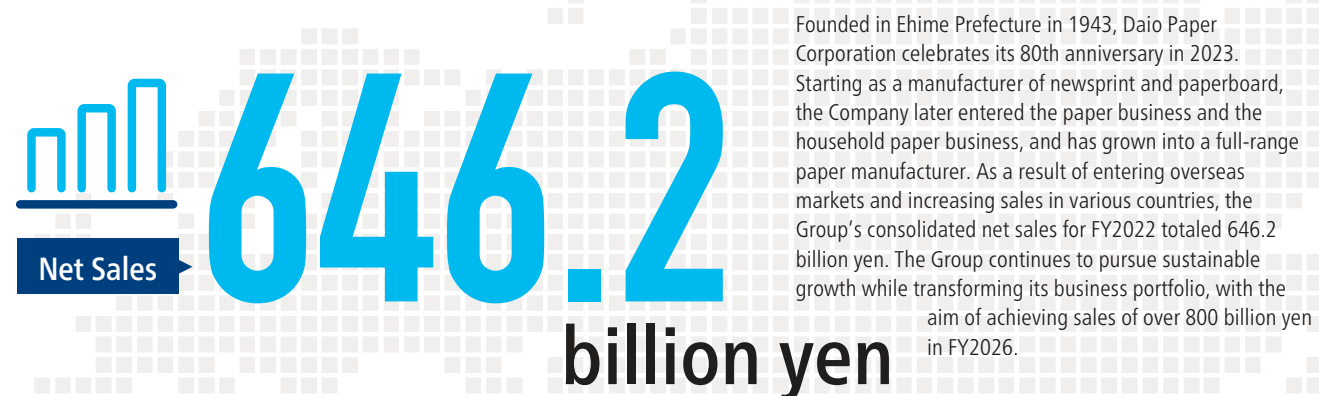
As part of its production structure reform, Daio Paper converted the Kawanoe Mill into a household paper mill with a view to not only supplying household paper products to the Japanese market but also to Asian countries, including China. A household paper machine was added at the Mill in 2021.

2020

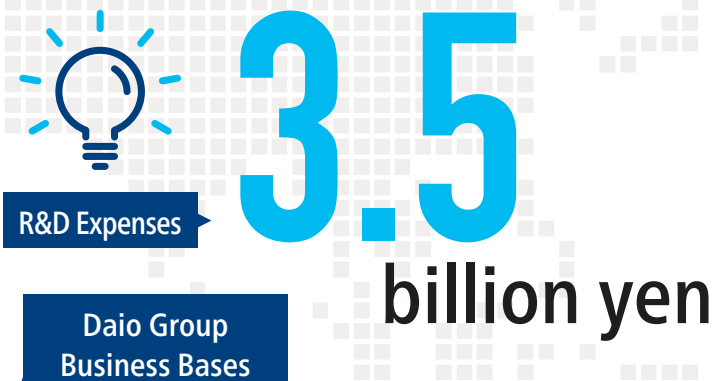
In order to accelerate its global expansion, Daio Paper acquired hygiene product manufacturers in Brazil and Turkey.

At a Glance

The Daio Group manufactures and sells a full range of paper products including newsprint, printing paper and packaging paper, and consumer household goods including facial tissue and other household paper products, disposable baby and adult diapers, and feminine care products.



In FY2022, the Daio Group spent 3.5 billion yen on research and development. With the aim of achieving sustainable growth, the Group has continued to conduct research and development to address environmental and social issues as well as consumer needs. The Group has been working to develop products that can contribute to decarbonization and reducing the use of plastic, including paper products and a new material, cellulose nanofiber (CNF), from renewable wood resources.



In Japan, a total of 24 bases—comprising production bases and Group company business bases—operate various businesses. Outside Japan, the Group has nine bases in eight countries, including Thailand, China, and Indonesia.

*Bases: Daio Paper Corporation and its consolidated subsidiaries (headquarters) (as of August 31, 2023)

Business Description

Paper and Paperboard Business

Production and sale of newsprint, printing and publication paper, communication paper, packaging paper, containerboard and corrugated container products, pulp, etc.

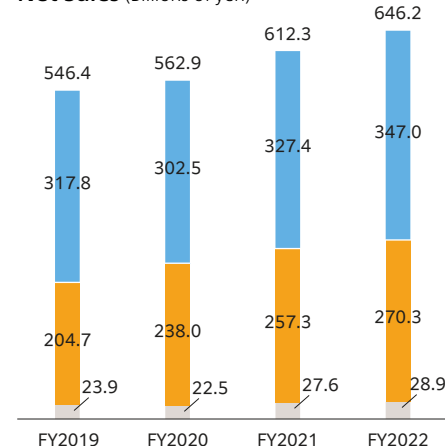
H&PC Business

Production and sale of household paper such as facial tissue, disposable baby and adult diapers, feminine care products, wet wipes, etc.

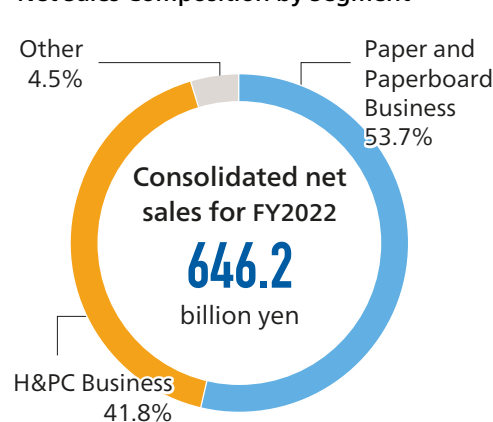
Other Businesses

Transportation, engineering, management of sports clubs and golf courses, etc.

Net Sales (Billions of yen)



Net Sales Composition by Segment



Fulfilling Our Purpose

—Value Creation Story of the Daio Group—

Achieving Sustainable Growth

—Strategy for Continuing to Provide Value—

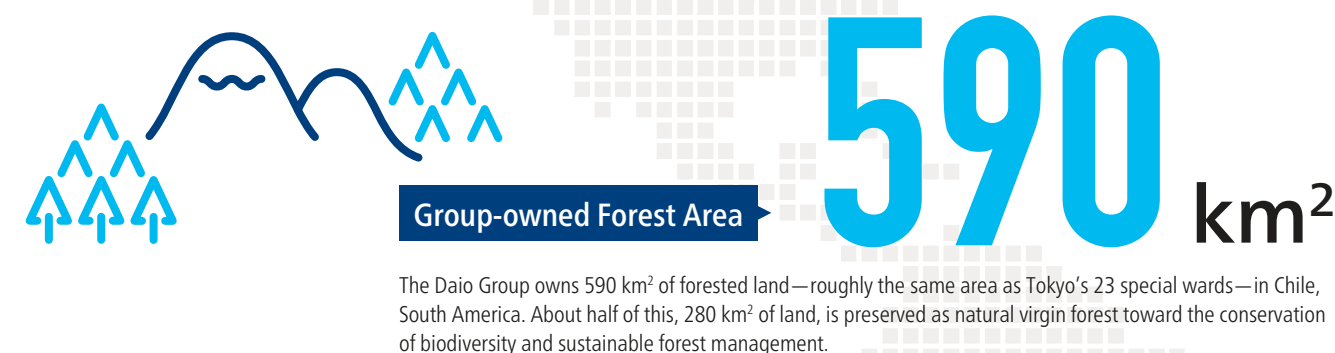
Responding to Social Issues

—Foundation for Sustainable Growth—

Data and Information

—Financial and Corporate Data—

We operate our businesses while leveraging our various tangible and intangible assets to achieve sustainable growth and provide value for stakeholders.

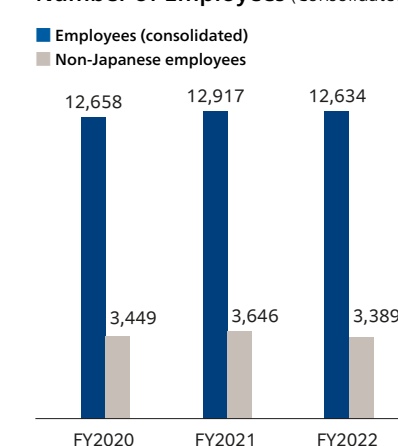


The total number of employees in the Daio Group is about 13,000. The Group aims to create a positive work environment where diverse employees can demonstrate their abilities to the fullest. To this end, the Group promotes diversity management through various initiatives, such as supporting female employees' career development and encouraging male employees to take childcare leave.

Results and Targets of the Three-Year Medium-Term Business Plans (MTBP)

	Results of the First MTBP (FY2014)	Results of the Second MTBP (FY2017)	Results of the Third MTBP (FY2020)	Targets set in the Fourth MTBP (FY2023)	Long-term vision to achieve during the period of the Fifth MTBP (FY2026)
Net sales	450.2	531.3	562.9	720.0	800 -1,000
Operating profit (operating profit margin)	21.8 (4.8%)	11.1 (2.1%)	36.9 (6.6%)	51.0 (7.1%)	80.0 -100.0 (10%)
H&PC overseas net sales ratio	4.9%	7.7%	11.1%	18.8%	30% or above
ROE	10.0%	2.2%	10.1%	10% or above	12% or above
Net debt-to-equity (D/E) ratio	1.9	1.6	1.3	1.0	1.0 or below

Number of Employees (Consolidated)



Strengths of the Daio Group

Production capability

The Mishima Mill, one of the world's largest coastal paper mills, is the principal source of the Daio Group's competitiveness.

The Mill supports the Group's sustainable growth through various measures, including establishing a resilient production system that can respond to changes in the demand structure and reducing the environmental impact of its operations.

Competitive Advantage 1

Product Value Chain

- 1 Integrated production, beginning with raw material production
- 2 Coastal location and one of Japan's largest pulping facilities
- 3 Flexible production system that can meet changing demand

The Daio Group has built a product value chain capable of efficient production to provide a timely response to changes in paper demand to achieve sustainable growth. The Mishima Mill, our core paper mill, is one of the world's largest coastal paper mills and engages in the integrated production of paper and paperboard with in-house produced pulp. Its annual production output is about 2.1 million metric tons, which accounts for about 9% of Japan's annual paper and paperboard production. The Mishima Mill has one of Japan's largest pulping facilities, which is connected through a network of pipes to 18 paper machines and feeds the appropriate types of pulp to each machine according to the quality of paper to be produced. This system enables us to flexibly switch between different product types to always meet changing market demand. In July 2023, we converted a paper machine at the Mishima Mill into a facility that produces roll pulp for conversion into fluff pulp, which is an essential raw material for diapers and absorbent products. By producing in-house some portion of the fluff pulp that was previously imported, we will further strengthen our stable supply system for absorbent products.

Competitive Advantage 2

Environmentally Conscious Company

- 1 Sustainable forest management (tree planting)
- 2 Sustainable resource recycling (advanced use of recovered paper)
- 3 Sustainable and effective use of resources (reuse of waste)

Since its establishment, the Daio Group has been engaged in environmental conservation through various initiatives, including utilizing a high percentage of recovered paper, lowering energy consumption, and recycling industrial water. We own 590 km² of forested land—roughly the same area as Tokyo's 23 special wards—in Chile, South America, and are practicing sustainable forest management there. About half of this, 280 km² of land, is preserved as natural forest to conserve biodiversity. In addition, we now use a higher percentage of recovered paper than the average in the industry as a result of our efforts to increase our use of hard-to-recycle recovered paper, which was previously disposed of as waste. We also aim to achieve zero waste emissions by separating hard-to-recycle recovered paper into material (pulp) and fuel (such as plastic film mixed in with recovered paper) and utilizing both. In addition, we have partnered with Livedo Corporation and Total Care System Co., Ltd. to jointly develop a technology for recycling used disposable diapers, and we are producing paper cat litter at Daiki Co., Ltd. using scraps from production rejects. Through these activities, we aim to establish an environmentally friendly business model and reduce our environmental impact.

Competitive Advantage 3

Market-driven Business Strategy

- 1 Speedy decision-making and great implementation ability
- 2 Integrated operations (integration between product development, production and sales; integration between paper and printing, containerboard and corrugated container converting; integration between the Paper and Paperboard Business and the H&PC Business)
- 3 Style of sales activities closest to customers: "What is made by Daio is sold only by Daio sales representatives."

As a manufacturer that aspires to know its customers best, the Daio Group has devoted its efforts to expanding its sales networks and training its sales representatives based on its basic stance: "What is made by Daio is sold only by Daio sales representatives." All sales representatives are encouraged to grasp market trends through their day-to-day marketing activities with customers, thereby contributing to speedy product development and proposals that meet customer needs. Crucial to our innovation activities, integrated operations of development, production and sales drive progress in our priority issues: the development of plastic-reducing technologies and environmentally-friendly products/services, and the development and implementation of new businesses such as CNF^{*1} and RFID^{*2}. This management strategy is implemented not only in Japan but also worldwide, and it contributes to broadening our lineup of high-performance and high-quality products that fit the local culture and customs of each country/region and to enriching the lifestyles of local consumers.

In addition, toward the achievement of the targets in the 4th MTBP, we are strengthening our intellectual capital—the seeds of an abundant and affable future—in step with our key strategies of further global expansion and innovation in priority fields. We aim to enhance our corporate and brand value across the globe by implementing intellectual property strategies that contribute to the achievement of our business goals.

Intellectual Property Strategies to Enhance Corporate Value >> pp.55-56

*1 CNF: Cellulose nanofiber

*2 RFID (Radio Frequency Identification): Contactless electronic smart tag

*3 Number of intellectual property rights owned as of the end of March 2023

*4 The number of intellectual property rights owned and applications submitted may not match previously published figures due to changes in internal tabulation standards and other factors.

*5 Number of applications submitted in FY2020. The number of patent applications filed abroad is the number of PCT applications.

*6 Number of kinds of products registered in our database

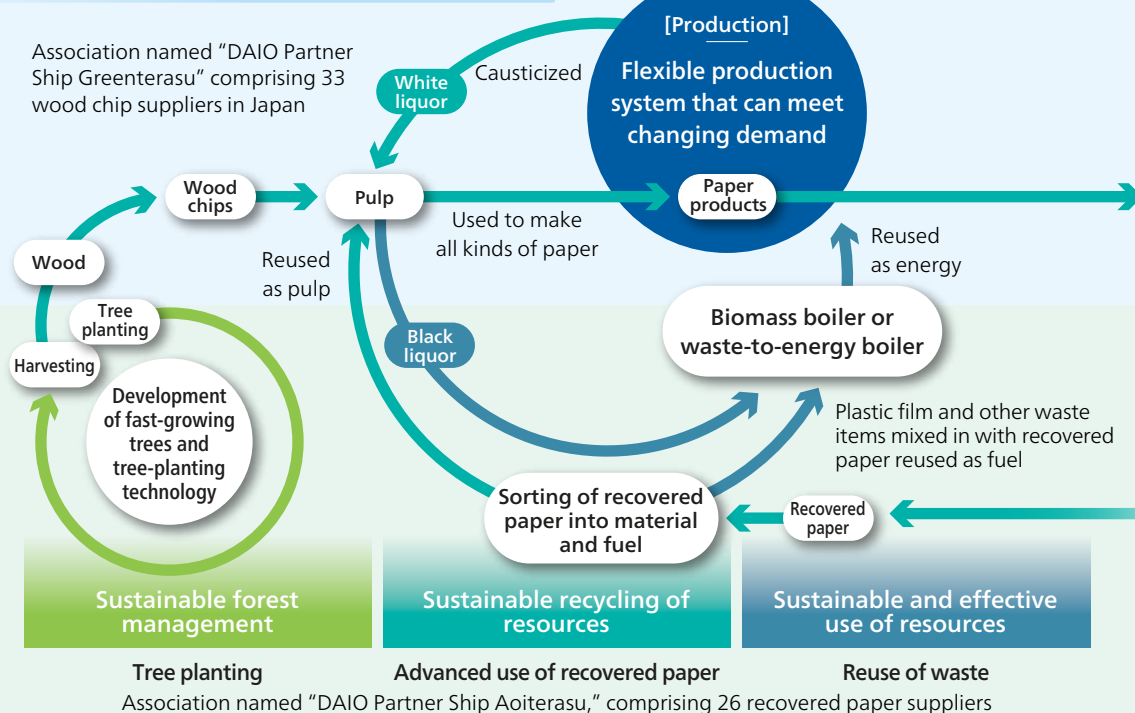
*7 Source: Intage SRI+, sanitary paper market (facial tissues, toilet tissues, and kitchen towels), April 2022 – March 2023, cumulative total sales by manufacturer

Sales capability

The Group strives to increase its brand power, sales capability, and corporate value based on its market-oriented sales policy embodied by the slogan, "What is made by Daio is sold only by Daio sales representatives."

Integrated production, beginning with raw material production (tree planting ▶ wood chips ▶ paper ▶ converting)

Cost competitiveness



Brand power

No.1^{*7}
market share
in Japan

Facial tissue:

27.4%

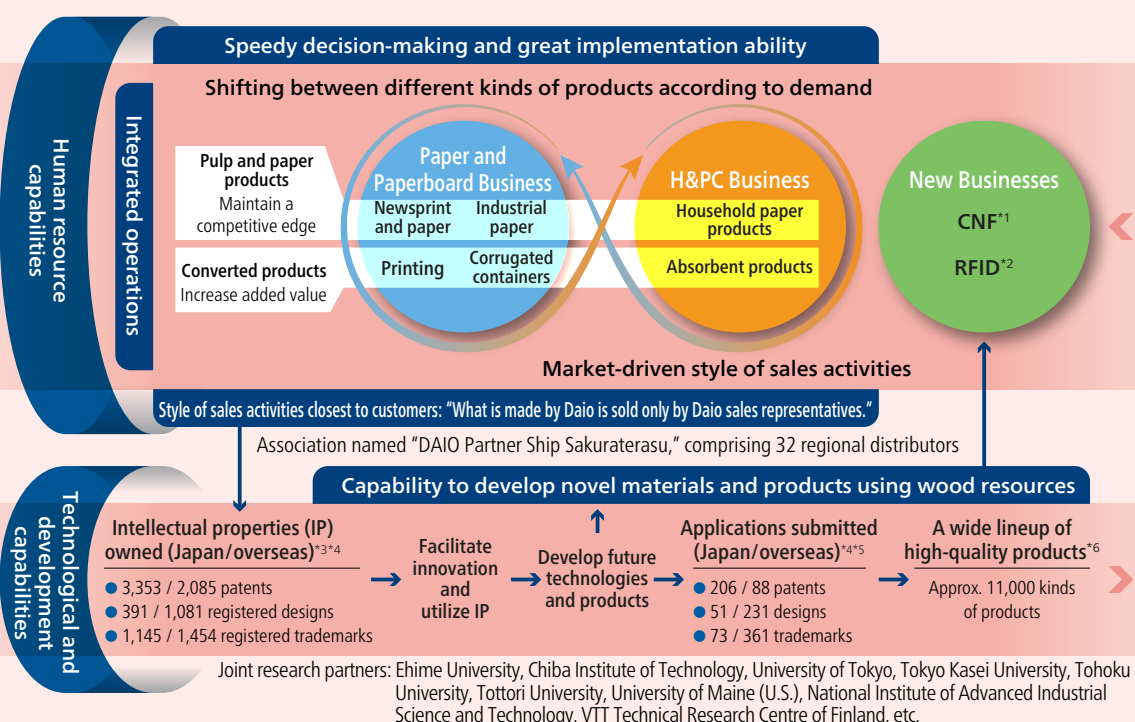
Toilet tissue:

30.8%

Kitchen towels:

28.6%

Sales capability to market a wide range of products



Material Issues of the Daio Group

The Daio Group observes social trends from a global perspective and reviews key issues that it should tackle to increase its corporate value over the medium to long term, not only from the perspective of the current situation but also from a future-oriented perspective, in order to focus on its goal. We have identified our priority material issues by taking the following steps.

STEP 1

Understand the environment surrounding the Group and social issues, and from among these, identify and organize those issues expected to have an impact on the Group's corporate value

(1) Issues of stakeholder concern

We detected issues of considerable concern to stakeholders from among issues related to the Group's operations and among social and other issues through dialogue with stakeholders.

(2) Important issues for the Group

From among the risks and opportunities identified, we picked out issues that would have an impact on our corporate value unless we addressed them.

(3) Things we should do to achieve our goal (future vision)

We set our future goal and defined the future vision that would come to be when we achieved our goal. We then determined and organized the things we should do and the things we could do to achieve the goal and future vision in linkage with each of the SDGs.

STEP 2

Analyze and organize important themes

(1) Business strategies

We analyzed and organized the issues of stakeholder concern and important issues for our Group selected at Steps 1-(1) and 1-(2) to determine which issues are important themes related to our business strategies.



STEP 3

Identify material issues

(1) Comparing the important themes with the things we should do to achieve our goal (future vision)

We compared the important themes organized at Step 2 with the things we should do to achieve our goal (future vision) determined at Step 1-(3), and singled out the themes included in both groups as candidates for material issues.

(2) Determining material issues through discussions at important meetings

From the candidates for material issues, we further picked out the important issues that must be addressed immediately. We then raised them for discussion at the Sustainability Committee meeting, the Management Meeting, and the Board of Directors meeting. Through multiple discussions, we finally identified our material issues.



Issues of stakeholder concern (examples)

Identified through dialogue

- Current sales and future potential of environmentally conscious products
- Risks entailed by the global business expansion and the progress being made in this effort
- Progress in the development of advanced cellulose nanofiber (CNF) technologies and their application
- Relationships with local communities (such as social contribution activities)

- CSR procurement and supply chain management
- Progress in diversity initiatives and human resource development
- Establishment of a powerful governance system and risk management
- Decarbonization and other responses to climate change, use of recovered paper, and water resource management
- Conservation of biodiversity and forests
- Responses to the impact of the COVID-19 pandemic, etc.

Important issues for the Group (examples)

Picked out from among our risks and opportunities, and analyzed

- Population decrease and a decline in paper demand in Japan
- Increases in income and improvement of living conditions of those at the bottom of the pyramid (BoP), which is estimated to comprise 4 billion people
- Development and practical application of new high-performance materials
- Working in harmony with local communities and supply chain management, including business continuity planning (BCP)
- Securing an organizational structure and management talent

- that can respond to business globalization
- Respect for human rights and the safety and health of employees and their family members
- Responses to international CSR requirements and risk management
- GHG emissions reduction by FY2050
- Decrease in the amount of plastic used and exploration of alternative materials
- Reduction and reuse of industrial waste and water resource management
- Sustainable forest management and paying due attention to biodiversity

Forecasting from the perspective of the near future

Material issues

1. Strategic transformation of our business portfolio
2. Acceleration of global expansion
3. Creation of new businesses
4. Coexistence with local communities
5. Establishment of a sustainable supply chain
6. Respect for human rights, development of human resources, and compassion for employees
7. Fair and highly transparent management
8. Response to climate change
9. Realization of a recycling-oriented society
10. Forest conservation and maintenance of biodiversity

Backcasting from the perspective of our goal

Our goal (future vision)

We defined the future vision that would come to be when we achieve our goal in linkage with each of the 17 SDGs and identified how we can contribute to the SDGs.



Our goal: An abundant and affable future

Risks and Opportunities of the Daio Group

As social and market conditions change, we believe that in order to continue to provide value to society through our business, it is not enough to develop plans and countermeasures based on current predictability. In order to sustainably provide value, the Daio Group has analyzed medium- to long-term

issues that could affect the creation of value and has identified various risk factors. Viewing these risk factors as opportunities to create future businesses, we have reflected them in our medium- to long-term business strategy planning.

Material issues	Changes in the social environment, market trends, etc.	Major risks and opportunities expected to have a significant impact on our business		Strategy	
		Risks	Opportunities (including responses)		
Strategic transformation of our business portfolio Acceleration of global expansion Creation of new businesses	<ul style="list-style-type: none">● Progress of digitalization● Growth of the EC market● Changes in lifestyles● Decrease in Japan's population / Population outflow abroad● Economic growth in emerging countries● Population growth in developing countries / Increase in infectious diseases and deaths due to poor sanitation / Poverty issues <ul style="list-style-type: none">● Changes in consumer preferences	<ul style="list-style-type: none">● Decrease in demand for graphic paper● Decrease in demand for household paper and feminine care/baby care products● Growing recognition that disposable products are bad for the environment <div>Establishment of a foundation for business expansion in Africa, where we are considering expanding in the future</div>	<ul style="list-style-type: none">● Transformation of our business portfolio● Increase in demand for paper for packaging and transport applications● Entry into the pet care products market● Expansion of overseas business through M&A / Increase in the value of companies grouped through M&A● Dissemination of hygiene products and habits● Support for women's independence (vocational training, etc.)● Increase in demand for environmentally friendly products and services (natural materials, reuse, resource saving)<ul style="list-style-type: none">● Plastic-free and low-plastic products● Application development of cellulose nanofibers (CNF)● Use of intellectual capital	<ul style="list-style-type: none">▶ Daio Group's Vision and Medium-Term Business Plans >>> pp.33-34▶ Paper & Paperboard Business Group Paperboard Sales Division and Packaging Paper Sales Division >>> pp.45-46▶ Entry into the pet care products market >>> p.61▶ Home & Personal Care Unit Overseas Business Group >>> pp.49-50▶ Overseas Business Initiatives in Preparation for the Fifth Medium-Term Business Plan >>> pp.51-54▶ Elis Heart Support Project >>> p.62 <ul style="list-style-type: none">▶ Paper & Paperboard Business Group Paperboard Sales Division and Packaging Paper Sales Division >>> pp.45-46▶ Application development of cellulose nanofibers >>> p.62▶ Intellectual Property Strategies to Enhance Corporate Value >>> pp.55-56	We recognize that the progress of digitalization and a decline in Japan's population will lead to a decrease in demand for paper and consumer household goods, which will have a major impact on our business. In Japan, we will secure profits by allocating human resources and investments to the Home and Personal Care Business and use these profits to develop overseas businesses and new businesses. We will quickly solve the material issues of transformation of our business portfolio, acceleration of global expansion, and creation of new businesses so that our business can survive and sustainably grow. We will also align the initiatives of our material issues, such as the dissemination of hygiene products and habits to people around the world and support for women's independence, with solutions to social issues in order to achieve our goal of realizing an abundant and affable future.
Coexistence with local communities Establishment of sustainable supply chain	<ul style="list-style-type: none">● Aging society with a declining birthrate● Increasing need to extend healthy life expectancy <ul style="list-style-type: none">● Decline of local economy● Growing public concern about human rights and environmental issues● Environmental and other pollution	<ul style="list-style-type: none">● Decrease in demand for baby care products● Survival risk facing the Mishima Mill and local companies● Existence of companies that do not consider human rights and the environment in the supply chain● Difficulty in operating mills due to complaints from local residents <div>Ultimately leading to the deterioration of business performance and corporate image</div>	<ul style="list-style-type: none">● Increase in demand for products and services for an aging population<ul style="list-style-type: none">● Providing products and services that extend healthy life expectancy, reduce the burden on caregivers, etc.● Establishment of a community-based integrated care system based on regional collaboration● Creation of an industrial cluster centered on our company / Promotion of local production and consumption● Creation of a sustainable supply chain● Environmental communication and improvement of relationships with local communities / Social contribution activities	<ul style="list-style-type: none">▶ Realization of comfortable and effective support for incontinence care >>> p.63▶ Initiatives through a community-based integrated care system >>> p.28 <ul style="list-style-type: none">▶ Establishment of sustainable supply chain >>> p.64	We recognize that we cannot continue our business unless we consider the interests of all stakeholders, including local communities. Many business partners, along with the local government and residents of Shikokuchuo City, Ehime Prefecture, which is home to our core paper mill, the Mishima Mill, contribute to the growth of our business. We will give consideration to all stakeholders and continue to develop and grow together with them while coexisting with local communities.
Respect for human rights, development of human resources, and compassion for employees	<ul style="list-style-type: none">● Decrease in working-age population / Japan's lag in gender equality● Decline in Japan's industrial competitiveness● Emphasis placed on company climate and culture, work style, welfare, etc. when choosing a company	<ul style="list-style-type: none">● Shortage of human resources● Decline in the company's competitiveness● Increase in employee turnover and decrease in employee concentration, productivity, and motivation due to the workplace environment	<ul style="list-style-type: none">● Promotion of diversity● Development of human resources● Health and productivity management● Work style reform● Safety and health● Enhancement of systems such as the Group Long-term Disability (GLTD) Benefit plan● Improvement of the workplace environment	<ul style="list-style-type: none">▶ Integrated Corporate culture providing safety and motivation to work >>> pp.65-68	We recognize that enhancing human capital by recruiting and securing excellent human resources, developing human resources, and promoting diversity will have a significant positive impact on the growth of our business. We believe that by offering our employees opportunities for growth and creating an environment where they can take on challenges, they can unleash their full potential. This, in turn, drives innovation, paving the way for the sustainable growth of the Company.
Fair and highly transparent management	<ul style="list-style-type: none">● Corporate governance strongly required as a corporate social responsibility	<ul style="list-style-type: none">● Survival risk facing the company due to misconduct and scandals	<ul style="list-style-type: none">● Establishment of a corporate governance system aimed at building a fair and equitable corporate structure	<ul style="list-style-type: none">▶ Corporate Governance >>> pp.81-88	In the past, we have had the experience of putting our company's survival at risk due to issues such as falsification of recycled pulp content and violation of the Company Act in 2011. We are committed to fair and highly transparent management and we vow to never repeat the mistakes of the past.
Response to climate change Realization of a recycling-oriented society Forest conservation and maintenance of biodiversity	<ul style="list-style-type: none">● Global warming● Increase in the number of natural disasters due to climate change● Marine pollution caused by waste plastic● Increase in waste output / Diversification of waste quality● Forest destruction, reduction, and loss● Extinction of endangered species● Heightened public awareness of conservation of the global environment	<ul style="list-style-type: none">● High CO₂ emissions● Transition risks / Physical risks● Use of plastic● CO₂ emissions from product disposal (Scope 3 / Category 12)● Misconception that the company's operations contribute to deforestation and negatively affect the ecosystem	<ul style="list-style-type: none">● Initiatives to reduce CO₂ emissions● Increase in demand for environmentally friendly products and services● Development of and replacement with alternative materials (use of paper technology)● Recycling of disposable diapers● Advanced use of recovered paper (use of hard-to-recycle recovered paper)● Development and sales of high-purity sorting machines (machines that sort crushed waste plastic pieces)● Sustainable forest management (tree planting and expansion of plantation areas)● Protection of approximately half of the owned forest land as natural forest● Protection of endangered species and natural treasures, etc.	<ul style="list-style-type: none">▶ Initiatives toward a Carbon-free Society >>> pp.71-74▶ Response to the Task Force on Climate-related Financial Disclosures (TCFD) >>> pp.75-80▶ Establish an environmentally friendly business (recycling) model >>> p.79▶ Realization of a recycling-oriented society Promotion of use of hard-to-recycle recovered paper >>> p.70 <ul style="list-style-type: none">▶ Strengths of the Daio Group (Environmentally Conscious Company) >>> pp.15-16▶ Forest conservation and maintenance of biodiversity >>> p.70	We use fossil fuels and emit large amounts of CO ₂ in the process of manufacturing paper. We recognize that responding to climate change will have a major impact on our future business. We have therefore formulated a roadmap to achieve carbon neutrality by 2050 and are working toward the realization of a decarbonized society while being open to the possibility of expediting our plans. Meanwhile, our environmentally friendly business models, such as forest recycling (afforestation) and paper recycling (use of recovered paper), are our strengths. By leveraging these strengths, we are working to realize a recycling-oriented society.

Value Creation of the Daio Group

At the Daio Group, we have continued to create value by striving to solve social issues through our business and by carrying out business activities that utilize various kinds of capital and strengths while working to enhance our corporate governance.

By continuing to provide all stakeholders with new value, we will fulfill our purpose (raison d'être) of achieving the Three Well-beings and realizing an abundant and affable future based on our corporate motto "Passion with Sincerity," and we will realize our management philosophy: "Shaping an Abundant and Affable Future for the World."

Major social issues	<ul style="list-style-type: none"> Changes in consumers' preferences and lifestyles Decrease in Japan's population, especially its working-age population Poverty issues and emerging countries' economic growth Increasing need to extend healthy life expectancy 	<ul style="list-style-type: none"> Growing public concern about human rights issues Responses to the aging society with a declining birthrate Corporate misconduct and scandals 	<ul style="list-style-type: none"> Increase in the number of natural disasters due to climate change Global warming Marine pollution caused by waste plastic Heightened public awareness of conservation of the global environment
Material issues » pp.17-18	<ol style="list-style-type: none"> Strategic transformation of our business portfolio Acceleration of global expansion Creation of new businesses 	<ol style="list-style-type: none"> Coexistence with local communities Establishment of sustainable supply chain Respect for human rights, development of human resources, and compassion for employees Fair and highly transparent management 	<ol style="list-style-type: none"> Response to climate change Realization of a recycling-oriented society Forest conservation and maintenance of biodiversity

Management Philosophy

Shaping an Abundant and Affable Future for the World

Hygiene

Poverty has been eliminated, people's living standards have improved, and a healthy lifestyle for all is assured

» pp.25-26

Poverty has been eliminated, and people's living standards have improved

Infectious diseases are controlled

Hygienic toilets are available throughout the world

Life

People around the world are living happier and more fulfilling lives

» pp.27-28

A greater number of people are enjoying life after retirement

Women play an even more active role in society

An age in which everyone is able to balance work with childcare and nursing care

Regeneration

The earth has been restored to a planet with abundant nature where diverse organisms coexist and thrive

» pp.29-30

Waste has been reduced, and a recycling-oriented society achieved

Carbon neutrality has been achieved throughout the entire supply chain

A switch from plastics to naturally-derived materials is in progress

An abundant and affable future

Our goal: An abundant and affable future

<https://www.daio-paper.co.jp/en/csr/>



Core competence
» pp.15-16

- Competitive advantage 1: Product value chain
- Competitive advantage 2: Environmentally conscious company
- Competitive advantage 3: Market-driven business strategy

① Our purpose (raison d'être)

② Social and material issues

③ Six capitals

④ Core competence

⑤ Products and services by business segment

⑥ Value: The impacts we bring (outcome)

Our mission ▶ To realize an abundant and affable future

Four pillars of our management philosophy

Dedication to manufacturing

Bonds with local communities

Corporate culture providing safety and motivation to work

Contribution to the global environment

Input » p.23



Financial capital



Manufactured capital



Intellectual capital



Social and relationship capital



Human capital



Natural capital

Newsprint and paper business



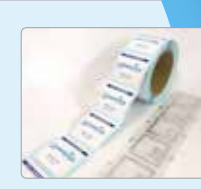
Industrial paper and containerboard business



Domestic and overseas H&PC Business

- Facial tissue
- Toilet tissue
- Kitchen towels
- Face masks
- Wet wipes
- Body soap
- Shampoo

Other businesses



- Newsprint
- Printing paper
- Communication paper
- Printing
- Stickers/labels

- Packaging paper
- Containerboard
- Corrugated containers

- Disposable baby diapers
- Disposable adult diapers
- Sanitary napkins

- RFID
- Golf courses
- Sports clubs
- Transportation
- Engineering

- Forest Stewardship Council (FSC)-certified paper
- Products with recycled pulp content

- Paper products that help reduce the use of plastic

- CNF
- Waste sorting machine
- Forestry

Output » p.23



Financial capital



Manufactured capital



Intellectual capital



Social and relationship capital



Human capital



Natural capital

[FY2026 targets]

- Net sales: 800 billion to 1 trillion yen
- H&PC net sales ratio: 50.0% or above
- Operating profit margin: 10.0%
- ROE: 12.0% or above
- Net D/E ratio: 1.0 or below
- Rating (JCR and R&I): A-level rating

Material Issues and Contribution to Achieving the SDGs
» pp.59-60

Values ▶ Corporate Motto: Passion with Sincerity

Corporate governance: Fair and highly transparent management » pp.81-88

Business strategies » pp.33-66

DAIO Abundant and Affable Future 2030 » pp.57-70

Impact of Value Creation

Invested capital (input) and business results (output)

Input

Financial capital

- Total assets: 923.5 billion yen
- Net assets: 244.7 billion yen
- Net interest-bearing debt: 387.7 billion yen

Manufactured capital

- Mishima Mill: Cost-competitive coastal paper mill that is one of the world's largest
(Area of approx. 36 times the size of Tokyo Dome)
- Production bases / Group company business bases: 24 bases in Japan, nine bases in eight countries overseas
- Capital expenditures: 155.0 billion yen
(for the three years 2021–2023, including expenditures for M&A)

Intellectual capital

Intellectual capital >> pp.55-56

- Intellectual property owned (Domestic / Overseas):
Patent: 3,353 / 2,085
Registered design: 391 / 1,081
Registered trademark: 1,145 / 1,454

Social and relationship capital

- DAIO Partner Ship
(an association of regional distributors, recovered paper supplies, and domestic chip suppliers)
"Sakuraterasu," "Aoiterasu," and "Greenterasu"
- club elleair^{*1}: 400,000 members (as of June 2023)
- Attento Meister Professionals^{*2}: 5,011 qualified persons (as of the end of June 2023)
- Shikokuchuo City Carbon Neutrality Council

Human capital

- Consolidated number of employees: 12,634 including 3,389 employees of non-Japanese nationality
- Promotion of diversity & inclusion (p.66)
- Health and productivity management (Smoking cessation program: subsidies for smoking cessation outpatient clinic fees, etc.)
- Safety and health (Safety Wednesday^{*3} activities, etc.) (p.68)
- Introduction of the Group Long-term Disability (GLTD) Benefit plan
- Introduction of a stock-based incentive system for managers

Natural capital

- Forest land owned: Area of approx. 59,000 ha including approx. 28,000 ha preserved as natural forest
- Water resource management
• Water intake: 175.884 million m³/year

Output

Financial capital

Accumulation of capital for growth and shareholder return, external evaluation, etc.

- Net sales: 646.2 billion yen
- ROE: -14.0%
- Net D/E ratio: 1.6 times
- EBITDA: 29.4 billion yen
- Rating (JCR / R&I): A-

Manufactured capital / Intellectual capital / Social and relationship capital

Improvement of competitive advantage for business expansion, etc.

- Production output of Mishima Mill: Approx. 2.1 million t/year
(Approx. 9% of Japan's paper and paperboard production)
- Shikokuchuo City: The city with the largest shipments of paper in Japan (for 17 consecutive years)
- Elleair: Japan's top household paper product brand
- YK value^{*4} by technical field: Ranked first in three fields (as of the end of March 2023)

Human capital

Diversification of human resources, maintenance and improvement of employee health, external evaluation, etc.

- Female managers: 5.2% (FY2022)
- Smoking rate: 30.0% (FY2022)
- Lost time injury frequency rate: 1.01
- Recognized as a Certified Health & Productivity Management Outstanding Organization / Selected for the Bloomberg Gender-Equality Index
- Creation of opportunities for the empowerment of women through the domestic women's professional golf tour

Natural capital

- Protection of endangered species (Kawabata-moroko, Patagonian Cypress, etc.)
- Water resource management
• Water discharged: 166.016 million m³/year
• Actual water consumption (Water intake - Water discharged): 9.867 million m³/year
• COD base unit: 6.0% reduction
- GHG emissions: 4.518 million t/year (FY2021) → 4.194 million t/year (FY2022)
- CO₂ emissions reduction rate: 7.0% (from the 2013 level)

Business activities using core competence

Toward the Realization of an Abundant and Affable Future

Realizing an abundant and affable future is our mission envisioned from the aspiration for a better future for people and the planet. In line with our mission, we have defined the optimal states of people and the planet upon the realization of an abundant and affable future. The achievement of our vision, the Three Well-beings of "Hygiene", "Life" and "Regeneration", will lead us toward the attainment of the optimal states.

Of the Three Well-beings, "Hygiene" and "Life" are related to a better future for people.

In terms of "Hygiene," we will make hygiene products accessible and inspire good hygiene habits. This aspect of our vision endeavors to raise people's living standards and to provide them with the means to escape bad conditions such as poor hygiene and poverty for a life in good health.

As for "Life," we will provide services that bring happiness and fulfillment to people worldwide. Together, the two aspects strive to enable people to lead happy and enriching lives in good health.

"Regeneration" is related to a better future for the planet.

For "Regeneration," we will take proactive measures to conserve the environment. This aspect endeavors to restore the planet from a critical state, where many organisms are at risk of extinction due to increasing deforestation, to a state where diverse organisms can coexist and thrive.

Anchored by our mission and guided by our vision, we strive every day to ensure that what we create will lead to an abundant and affable future enriching people's lives and the environment.



*1 club elleair: A membership program where you can enjoy various experiences, limited edition products, campaigns, and other benefits through Elleair products.

*2 Attento Meister Professional: Certification provided by Daio Paper Corporation

*3 Safety Wednesday: Web conference to share safety activities conducted jointly with all Group manufacturing companies in Japan (more than 200 participants each time)

*4 YK value: Patent technology competitiveness index developed by Kudo & Associates, which measures the strength of a patent's monopoly and exclusivity



Hygiene

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.

The abundant and affable future that we envision

A better future for people

A future in which poverty has been eliminated, people's living standards have improved, and a healthy lifestyle for all is assured

Poverty has been eliminated, and people's living standards have improved

- We will globalize our operations and are committed to furthering products and habits that promote hygiene
- We will also develop our operations in regions around the world and create local employment opportunities



Case 1

Primary industries have developed, and hunger has been eradicated

- Our RFID solutions will make complex inventory management easier, helping solve food loss and other issues
- We will provide services that link afforestation technology to improved agricultural productivity
- We will provide products that protect fruit trees from insect pests and increase productivity



Case 2

Infectious diseases are controlled

- We will help prevent and control infectious diseases by furthering products and habits that promote hygiene



Case 3

Equal opportunities for education are available worldwide

- We will provide vocational training support and education on how to make hygiene products
- We will promote a culture of learning by writing on paper



Case 4

Women play an even more active role in society

- We will help women maintain their health by providing hygiene support
- We will provide education related to hygiene and sexual matters



Case 4

Hygienic toilets are available throughout the world

- We will globalize our operations and promote the habit of using sanitary paper



Case 1

Everyone has equal opportunity to purchase (use) paper and hygiene products

- We will promote the habit of using medium-grade paper and hygiene products



Case 1

Waste has been reduced, and a recycling-oriented society achieved

- We will establish systems for collecting used paper and other materials in the countries in which we operate



Case 5

Case 1

Poverty has been eliminated, and people's living standards have improved



- We will globalize our operations and are committed to furthering products and habits that promote hygiene
- We will also develop our operations in regions around the world and create local employment opportunities



Employees of Elleair International (Thailand) Co., Ltd.



Employees of PT. Elleair International Manufacturing Indonesia

→ Initiatives to make hygiene products accessible and inspire good habits in people around the world to contribute to local development
 >>>pp.49-50 (Overseas Business Group, H&PC Unit)
 >>>pp.51-54 (Feature 1: Overseas Business Initiatives in Preparation for the Fifth Medium-Term Business Plan)

Hygienic toilets are available throughout the world



- We will globalize our operations and promote the habit of using sanitary paper

We believe that we can contribute to the spread and expansion of flushable toilet tissue, which supports the improvement of the sanitary environment of toilets, through the Toilet Revolution in China.



Antibacterial toilet tissue in China



5-ply toilet tissue in China

Everyone has equal opportunity to purchase (use) paper and hygiene products



- We will promote the habit of using medium-grade paper and hygiene products

We provide products and services that respect the culture, religion, and customs of each country, such as halal-certified products and individually packaged products (sold in small quantities) for low-income groups, so that all people can live equal and healthy lives.



Halal-certified product



Individually packaged products sold at Indonesian traditional retail shops (warung)

©DISNEY. Based on the "Winnie the Pooh" works by A.A.Milne and E.H. Shepard.

In this section, we explore the "Hygiene" aspect of the Three Well-beings that we seek to achieve.

Connecting the optimal states of an abundant and affable future that is aligned with the 17 SDGs to the ways we will contribute to these goals, we provide an overview of our ongoing and prospective initiatives.

We will continue to embody our efforts to realize an abundant and affable future.

Case 2

Primary industries have developed, and hunger has been eradicated



- Our RFID solutions will make complex inventory management easier, helping solve food loss and other issues

Daio Engineering Co., Ltd., a subsidiary of our Group, provides RFID tags equipped with highly radiation-resistant FeRAM, thereby helping to improve the efficiency of goods management in the medical and pharmaceutical industries. We believe that we can contribute to solving the issue of food loss by applying such technology to food inventory management.

https://www.daio-paper.co.jp/wp-content/uploads/20210301_1.pdf



RFID reader (can be installed in up to four layers)

- We will provide services that link afforestation technology to improved agricultural productivity



Forestral Anchile LTDA., a subsidiary of our Group, works on the selection of excellent tree species and the development of new varieties (that grow quickly and are resistant to adverse conditions) through artificial pollination with the aim of increasing productivity. We believe that these technologies can be used to create services that improve agricultural productivity.

- We will provide products that protect fruit trees from insect pests and increase productivity

In collaboration with Agro-Kanesho Co., Ltd., we have developed a soil sterilization covering sheet that uses paper, which is made from natural materials, instead of plastic. It effectively preserves sterilizing agents in the soil. Moreover, after disinfection, it can be directly plowed into the soil due to its biodegradability, thereby simplifying the process as there is no need for removal or disposal of the covering sheet. By providing products and services that not only reduce environmental impact but also improve agricultural productivity, we will contribute to the sustainable development of agriculture.



Case 5

Waste has been reduced, and a recycling-oriented society achieved



- We will establish systems for collecting used paper and other materials in the countries in which we operate

Our founder, Isekichi Ikawa, was initially a paper raw materials dealer (a recovered paper supplier). However, through a turn of events, he found himself running a paper mill overnight. This was the beginning of Daio Paper Corporation. We are currently working on sustainable resource recycling together with DAIO Partner Ship "Aoiterasu," an association of recovered paper suppliers. We believe that we can contribute to the realization of a recycling-oriented society by rolling out our used paper collection system overseas.

Case 3

Infectious diseases are controlled



- We will help prevent and control infectious diseases by furthering products and habits that promote hygiene

We provided masks and sanitizing wet wipes during the COVID-19 pandemic. We believe that we can contribute to the prevention and control of infectious diseases by disseminating these products.



Case 4

Equal opportunities for education are available worldwide



- We will provide vocational training support and education on how to make hygiene products
- We will promote a culture of learning by writing on paper

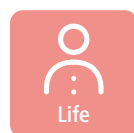
Women play an even more active role in society



- We will help women maintain their health by providing hygiene support
- We will provide education related to hygiene and sexual matters



→ Support for women's independence through the Elis Heart Support Project >>>p.62



Life

Enhance well-being of lifestyles

We will provide services that enhance lifestyles, improve quality of life and enable people to lead happy and enriching lives.

The abundant and affable future that we envision

A better future for people

A future in which people around the world are living happier and more fulfilling lives

A greater number of people are enjoying life after retirement

- We will provide products and services that help extend healthy life expectancy



Case 1

Women play an even more active role in society

- We will build systems that enable our female employees to develop their careers
- We will provide opportunities and services that help women flourish and be independent



Case 2

An age in which everyone is able to balance work with childcare and nursing care

- We will provide opportunities and services that enable people to balance work with childcare and nursing care



Case 3

Technological innovation is driving a shift to naturally-derived materials

- We will commercialize cellulose nanofiber and provide value-added products



Case 4

Communities that offer peace of mind for vulnerable groups

- We will develop systems to provide one-stop services for housing, medical care, nursing care, preventive care, and lifestyle support



Case 5

All conflicts have ended, and more people are using paper and hygiene products

- We will globalize our operations and are committed to furthering products and habits that promote hygiene
- We will achieve CSR procurement throughout our entire supply chain



Case 6

A borderless welfare society has been realized

- We will enhance our efforts to improve the quality of life in cooperation with administrative agencies and other companies



Case 5

Case 1

A greater number of people are enjoying life after retirement

- We will provide products and services that help extend healthy life expectancy

We offer disposable adult diapers under the Attento brand to help extend healthy life expectancy and facilitate self-actualization. Our products have appropriate specifications for incontinence care, supporting the maintenance of mental and physical health, and we also offer disposable incontinence underwear that anyone can use without hesitation due to an innovative discreet design that allows users to wear them out in public without worrying about it showing through.



Case 2

Women play an even more active role in society

- We will build systems that enable our female employees to develop their careers

We are involved in promoting the empowerment of female employees to achieve sustainable growth. In order to help with their career development, we hold cross-industry exchange trainings for female employees, where they will learn practical skills needed to become leaders together with peers from other companies.



→ Promotion of diversity & inclusion >>>p.66

- We will provide opportunities and services that help women flourish and be independent

With the desire to support the independence of women by contributing in any way to solving the issue of menstrual poverty, we have been running a period product provision program to provide free sanitary napkins to students who have difficulty obtaining sanitary napkins.



The Daio Paper Elleair Ladies Open, which has been held annually since 1982, will be held for the 42nd time this year. As a company engaged in the feminine care business, we hope to continue to provide such opportunities for women to flourish.



Case 3

An age in which everyone is able to balance work with childcare and nursing care

- We will provide opportunities and services that enable people to balance work with childcare and nursing care

Located adjacent to the Mishima Mill, "GOO.N Sukusuku House" is a childcare facility for the children of Daio Group employees. Through this facility, we aim to support the growth of children in a safe and secure environment and nurture their creativity and sociability. This facility plays an important role in ensuring the happiness of the families of our Group employees and their ease of work.

https://www.daio-paper.co.jp/wp-content/uploads/20220803_sukusukuhouse.pdf



Case 4

Technological innovation is driving a shift to naturally-derived materials

- We will commercialize cellulose nanofiber and provide value-added products

Cellulose nanofiber (CNF) is produced by refining wood fiber (pulp), an environmentally-friendly material, to nanosized fibrils. It has many properties. When used as a high-performance material (for electronic devices, optical components, medical and healthcare, etc.), it is expected to contribute to the realization of a digitally-transformed society, the enhancement of QOL, and the improvement of medical and healthcare. When used as a lightweight and high-strength material (for automobiles/aircraft, home appliances, housing/construction, etc.), it is expected to improve LCA results (improvements in environmental impact or recyclability). Daio Paper is aiming for its commercialization in fields such as medical and healthcare, consumer household goods, and sporting goods.

Commercializable applications and prospective solution of social issues

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



→ Application development of cellulose nanofibers >>>p.62

Case 5

Communities that offer peace of mind for vulnerable groups

- We will develop systems to provide one-stop services for housing, medical care, nursing care, preventive care, and lifestyle support

A borderless welfare society has been realized

- We will enhance our efforts to improve the quality of life in cooperation with administrative agencies and other companies

Initiatives through a community-based integrated care system (Support and services provided jointly by our company, hospitals, facilities, and stores)



A set of Attento-brand products for discharged patients



Providing hospitals and facilities with free items that are useful for hospital discharge guidance as support for patients returning home

Attento Handbook on how to choose and use disposable adult diapers

Case 6

All conflicts have ended, and more people are using paper and hygiene products

- We will globalize our operations and are committed to furthering products and habits that promote hygiene

→ Initiatives to make hygiene products accessible, inspire good habits in people around the world >>>p.49-50 (Overseas Business Group, H&PC Unit)
>>>p.51-54 (Feature 1: Overseas Business Initiatives in Preparation for the Fifth Medium-Term Business Plan)

- We will achieve CSR procurement throughout our entire supply chain

The Daio Group conducts procurement in accordance with the Daio Paper Group Sustainable Procurement Guidelines Based on the SDGs in order to ensure legal compliance in the fields of human rights, environmental preservation, and safety and health within the supply chain and to conduct fair and equitable transactions.

→ Procurement based on the "Establishment of sustainable supply chain" >>>p.64



Regeneration

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.

The abundant and affable future that we envision

A better future for the planet

A future in which the earth has been restored to a planet with abundant nature where diverse organisms coexist and thrive

Clean energy is used worldwide

- We will shift from fossil-based energy sources to clean energy



Case 1

Zero GHG emissions at local government level

- We will work with local governments and businesses to implement measures for achieving zero GHG emissions



Case 2

Waste has been reduced, and a recycling-oriented society achieved

- We will develop and market sorting machines capable of handling a wide variety of waste materials
- We will develop and market systems for separating paper and plastic at the time of disposal



Case 3

Carbon neutrality has been achieved throughout the entire supply chain

- We will become a zero GHG emission company by fully leveraging fuel switching, afforestation, and other measures



Case 4

A switch from plastics to naturally-derived materials is in progress

- We will develop and market alternative materials to plastics
- We will develop absorbent products made from non-fossil-based materials



Case 5

The earth's abundant nature has regenerated, and forests have been restored

- We will enhance the usage value of wood and develop our plantation business
- We will provide solutions that utilize plantation technology



Case 6

A borderless society in coexistence with nature has been realized

- We will work with administrative agencies and other companies to maintain biodiversity



Case 7

Case 1

Clean energy is used worldwide



- We will shift from fossil-based energy sources to clean energy

We are promoting the installation of solar panels on the roofs of our mills and factories, including those of Group companies, as part of our efforts to shift to renewable energy.



Shimada Mill, Daio Paper Products Corporation



Kani Mill, Daio Paper Corporation



Kawanoe Mill, Daio Paper Corporation

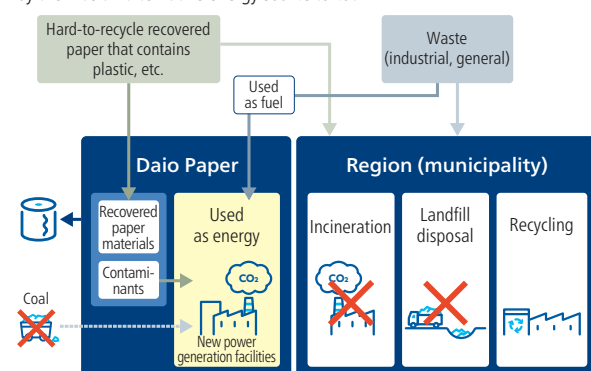
Case 2

Zero GHG emissions at local government level



- We will work with local governments and businesses to implement measures for achieving zero greenhouse gas (GHG) emissions

We will reduce GHG emissions in cooperation with regions through the introduction of waste-to-energy boilers. We will also contribute to reducing incineration facilities and landfill sites in regions by reusing waste generated by them as an alternative energy source to coal.



Moreover, in Shikokuchuo City, where the Mishima Mill is located, the Shikokuchuo City Carbon Neutrality Council has been established, in which our company participates as a managing company. On March 30, 2023, we published a roadmap to reduce CO₂ emissions across the region. Since then, we have been discussing the implementation of new fuel and energy technologies.

Roadmap of the Shikokuchuo City Carbon Neutrality Council

Search

In this section, we explore the “Regeneration” aspect of the Three Well-beings that we seek to achieve. Connecting the optimal states of an abundant and affable future that is aligned with the 17 SDGs to the ways we will contribute to these goals, we provide an overview of our ongoing and prospective initiatives. We will continue to embody our efforts to realize an abundant and affable future.

Case 3

Waste has been reduced, and a recycling-oriented society achieved



- We will develop and market sorting machines capable of handling a wide variety of waste materials
- We will develop and market systems for separating paper and plastic at the time of disposal

Daio Engineering Co., Ltd., a subsidiary of our Group, manufactures and markets the “Aerosorter” series, high-purity sorting machines that sort waste plastics generated from discarded home appliances and vehicles as well as crushed pieces of waste plastics (trays, PET bottles, etc.) discharged from businesses and households. Various lineups are available to accommodate a wide variety of materials.

Examples of the high-purity sorting machines “Aerosorter” series



Aerosorter V



Aerosorter CS-AI



Hard mixed plastics sent on a high-speed belt



Mixed metals sent on a high-speed belt conveyor



Mixed metal after sorting

<https://www.daio-eng.co.jp/business/env/>

Case 4

Carbon neutrality has been achieved throughout the entire supply chain



- We will become a zero GHG emission company by fully leveraging fuel switching, afforestation, and other measures

→ Initiatives toward carbon neutrality

➤pp.71-74 (Initiatives toward a Carbon-free Society)

➤pp.75-80 (Response to the TCFD)

Case 6

The earth's abundant nature has regenerated, and forests have been restored



- We will enhance the usage value of wood and develop our plantation business
- We will provide solutions that utilize plantation technology

Forestral Anchile LTDA., a subsidiary of our Group, works on the selection of excellent tree species and the development of new varieties (that grow quickly and are resistant to adverse conditions) through artificial pollination with the aim of increasing productivity. We believe that these technologies can be used as our strength when the value of forests increases, which leads to a movement toward forest restoration.

Case 5

A switch from plastics to naturally-derived materials is in progress



- We will develop and market alternative materials to plastics

Paper is a natural and sustainable material that has high potential as an alternative to plastic. Its raw material is renewable through planting trees, and it can be recycled as recovered paper. Using our Group's technology, we have developed biodegradable Elipla Paper series, which is already being used to make hangers, stir sticks, and other products. We also have paper products for the exterior packaging of products as an alternative to film.



Hangers

Stir sticks

Paper containers

Paper packaging for products



- We will develop absorbent products made from non-fossil-based materials

Super absorbent polymer (SAP) is used as an absorbent for sanitary napkins and disposable diapers. Currently, fossil-based raw materials are used to make SAP. However, as the development of technology to use plant-based raw materials, such as wood chips, progresses, it is expected that SAP made from biomass materials will be manufactured in the future. As a company that owns forest land (wood chips), we will proceed with research to develop absorbent products made from non-fossil-based materials.

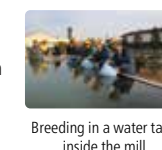
Case 7

A borderless society in coexistence with nature has been realized



- We will work with administrative agencies and other companies to maintain biodiversity

In cooperation with the Association for the Breeding and Release of Kawabata-Moroko, we are involved in conservation activities for Kawabata-moroko, which is designated as an endangered species.



Breeding in a water tank inside the mill



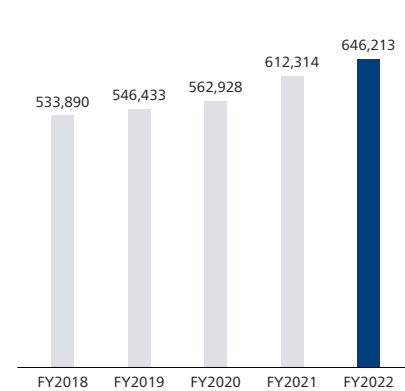
Kawabata-moroko fry

→ Forest conservation and maintenance of biodiversity ➤pp.70

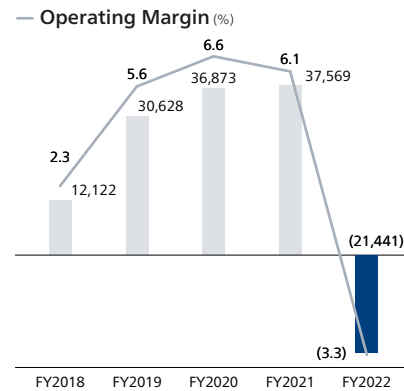
Financial and Non-Financial Highlights

Financial Data

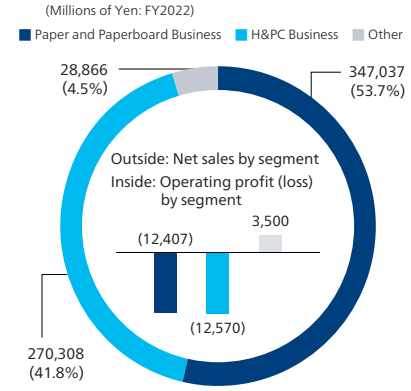
Net Sales (Millions of Yen)



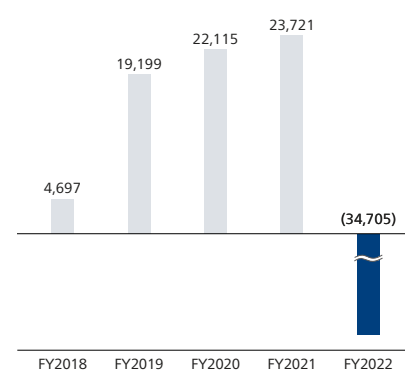
Operating Profit (Loss) (Millions of Yen)



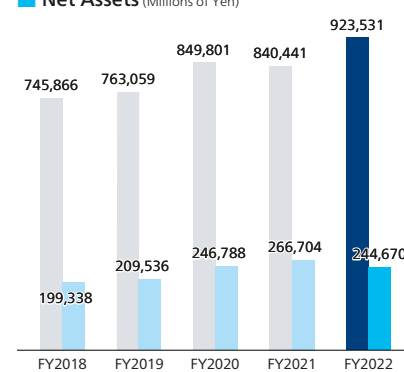
Composition of Net Sales and Operating Profit by Segment (Millions of Yen: FY2022)



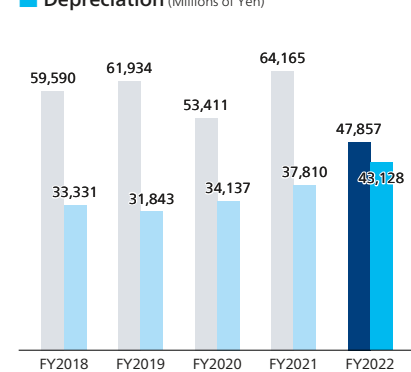
Profit (Loss) Attributable to Owners of Parent (Millions of Yen)



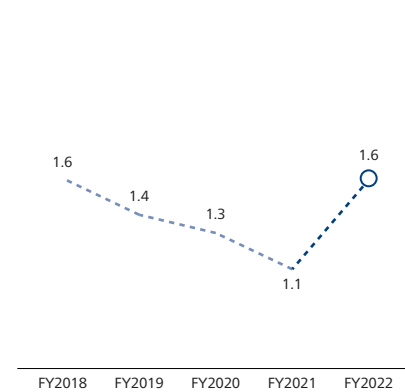
Total Assets (Millions of Yen)



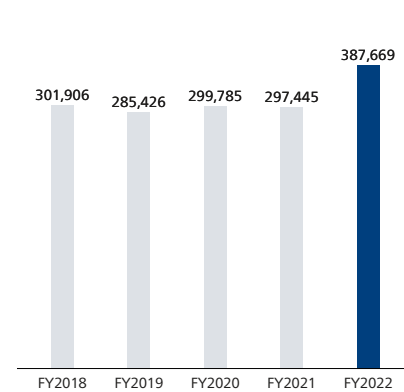
Capital Expenditures (Millions of Yen)



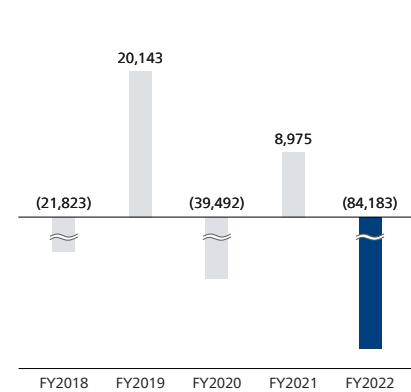
Net Debt to Equity Ratio (Times)



Net Interest-Bearing Debt (Millions of Yen)



Free Cash Flow (Millions of Yen)



Fulfilling Our Purpose

—Value Creation Story of the Daio Group—

Achieving Sustainable Growth

—Strategy for Continuing to Provide Value—

Responding to Social Issues

—Foundation for Sustainable Growth—

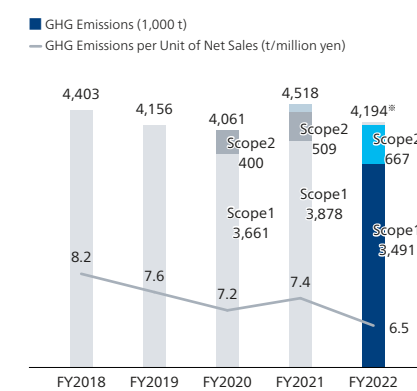
Data and Information

—Financial and Corporate Data—

Non-Financial Data

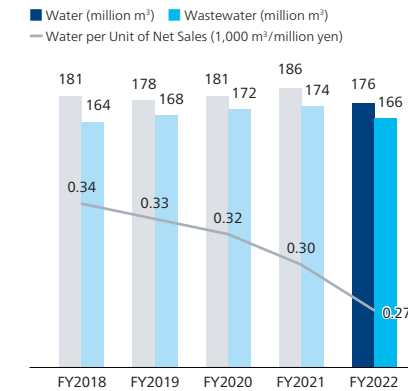
Environmental related

Greenhouse Gas (GHG) Emissions

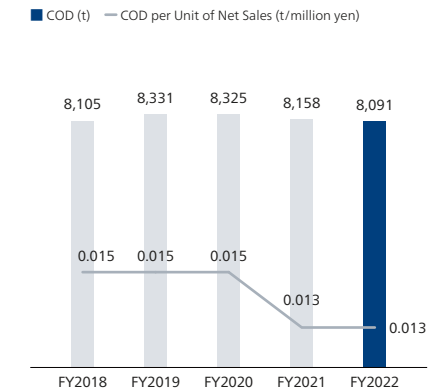


* FY2022: Net GHG emissions excluding the amount equivalent to green power certificates sold were 4,158,000 tCO₂, and emissions per unit of net sales were 6.4 tCO₂ per million yen.

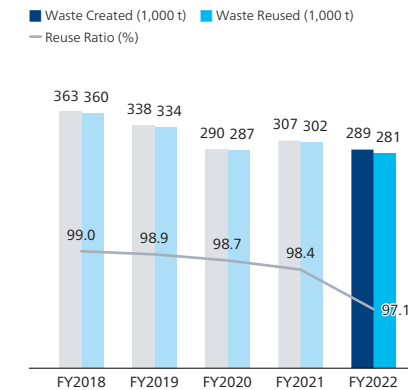
Water/Wastewater



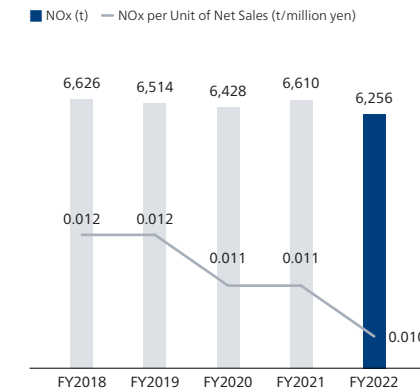
COD Emissions



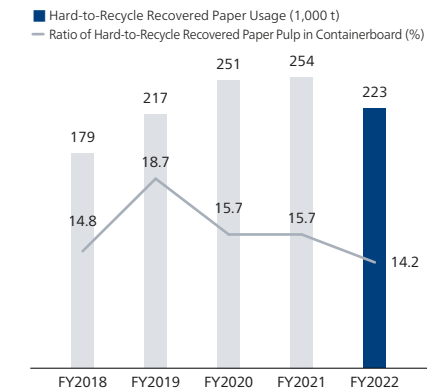
Waste Created/Waste Reused



NOx Emissions



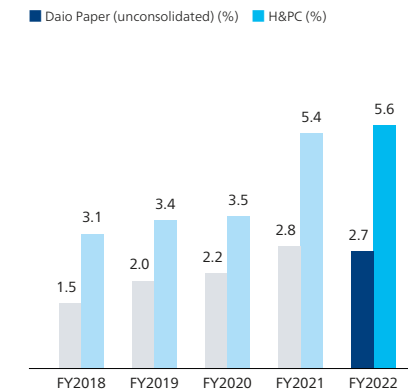
Hard-to-Recycle Recovered Paper Usage



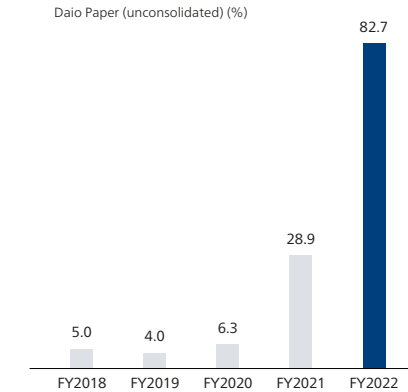
* Ratio of hard-to-recycle recovered paper pulp in containerboard at the Mishima Mill, our core paper mill

Human resources related

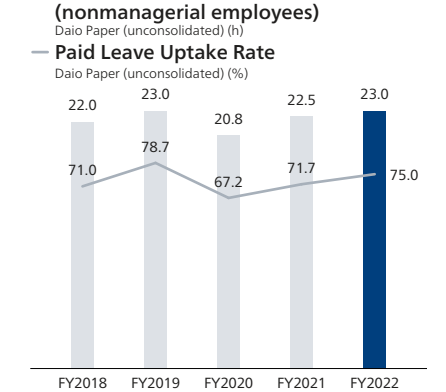
Female Manager Rate



Paternity Leave Uptake Rate



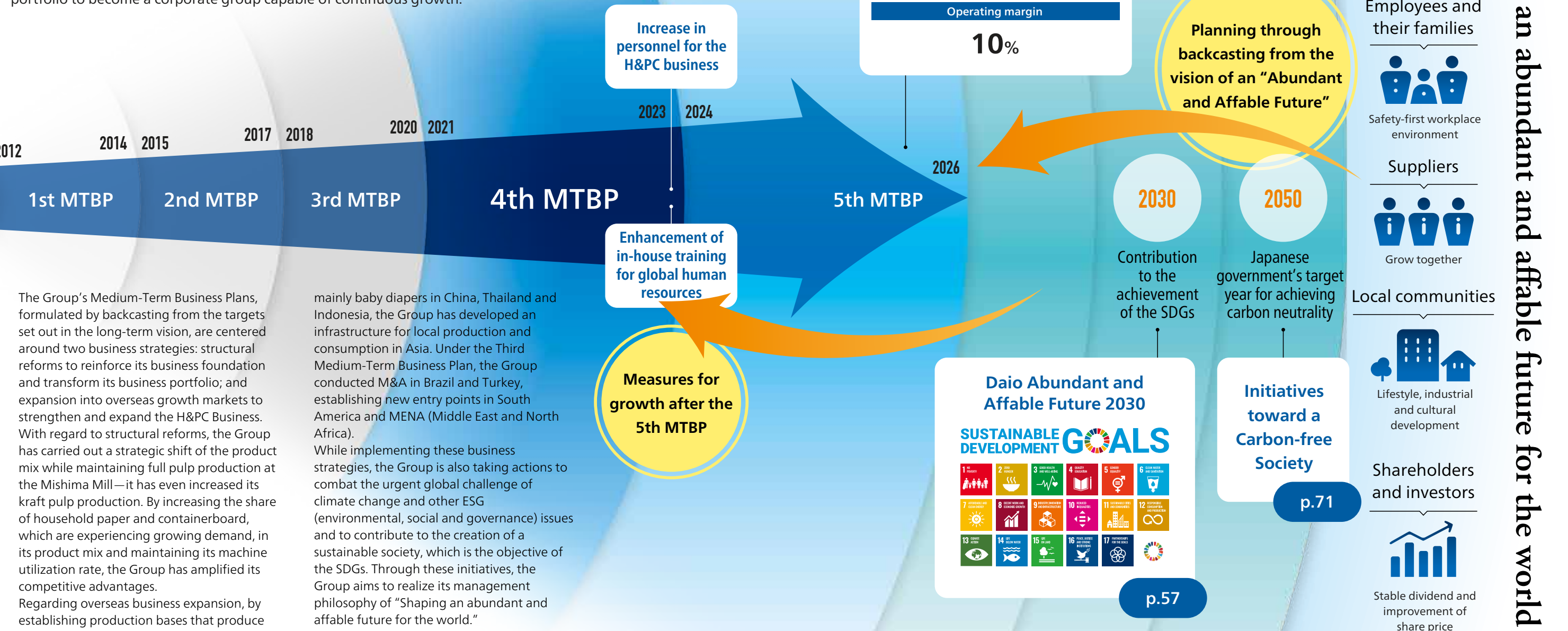
Average Overtime Work Hours (nonmanagerial employees)



Daio Group's Vision and Medium-Term Business Plans

The Group made a fresh start as the restructured Daio Group in FY2012, and has since primarily pursued structural reforms and overseas expansion under its Medium-Term Business Plans (MTBPs).

The Group set out its long-term vision with specific targets to be achieved by FY2026: net sales of ¥800 billion to ¥1 trillion, 50% or more of which will be generated by the Home and Personal Care (H&PC) Business and 30% or more from the H&PC overseas business, and an operating margin of 10%. Aiming toward the next growth stage and a new future, the Group will strategically transform its business portfolio to become a corporate group capable of continuous growth.



Three Well-beings

1. Hygiene 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.

2. Life Enhance well-being of lifestyles



We will provide services that enhance lifestyles, improve the quality of life, and enable people to lead happy and enriching lives.

3. Regeneration Restore well-being of the earth

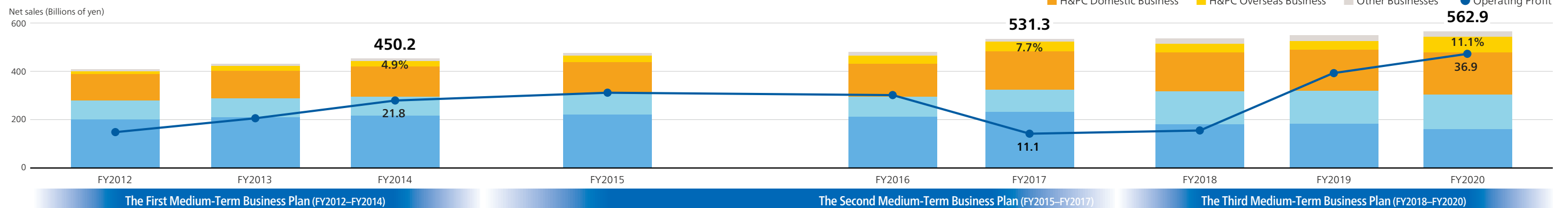


We will actively conserve the environment and regenerate the earth back into a planet with abundant nature where diverse organisms coexist and thrive.

Review of the Medium-Term Business Plans

Over the nine years from the First to Third Medium-Term Business Plans (FY2012–FY2020), the Group achieved significant improvements in business performance through the expansion of the Home and Personal Care (H&PC) Business, while maintaining stable sales in the Paper & Paperboard Business through structural reforms. The Group recorded increases in net sales and operating profit for eight and three consecutive years, respectively, and successfully built the foundation for the next growth stage to a new future.

Net Sales and Operating Profit by Business



Restart —Solid Reform and Further Growth

Step-up —Leap and Expand

Move on: Reform and Soar Above

Basic Policies

- Rebuilding of business foundation
- Improvement of profitability of the paper business through cost reduction and change in the product mix
- Strengthening of the containerboard and corrugated container business
- Expansion of H&PC Business

- Restructuring of the paper business
- Strengthening of the containerboard and corrugated container business

- Further growth and acceleration of H&PC Business
- Development of new businesses / Cellulose Nanofiber (CNF)

- Radical cross-business structural reform of Paper and Paperboard Business and H&PC Business
- Global expansion and strengthening of profitability of H&PC Business
- Early commercialization of cellulose nanofiber (CNF)

Review

Promoted structural reforms and improvement of financial strength to rebuild the business foundation

(Billions of yen)	Targets	Results
Net sales	450.0	450.2
Ordinary profit	22.5	21.8
Interest-bearing debt	400.0	375.0
Equity ratio	17%	23.7%
Net debt to equity ratio	3.8	2.4

Promoted H&PC overseas business expansion
Achieved significant expansion of net sales through domestic M&A
Failed to achieve the profit target

(Billions of yen)	Targets	Results
Net sales	500.0	531.3
Ordinary profit	25.0	12.8
Net interest-bearing debt	250.0	280.0
Equity ratio	28%	25.9%
Net debt-to-equity (D/E) ratio	1.5	1.6

Conducted cross-business structural reforms and overseas M&A
Achieved targets for all items other than net sales

(Billions of yen)	Targets	Results
Net sales	615.0	562.9
Operating profit*	32.0	36.9
H&PC overseas net sales ratio	15%	11.1%
ROE	8%	10.1%
Net debt-to-equity (D/E) ratio	1.6	1.3

Restart —Solid Reform and Further Growth

The First Medium-Term Business Plan (FY2012–FY2014):

Review

Under the First Medium-Term Business Plan, in response to a continuing decline in demand for paper and in order to maintain full pulp production at the Mishima Mill, the Group embarked on a structural reform. Aiming to improve the profitability of the paper business through thorough cost reduction and a change of the product mix, the Group worked to reduce pulp costs by increasing kraft pulp production and improve the profitability of paper products by shifting to higher value-added products. At the same time, in order to build an optimal production system that meets demand, the Group converted paper machines at the Kani Mill into containerboard

machines to respond to increasing demand for containerboard. It also merged and integrated the operations of its corrugated container subsidiaries to strengthen the containerboard and corrugated container business. Meanwhile, to further expand the H&PC Business as part of its growth strategy, the Group established factories in Thailand in 2011, in China (Nantong) in 2012, and in Indonesia in 2014 to produce mainly baby diapers, thereby building an infrastructure for local production and consumption in Asia. The Group also worked on revamping its governance structure and improving its financial strength in order to rebuild its business foundation.

Issues

- Further structural shifting of the paper business
- Strengthening of production facilities of H&PC Business

Step-up —Leap and Expand

The Second Medium-Term Business Plan (FY2015–FY2017):

Review

Under the Second Medium-Term Business Plan, the Group continued to promote the restructuring of the paper business and changed the product mix to maximize profit. It also worked to further strengthen the containerboard and corrugated container business by starting operation of the No.3 paper machine at Iwaki Daio Paper. With regard to the H&PC domestic business, the Group acquired the paper products business of Nisshinbo Holdings, achieving an increase in market share of household paper

products. The Group also worked to increase sales of high value-added products by leveraging the strength of the Elleair brand, and expanded the domestic supply capacity for absorbent products by commencing operation of Elleair Product's Fukushima Factory. As for overseas business, in addition to expanding its production facilities and broadening the product lineup to increase sales in Thailand, China and Indonesia, the Group increased exports from Japan to Korea, Russia, Taiwan, etc. Furthermore, with regard to the Cellulose Nanofiber (CNF) business, a new business that it hopes will drive future growth, the Group worked to expand the CNF product lineup by starting the operation of a pilot plant for the production of dry powder-type CNF.

Issues

- Radical structural reform from paper business to growth business
- Expansion into new overseas markets

Move on Reform and Soar Above

The Third Medium-Term Business Plan (FY2018–FY2020):

Review

Under the Third Medium-Term Business Plan, the Group launched a radical cross-business structural reform of the Paper & Paperboard Business and the H&PC Business. The Group resumed operation of the Kawano Mill in October 2018 to produce household paper by using pulp that was made available by shifting from paper to containerboard, and also strengthened the paper products business acquired from Nisshinbo Holdings. Through these measures, the Group increased its share of the household paper products market and strengthened the profitability of the H&PC Business. As for growth strategies,

the H&PC overseas business focused on expanding sales of premium toilet tissue in China. Furthermore, the Group gained operation bases in new markets in South America and MENA through the acquisition of Santher S.A. (Brazil) and EITR (Turkey). In new businesses, the Group commenced the biomass power generation business using the feed-in tariff (FIT) scheme in July 2020. Also, progress was seen in the commercialization of CNF as material for table tennis rackets, parts of electric racing cars, etc.

Issues

- Continuation of ongoing structural reforms and promotion of overseas growth strategies (bringing overseas business into the black)
- Promotion of management that is conscious of capital efficiency and strengthening of financial position

Overview and Progress of the Fourth Medium-Term Business Plan

GEAR UP The Next Growth Stage, to a New Future

Since FY2021, the Daio Group has been actively committed to implementing the Fourth Medium-Term Business Plan under the slogan “GEAR UP: The Next Growth Stage, to a New Future.”

Aiming to realize the Three Well-beings, the Group has been accelerating its initiatives to shape a new future in high gear.

Basic Policies of the Fourth Medium-Term Business Plan

1 Establish a strong and resilient business portfolio	2 Improve financial strength	3 Respond to climate change (Carbon neutrality by 2050)
<ul style="list-style-type: none"> Build an even greater competitive advantage in the Paper and Paperboard (P&P) Business through continuous structural reforms Lead the Group's growth through faster multi-category business expansion and further M&A in the Home and Personal Care (H&PC) Business Create future growth opportunities through new businesses such as cellulose nanofiber (CNF) 	<ul style="list-style-type: none"> Strengthen cash generating capacity and improve cash flow by capitalizing on the results of structural reforms and strategic investment Promote management conscious of the cost of capital and return on capital by introducing ROIC as a management indicator Obtain and maintain a credit rating of A 	<ul style="list-style-type: none"> Promote the use of renewable energy, aiming to achieve decarbonization by 2050 Continually engage in proper plantation management and expansion of plantation areas Promote a shift to environmentally friendly materials through CNF and plastic-free product businesses
Progress highlights		
<ul style="list-style-type: none"> Started operating a paper towel machine at the Mishima Mill Started operating the second machine for household paper products at the Kawanoe Mill Entered the pet care products market Started operating a pilot plant for CNF composite resin 	<ul style="list-style-type: none"> Obtained an A rating in September 2021 Selected performance monitoring indicators that link to existing indicators using the ROIC tree Reduced cross-shareholdings (Percentage in consolidated net assets: 6.8% for FY2020, 5.2% for FY2022) 	<ul style="list-style-type: none"> Started conducting an environmental impact assessment in preparation for the installation of a waste-to-energy boiler at the Mishima Mill Obtained about 6.0 km² (nearly 1,500 acres) of land for plantation in Chile, South America Started using biomass boilers under the FIT scheme for self-consumption Started operating a waste-to-energy boiler at Iwaki Daio Paper Collected information on CCUS technologies including BECCS (Shikokuchuo City Carbon Neutrality Council) Decreased coal purchase quantity (a decrease of 13.6% compared to FY2021)

	1st MTBP (FY2014)	2nd MTBP (FY2017)	3rd MTBP (FY2020)	4th MTBP			Vision for the 5th MTBP (FY2026)
				(FY2021)	(FY2022)	(FY2023 forecast)	
Net sales	450.2	531.3	562.9	612.3	646.2	720.0	800 -1,000
Operating profit (operating profit margin)	21.8 (4.8%)	11.1 (2.1%)	36.9 (6.6%)	37.6 (6.1%)	(21.4)	51.0 (7.1%)	80-100 (10%)
H&PC overseas net sales ratio	4.9%	7.7%	11.1%	12.1%	13.8%	18.8%	30% or above
ROE	10.0%	2.2%	10.1%	9.5%	-14.0%	10% or more	12% or above
Net debt-to-equity (D/E) ratio	1.9	1.6	1.3	1.1	1.6	1.0	1.0 or below

Progress of the Fourth Medium-Term Business Plan

Prioritized investments in the growth-driving H&PC Business

Business segment	FY2021			FY2022			Plan for FY2023		
	Net sales (Billions of yen)	Operating profit (Billions of yen)	Operating margin	Net sales (Billions of yen)	Operating profit (Billions of yen)	Operating margin	Net sales (Billions of yen)	Operating profit (Billions of yen)	Operating margin
Paper and Paperboard	327.4	22.3	6.8%	347.0	(12.4)	-3.6%	370.0	11.5	3.1%
H&PC	257.3*	11.9	4.6%	270.3	(12.6)	-4.6%	300.0	4.0	1.3%
(Breakdown) Domestic	183.2	15.5	8.5%	181.2	(6.5)	-3.6%	200.0	4.0	2.0%
Overseas	74.1	(3.6)	—	89.1	(6.1)	-6.9%	100.0	0	—
Other businesses (including adjustments)	27.6	3.3	12.0%	28.9	3.6	12.5%	30.0	2.5	8.3%
Total	612.3	37.6	6.1%	646.2	(21.4)	-3.3%	700.0	18.0	2.6%

* This net sales amount is a downward revision from the previous disclosure due to the application of accounting standards for revenue recognition.

Material issues

Strategic transformation of business portfolio

Acceleration of global expansion

Creation of new businesses

P&P Business

Generate sustainable cash flow for growth investment

- Newsprint and paper
- Industrial paper and corrugated containers

Environmental changes

- Further decline in demand for graphic paper due to price revisions and growing environmental awareness
- Expanding demand for packaging paper due to further increase in the desire to avoid plastics
- Expanding demand for packaging paper and corrugated containers due to the revival of economic activity after the COVID-19 pandemic

Thoroughly improve efficiency with the aim of creating a cash cow business

- Improve productivity and profitability at the Mishima Mill, our core paper mill
- Reduce logistics costs by decreasing manufacturing costs and SKUs
- Review the organizational structure to pursue profits (improve proposal capabilities and expand the sales of high-value-added products)
- Capture e-commerce demand and demand generated by a growing trend toward plastic reduction

H&PC Domestic Business

Drive performance as a core business

- Household paper products
- Feminine care products

- Changes in consumer psychology before and after the COVID-19 pandemic (increased awareness of hygiene)
- Expanding demand for health care products due to aging population
- Shrinking demand for baby care and feminine care products due to a decrease in the number of births
- Significant decline in demand for sanitizing wet wipes and masks due to the end of the COVID-19 pandemic

H&PC Overseas Business

Consistently turn a profit and strengthen organizational structure

- Baby care products
- Pet care products
- Health care products

- China's birth population decline (2022: -14% compared to the previous year)
- Intensification of price competition
- Polarization between purchasing psychology focusing on cost performance and on quality

Shift to focus on profitability in existing categories and develop new growth areas

- Improve the accuracy and efficiency of production/sales/inventory (logistics)
- Procure important materials in a stable manner (Produce fluff pulp in-house)
- Strengthen the production and sales of soft pack tissues with growing demand
- Enter the pet care products market, one of the few growing markets in Japan

Enhance marketing functions

Establish new sales subsidiaries

[China]
Strengthen profitability by acquiring new customer base for baby care products and expanding feminine care products

[Brazil]
Strengthen the revenue base by expanding the lineup of premium products by leveraging our product development capabilities

[ASEAN region]
Establish overseas subsidiaries to strengthen sales

[Company-wide human resources strategy]
Enhance in-house training for global human resources

New Businesses

Create a third business pillar and promote environmental initiatives

- CNF business
- RFID business (IC tags)
- Initiatives toward carbon neutrality

- Increase in consciousness of environmental conservation
- Economic growth in emerging countries
- Change in social issues

Create future growth opportunities

[CNF business]

Shift from fossil-based materials to naturally-derived materials

[RFID business (IC tags)]

Provide environmentally friendly RFID tags made of paper that does not use plastic film (PET film)

[Carbon neutrality]

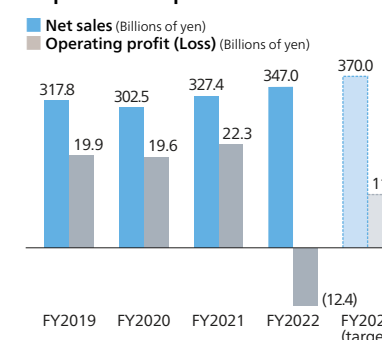
Promote the use of renewable energy to achieve decarbonization

Phase out coal

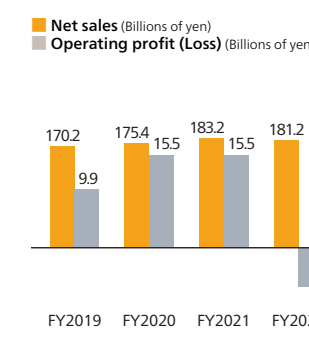
Promote energy conservation, etc.

Net Sales and Operating Profit Results and Outlook by Segment

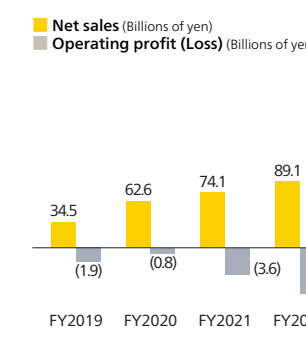
Paper and Paperboard Business



H&PC Domestic Business



H&PC Overseas Business



Building a Foundation for Growth for the 5th Medium-Term Business Plan and beyond



For the Paper and Paperboard Business, we recognize that we now have a system in place that allows us to compete effectively with our domestic competitors as a result of starting structural reforms from the 1st Medium-Term Business Plan. However, the continued shrinkage of demand for graphic paper is inevitable. As a business structure change with an eye to the future, we will significantly shift resources from the Paper and Paperboard Business to the H&PC Business and work to transform our business portfolio in consideration of solving social issues with a stronger determination than ever.

Message from the Officer Responsible for Financial Affairs

Forging a solid return to a growth path to restore our financial health as early as possible toward further business growth

Shuheï Shinagawa

Director
Managing Executive Officer
(General Manager of Corporate Planning Division and
Business Administration Division, Corporate Unit)



Review of FY2022 results

In FY2022, we experienced a rapid deterioration in the business environment surrounding us partly due to significant fluctuations in foreign exchange rates, in addition to sharp rises in raw material and fuel prices in the second half of FY2021. We implemented various measures to minimize the downside impact of such environmental changes on our business performance. Specifically, we revised our product prices multiple times, mainly in the Paper and Paperboard Business, our core business. While striving to procure raw materials and fuels stably, we also devoted all-out efforts to minimizing the impact of soaring costs for coal, which could have a massive impact on our business

performance, by reviewing our coal sourcing areas and the types of coal we would use. However, we were unable to offset the cost increase. As a result, FY2022 was a very tough year for us in terms of profitability, as seen by the fact that we recorded an operating loss for the first time since our listing. Facing challenges in generating cash through our core operations, we worked on generating cash outside our core business, including reducing inventories and downsizing strategic cross-shareholdings. This helped us maintain a sufficient level of liquidity and stabilize our cash flow.

Basic policies on financial strategy

We anticipate that uncertainty will persist in our business environment going forward, but there will be no change to our basic financial strategy from the previous fiscal year. To maintain liquidity even in such an uncertain situation, we have adopted a policy of diversifying our financing means while continuing to use indirect funding (borrowing from financial institutions) as a stable means of financing. We had set a target of raising the ratio of direct funding (from corporate bonds and commercial paper) out of all interest-bearing debt to 20% by the final year of our 4th Medium-Term Business Plan (MTBP), and to 25% by the end of the 5th MTBP. However, we opted not to issue corporate bonds in

FY2022 in consideration of the rapid deterioration in the business environment, which has made it difficult for us to meet our initial target. From FY2023 onward, we will raise the ratio of direct funding again by actively issuing corporate bonds in conjunction with improving profitability, thereby increasing the amount of available funds for the 5th MTBP. In addition, in anticipation of a further increase in investments for achieving carbon neutrality in the future, we will explore financing options such as transition finance. The net debt-to-equity (D/E) ratio, for which the target is 1.0 or lower, deteriorated from 1.1 as of the end of March 2022 to 1.6 as of the end of March 2023 due to

the decline in our business performance. Although we will not change our net D/E ratio target of 1.0 or lower, the achievement of this target is expected to be delayed until the 5th MTBP period or later. Securing free cash flows for medium- and long-term growth has become very important. We will achieve this through the dual approach of improving capital efficiency and bolstering cash generation. We believe that our sustained efforts to improve our financial health and lay a solid foundation for growth and expansion investments will lead to an improved financial position of the Daio Group.

As for ratings, we have set a target of obtaining a credit rating of “A” from the Japan Credit Rating Agency (JCR) and Rating and Investment Information, Inc. (R&I) during the 4th MTBP period, and we obtained “A”

ratings from both agencies in FY2021 for the first time. The key to maintaining these ratings is to generate cash from our business activities and get back on a growth track. It is also necessary to improve our capital efficiency and demonstrate our potential for future growth. The impact of the inflated raw material and fuel prices has been declining from its peak. We expect that price revisions made in FY2022 will make a positive contribution to our business performance throughout FY2023. Our business performance is therefore recovering steadily. Furthermore, we will improve our profitability and demonstrate our potential for future growth mainly in the Home and Personal Care (H&PC) Business in Japan and abroad, which is a growth engine for us.

Financial responses to expanded overseas transactions

I believe that the expansion of business operations and transactions outside Japan entail three major kinds of risks. First, when expanding business abroad, we face risks associated with capital recovery and reduced capital efficiency. Factoring in international tax treaties, along with the laws and regulations applicable in foreign jurisdictions, we recognize that it is essential to establish an optimal system for fund distribution and repatriation. We are also examining the feasibility of establishing regional headquarters in the future for the efficient allocation of surplus funds built up at overseas bases. Moreover, we are actively developing an emergency response policy while responding to current geopolitical risks, such as those related to the war in Ukraine.

Secondly, international trade transactions and the expansion of overseas investments entail foreign exchange risks. To mitigate foreign exchange risks, we incorporate forward exchange contracts into certain transactions denominated in foreign currencies, such as import transactions. Furthermore, since FY2023, we have broadened the scope of transactions and currencies to which forward exchange contracts apply to reduce cost fluctuation risks. Likewise, in overseas

investments or meeting the funding needs of our overseas subsidiaries, we are taking measures to directly secure funds in local currencies. This is in addition to parent-to-subsidiary loans from Japan, with the objective of mitigating the impact of exchange rate fluctuations on our financial performance. The third kind of risk is related to the governance of overseas subsidiaries. We devote serious efforts particularly to preventing fund-related frauds such as embezzlement and misappropriation. While we have a plan to roll out a global cash management system (GCMS), the implementation will be deferred. At present, our priority is on reinvestment and we recognize that an immediate introduction of a GCMS is unlikely to offer substantial improvements in capital efficiency. Nevertheless, we are actively working to establish and maintain a robust management system that prevents the formation of the fraud triangle (opportunity, motivation, and rationalization) and have already put in place various governance enhancement measures. These include utilizing specific functions of the GCMS to visualize account information, minimizing cash on hand, and distributing workflow responsibilities to prevent concentration of power in a single person.

Vision for asset allocation toward sustainable growth

With the intent of making the H&PC Business in Japan and abroad a key driver of profit growth, we will rebalance the allocation of various resources. The overseas business in particular is expected to achieve significant growth under the 5th MTBP, so we must make growth investments, including investments in M&A. We plan to utilize the stable cash flows generated by the Paper and Paperboard Business to fund our growth investments and our goal is to establish and

realize a sustainable growth cycle while making steady progress in structural reforms. One of our strengths lies in having packaging paper and household paper products, which will remain in relatively firm demand, as mainstays in our product lineup. This sets us apart from those heavily reliant on graphic paper, for which demand will decline in the future as more people are transitioning toward paperless practices in both work and lifestyle, among other factors. Another important

asset of ours is the sales skills that we have developed while establishing an integrated system for producing and selling a whole range of paper-related products, from pulp as an upstream product in the industry to B2C products, such as household paper, which are final downstream products. While leveraging these strengths of ours, we will also allocate growth funds to businesses in new fields, including Cellulose Nanofiber (CNF) and products that will contribute to a reduction in plastic

use, and foster them as new business pillars. Furthermore, pressing global trends toward action for sustainability have necessitated us to shift away from our conventional coal-centered energy policy. To invest in decarbonization and deliver returns to our shareholders, we commit to ensuring that even our growth fields, such as the H&PC Business and its overseas business, will generate operating cash.

Progress in our efforts to increase return on invested capital (ROIC)

Up until recently, we mainly used income-statement-based indicators as KPIs for business management, and made decisions on each investment project in consideration of such factors as the payback period and the final return rate. While this approach certainly allowed us to make quick decisions, we recognized the need to incorporate a capital-cost-related indicator in our investment decisions in order to more accurately respond to the current business environment, which is marked by growing uncertainty. Therefore, we began to use return on invested capital (ROIC) as a management KPI under the 4th MTBP.

By expanding the adoption of ROIC throughout the Group, we seek to foster a shared awareness among the management team and staff. The Corporate Planning Division is leading efforts to promote the use of ROIC across the Group. We're actively tackling the challenge of enhancing staff awareness of ROIC by carrying out awareness-raising activities, leveraging the ROIC tree to break down ROIC into its elements. This will vividly illustrate the link between these elements and the current departmental indicators in use. For instance, sales staff currently rely on indicators like selling

prices, marginal income ratio, and the percentage of unsold long-term inventories. To further familiarize each business group's staff with the ROIC tree, we're conducting workshops to demonstrate how their indicators directly contribute to increasing ROIC. Moving forward, as we progress with ROIC-driven management, we aim to optimize resource allocation and business portfolio, as well as improve our capital efficiency and make better investment decisions. In addition, in May this year, new business withdrawal criteria were formulated and adopted under the leadership of the Corporate Planning Division. These withdrawal criteria are not intended to encourage withdrawal. Their key aim is to support the reconstruction of any struggling business or subsidiary. This would require the involvement of not only the pertinent business group but also the participation of the Corporate Planning and Business Administration Divisions in devising countermeasures. It is only when every conceivable effort toward reconstruction has been exhausted, and it is still considered difficult to reconstruct such a business or subsidiary, that we will execute the appropriate withdrawal procedure.

Investments in environmental initiatives, human resource strategy, and intellectual property strategy

During the 3rd MTBP period, we made capital investments of 175 billion yen (or over 200 billion yen if M&A investments are factored in) with high leverage, while implementing structural business reforms mainly at the Mishima Mill. As a result, we were able to carve a growth path. During the 4th MTBP, while envisioning further progress in our growth strategy, we are continuing to work on the improvement of financial strength as one of our three basic policies. Therefore, our budget for investments, including M&A investments, has been reduced from that for the previous MTBP to 155 billion yen. However, our deteriorated financial results for FY2022 have brought our efforts to improve financial strength to a standstill. In light of this situation, I recognize that, under the 5th MTBP, which will start in FY2024, we will need to focus

our growth investments on more carefully selected targets. Meanwhile, from a medium- to long-term perspective, we must make growth investments in energy transition to break away from our dependence on coal. We predict that the introduction of carbon pricing in FY2028 or later will cause a gradual decline in profits and cash flows from the Paper and Paperboard Business. I am therefore aware of the need to incorporate decarbonization-related risks into our investment evaluation and decisions. In the field of human resources, we are facing the urgent challenge of developing globally effective human resources in preparation for overseas business expansion. Alongside offering training, including language learning, we are partnering with the General

Affairs and Personnel Division to roll out a strategy that offers our employees career paths that involve overseas assignments within a few years of joining the company. We are also exploring the possibilities of recruiting globally effective human resources from outside. Moreover, we are working to shift human resources from the Paper and Paperboard Business to the H&PC Business. The efforts that the Paper and Paperboard Business has made in organizational integration and efficiency improvement since the 1st MTBP have allowed it to compete effectively with its competitors in Japan with a small but competent staff.

We are planning to have the Paper and Paperboard Business continuously pursue efficiency with a small but competent staff, and to scale out its know-how to the H&PC Business. Our efforts in intellectual property strategy are focused on innovations in priority fields, such as the H&PC Business, CNF and other new materials as new business fields, and environmentally friendly products that help reduce plastic waste. In conjunction with our overseas business expansion, we are devoting sustained efforts to augmenting our global portfolio of intellectual property, thereby enhancing our brand value globally.

Vision for shareholder return

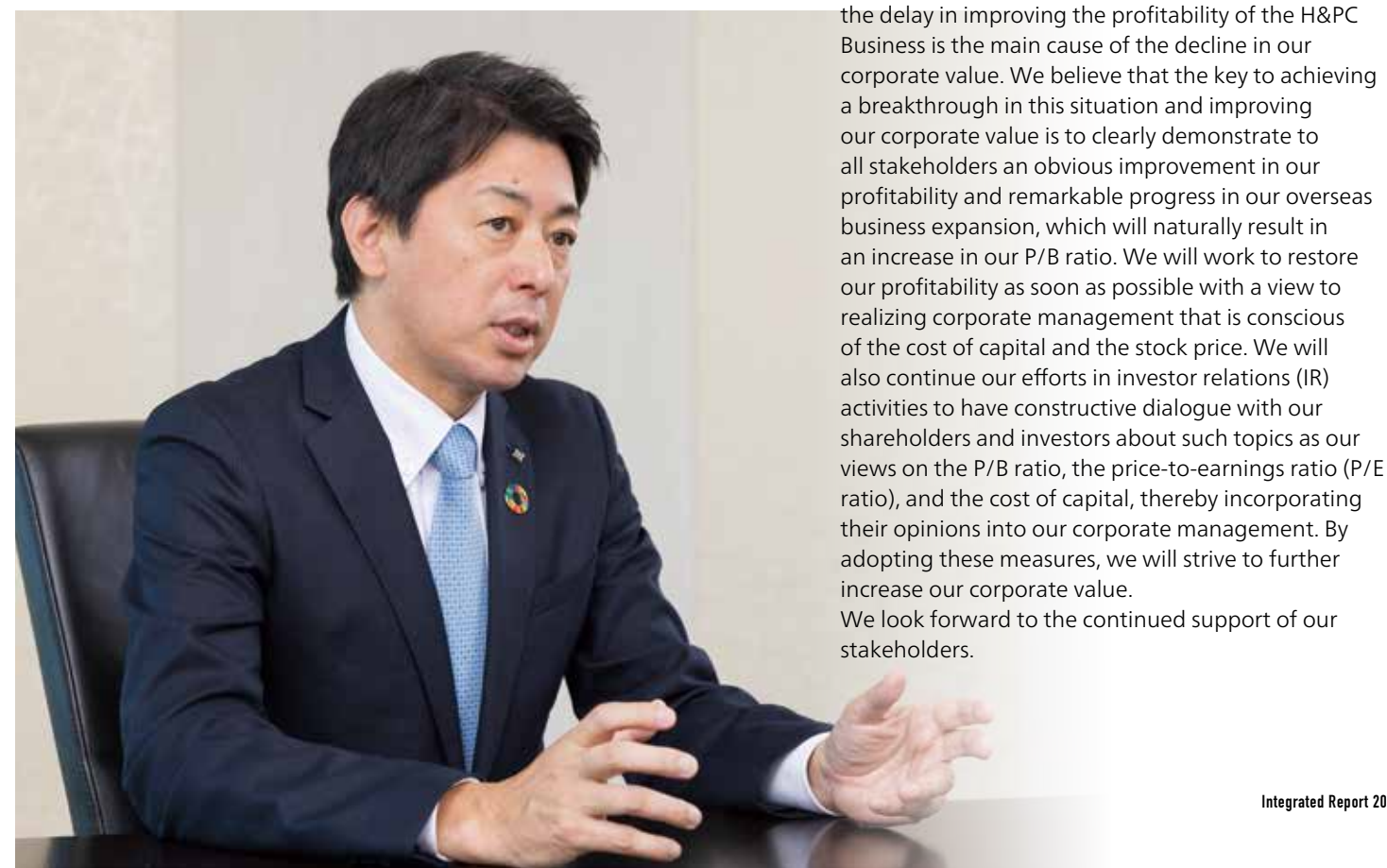
Positioning offering return to shareholders as one of our top priorities, we have adopted a basic policy of continuing stable dividend payments while taking into account our financial results, internal reserves, and other factors. From the perspective of ensuring stable dividend payments based on equity, we have used the dividend on equity ratio (DOE) as an indicator since FY2021. Our medium- to long-term target for DOE is 2.0%.

Mainly because we recorded a loss attributable to owners of parent for FY2022, we regrettably reduced the dividends for that year. As a result, DOE deteriorated from 1.5% for FY2021 to 1.1% for FY2022. For FY2023, we plan to continue to pay the same level of dividends as in FY2022. This is regrettable; however, we aim to increase dividends by improving our profitability as early as possible with a view to achieving our medium- to long-term DOE target of 2.0%.

Message to stakeholders

Our price-to-book ratio (P/B ratio) remained at a level of approximately 1.0 until the end of March

2022, but it has recently continued to fall below 1.0. We recognize improving the P/B ratio as a major challenge we should solve. We acknowledge that the delay in improving the profitability of the H&PC Business is the main cause of the decline in our corporate value. We believe that the key to achieving a breakthrough in this situation and improving our corporate value is to clearly demonstrate to all stakeholders an obvious improvement in our profitability and remarkable progress in our overseas business expansion, which will naturally result in an increase in our P/B ratio. We will work to restore our profitability as soon as possible with a view to realizing corporate management that is conscious of the cost of capital and the stock price. We will also continue our efforts in investor relations (IR) activities to have constructive dialogue with our shareholders and investors about such topics as our views on the P/B ratio, the price-to-earnings ratio (P/E ratio), and the cost of capital, thereby incorporating their opinions into our corporate management. By adopting these measures, we will strive to further increase our corporate value. We look forward to the continued support of our stakeholders.



Toward Achievement of the Targets of the Fourth Medium-Term Business Plan

Paper & Paperboard Unit

Newsprint Sales Division and Paper Sales Division Paper & Paperboard Business Group

● Message from the General Manager of the Business Group

We will further enhance our integrated operations through organizational reforms, and increase the added value of our products and the efficiency of our operations with the aim of improving our profitability.

Atsushi Ishida

Director, Managing Executive Officer
General Manager of Paper &
Paperboard Business Group
Paper & Paperboard Unit



Future vision of these divisions

In FY2022, in face of raw material and fuel prices soaring and remaining high, we found ourselves in the unprecedented situation of having to revise the selling prices of our newsprint and paper products three times. As a result, our profitability improved, but the increased prices of our products caused a drastic decline in demand. We believe that, in view of the future, we need to further accelerate our efforts in product-mix shifts and structural reforms, which we have resolutely launched. Until FY2022, with 19 paper machines in operation, the Mishima Mill, our core mill, used to produce approximately 2.1 million metric tons per year. However, in response to reduced demand, we implemented paper machine conversion and adjusted our product mix. Furthermore, in April 2023, as the downturn in demand intensified, we made a pivotal decision to cease the operation of a newsprint paper machine. This decision was based on our judgment that it would be better to trim energy costs by stopping the machine than to keep it running on a reduced scale. We will continue to resolutely execute such structural reforms and optimize the balance between production, sales, and inventories, with the aim of maintaining the profitability of the entire mill.

Business results for FY2022

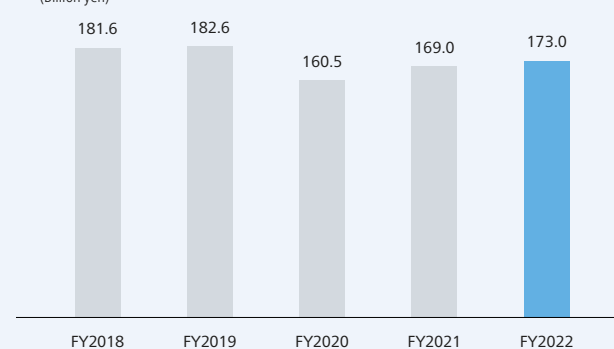
For FY2022, the Paper & Paperboard Unit as a whole achieved sales of 347 billion yen, but recorded an operating loss of 12.4 billion yen. In the newsprint and paper business, sales volume decreased due to the falling circulation of newspapers and declining demand for graphic paper, but our efforts to revise selling prices resulted in an increase in the amount of sales year-on-year. However, this increase was not adequate to offset the increase in production costs caused by the soaring raw material and fuel prices, resulting in a decrease in operating profit year-on-year. The situation whereby the high raw material and fuel costs caused the profitability of paper in general to decline made it difficult for us to earn profits, particularly from paper containing a high percentage of virgin pulp. Since the production cost for this kind of paper is higher than that for paper containing recovered pulp due to the difference in the cost of the

pulp production, we had to raise the prices of our newsprint and graphic paper products three times during the year, while we raised the prices of our paper products with a high content of recovered pulp only twice. Although we fell into the red in FY2022, we predict that the progress of not only such selling price revisions but also product-mix shifts and product integration through structural reforms will enable us to return to the black in FY2023.

Daio Group's strengths and challenges

I believe that the major strength of our Group lies in integrated operations. The way we hold and share necessary information beyond departmental and company boundaries consistently has enabled us to proactively propose total product and service solutions in response to customers' requests and questions. The Newsprint and Paper Business Group and the Industrial Paper and Containerboard Business Group have recently integrated into one business group. We aim to increase the sales volume of profitable products in the future by enhancing our marketing activities encompassing all types of products through integrated operations. Our ability to conduct sales activities across our entire product lineup means that we can serve as a one-stop provider of all types of paper that customers need from a market-oriented perspective, thereby

■ Net sales of the Newsprint Sales Division and the Paper Sales Division
(Billion yen)



Fulfilling Our Purpose

—Value Creation Story of the Daio Group—

Achieving Sustainable Growth

—Strategy for Continuing to Provide Value—

Responding to Social Issues

—Foundation for Sustainable Growth—

Data and Information

—Financial and Corporate Data—

Major products



Examples of final products using mixed-pulp paper that contains residues

Rems, a system for accepting orders for mixed-pulp paper —Reusing residues of production processes as a raw material for paper—



[Socially conscious product]
Tasukeai-no-wa+ copy paper, 1% of the sales amount of which is donated to the Japan Committee for UNICEF

● Development of the product lineup

In October 2022, Rems products were newly added to Daio Paper's product lineup. "Rems" is the name of a system whereby paper is made by mixing residues, such as rice husks and coffee grounds, in pulp fiber. Although some particles appear on the surfaces of paper sheets, this system for producing mixed-pulp paper containing residues that otherwise would have been disposed of contributes to the effective use of resources. The residues that are used in this system are provided by other companies and organizations. We mix those residues in pulp to recycle them into new paper. We have received a lot of requests for the utilization of residues of production processes to produce mixed-pulp paper for many years, so the Rems system has enabled us to meet such requests in a timely manner. Many companies and organizations have made inquiries to us about this system during the very short period since its launch.

evolving our sales organization. In terms of production, the Mishima Mill, our core mill, is unique in that it manufactures all types of paper in one site. This provides us with a distinct advantage, allowing us to adjust our production and product mix easily and agilely. Having a printing company in our Group benefits us by allowing us to receive feedback on user needs. We are testing a business model of elevating the value of printed materials by innovating value-added paper that enables value-added printing, with the aim of increasing the added value of our printing company. Ultimately, our goal is to scale out this model to other printing companies, and establish a process whereby our customers will consistently choose and purchase our paper products. On the other hand, we are facing a logistical challenge. The progress of our shift from graphic paper, which is in declining demand, to industrial and household paper products has caused drastic changes in the total weight of our products. Such a production shift is likely to have an impact on logistics, impeding us from completely transporting our products and thereby causing us to lose business opportunities. Therefore, we will foster collaboration in logistics in such forms as mutually supplementing logistics together with customers and shipping products jointly with companies in other industries. By doing so, we aim to devise effective measures, including securing return cargos, to overcome the logistical challenge we are facing.

Views on the current market environment (opportunities and risks)

The COVID-19 pandemic accelerated digitalization and the shift from graphic paper to electronic devices. We had anticipated a certain level of decline in demand due to the progress of digitalization. However, the rises in raw material and fuel prices and their subsequent prolonged high levels triggered by the Russian invasion of Ukraine have had an impact on our profits, forcing us to revise our selling prices, which has caused us to severely suffer from a more serious decline in demand than expected. The risk of price revisions creating general trends toward avoiding immediate purchase and resulting in the shrinking of the market is common to all companies in our industry, including ourselves. Nevertheless, I believe that our strengths—integrated operations, our

ability to produce a wide range of paper products at the Mishima Mill, which is located in a coastal area, and our sales system in place for flexible development—will enable us to differentiate ourselves from our competitors and create business opportunities even amid the decline of the entire industry. I predict that price revisions and growing public environmental awareness will continue accelerating the decline in demand for graphic paper. However, we will work to take advantage of trends toward plastic-free lifestyles and create new demand for paper products, including environmentally friendly ones.

Resolving social issues through our business

Streamlining logistics is a major challenge for us to solve, but tackling this challenge will also lead us to reduce greenhouse gas (GHG) emissions. I believe that, against a backdrop of recently mounting concern about a shortage of drivers, we can make further progress in contributing to the achievement of the SDGs by streamlining logistics. We will be able to not only reduce logistics costs but also build win-win relationships with customers who have bought our paper products, by cooperating with them in sharing return cargos to be loaded onto carriers. We have also contributed to environmental conservation by effectively recycling recovered paper into Forest Stewardship Council (FSC)-certified paper and other products. At the Mishima Mill, efforts are under way to reduce production costs by stopping a large paper machine and rebuilding the production system. We are also working to reduce coal usage at the mill by adopting energy-saving measures and switching the biomass power that we generated and sold externally through the feed-in-tariff (FIT) program to in-house consumption. We will also devote efforts to developing products that help reduce plastic waste, for which demand is expected to further grow significantly in the future, to fulfill the Daio Group's Management Philosophy: "Shaping an abundant and affable future for the world." We will contribute to the creation of a sustainable recycling-oriented society based on the shared recognition that promoting the effective use of recovered paper and other resources will also lead to the achievement of SDG 12: Responsible Consumption and Production.

Paper & Paperboard Unit

Paperboard Sales Division and Packaging Paper Sales Division Paper & Paperboard Business Group

● Message from the General Manager of the Business Group

We will increase the sales volume of profitable products by establishing a new Direct Demand Department, which can propose paperboard and plastic-reducing products in combination.



Atsushi Ishida

Director, Managing Executive Officer
General Manager of Paper & Paperboard Business Group
Paper & Paperboard Unit

Future vision of these divisions

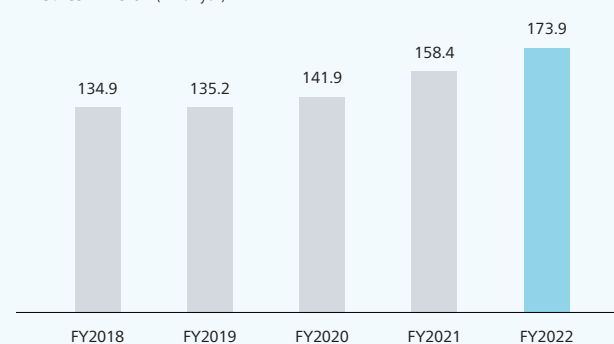
In April this year, we established a new Direct Demand Department in the Paperboard Sales Division as an organization that proposes a total package of solutions, including not only containerboard and corrugated containers but also packaging paper, to end users. This organization embodies a Group-wide style of proposing a wide variety of paper products, including packaging paper and functional materials, transcending boundaries between product types. I recognize its establishment as one of the highlights of our FY2023 activities. We hope to use this new approach to organizational reforms as a model case to be scaled out in the Group, rather than limiting it only within the Paperboard Sales Division. The Direct Demand Department is currently in charge of proposing a total package of solutions, including corrugated container, packaging paper, and paper bags, but we hope to broaden the lineup handled by the Direct Demand Department to include newsprint and graphic paper products, such as printing paper, in the future. The Direct Demand Department started with 10 staff members. However, since the Paper & Paperboard Business Group has a sales workforce of about 300, we are considering the ultimate possibilities of engaging all sales staff members in marketing all types of products. While proposing a total package of solutions to end users in cooperation with converting companies, we focus on building networks by promoting not only product-related measures but also logistics measures, such as joint shipment and the utilization of return cargos after delivery.

Business results for FY2022

For FY2022, these two divisions collectively achieved the expansion of their business scale and an increase in net sales year-on-year, but experienced a decrease in operating profit year-on-year despite selling price revisions made in response to the sharp rises in raw material and fuel prices. This decrease can be explained by a delayed pass-through of the increase in raw material and fuel costs. I recognize that the key challenges we should solve in FY2023 include not only expanding the downstream corrugated container business and making a quick pass-through of the cost increase, but also implementing initiatives to increase the added value of our corrugated

containers themselves. We will differentiate ourselves by providing added value that other corrugated container companies cannot, such as designs that increase the value of the corrugated container itself and its content, with a view to increasing the prices of the corrugated container products themselves, thereby improving our profitability. In FY2022, we revised the prices of corrugated container products twice, but we should have increased prices within a few months after the price hike of containerboard. In reality, last fiscal year, it took about half a year for us to pass on the material cost increase to selling prices, resulting in an increase in net sales and a decrease in operating income in the corrugated container business. We have already almost succeeded in rolling out our cost pass-through efforts, which we expect to make a positive contribution to sales throughout FY2023, enabling us to achieve a year-on-year increase in both net sales and operating profit. Under the upcoming 5th MTBP, the Daio Group as a whole will adopt a policy of enhancing its overseas businesses, mainly the overseas Home and Personal Care (H&PC) Business. In addition, the plan also envisions overseas expansion of the corrugated container business in the future. During the 5th MTBP period, we will not only enhance our businesses in Japan, but also make a strong commitment to expanding our businesses abroad. The Overseas Business Group of the H&PC Unit currently has factories in China, Thailand, Indonesia, Turkey, and Brazil. Those factories use a huge volume of corrugated containers. We will consider the possibilities of producing corrugated containers locally, including M&A of corrugated container factories.

■ Net sales of the Paperboard Sales Division and the Packaging Paper Sales Division (Billion yen)



Fulfilling Our Purpose

—Value Creation Story of the Daio Group—

Achieving Sustainable Growth

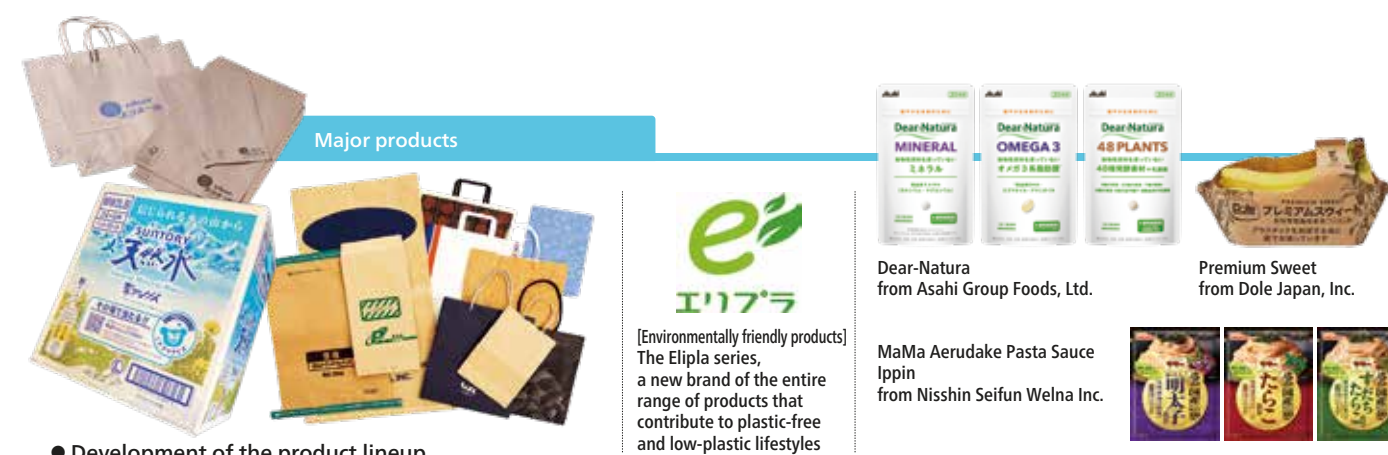
—Strategy for Continuing to Provide Value—

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● Development of the product lineup

Daio Paper's environmentally friendly products include the Elipla series, a series of products that contribute to plastic-free and low-plastic lifestyles. This series started with stir sticks, but its lineup has so far been dramatically expanded and enriched to include hangers and toothbrushes, as well as spatulas for use by cosmetics companies or as disposable amenities, all of which are made of FS Elipla Paper intended to serve as an alternative to plastic. FS Elipla Heat Seal, an alternative to film, is used in packaging products for foods, including fried foods such as donuts. We have also received an increasing number of customer requests for packaging paper that contains recovered pulp or is certified by the Forest Stewardship Council (FSC). In 2020, we launched envelopes and paper bags made of FS Unbleached Recycled Paper 100, which is FSC-certified paper made from 100% recovered pulp. During the past year, the number of inquiries made to us regarding these products has been soaring, resulting in more widespread use of this recycled paper. We recognize that the main factor behind such a strong interest in this kind of product is changes in environmental awareness of the general public. Even luxury brands use this kind of paper for bags for sample products.

Daio Paper's strengths and challenges

As embodied by the newly established Direct Demand Department, one of our strengths lies in our Group-wide integrated organizational operations. Against a backdrop of growing social demand for plastic waste reduction, we established the Direct Demand Department to have a system in place for proposing both containerboard and the plastic-reducing Elipla series at the same time, which has made it easier for us to meet customers' needs and their requests for products that facilitate their environmental activities. We will make maximum use of our Group's power to propose total solutions ranging from upstream products to downstream final products in order to increase our sales. One of the strengths of our business group lies in our alliances and networks with independent converting and processing companies, as well as with other departments within the Group. Such challenges as addressing logistics issues, reducing GHG emissions, and realizing closed-loop recycling are difficult for us to solve alone, and require us to build networks. Horizontal recycling, whereby used items are recycled into the same kinds of items, has recently been a focus of growing public attention. In the paper industry as well, it is now possible to collect used paper and recycle it into paper for the same use. We would not be able to implement this initiative without our networks with converting and processing companies, as well as with end users. We hope to propose solutions with higher added value to our customers from now on.

Views on the current market environment (opportunities and risks)

It is said that demand for industrial paper, such as containerboard and packaging paper, generally remains firmer and more stable than that for newsprint and graphic paper. For example, the expansion of e-commerce and the increased proportion of nuclear families have caused the downsizing of product packages. The downsizing of corrugated containers means an increased amount of containerboard used. In addition, containers for vegetables, fruits, beverages, and processed foods account for about 60% of the corrugated container market. Demand for food products is stable, so in that sense, the containerboard market is firmer and more stable than

the market for newsprint and graphic paper. However, since October 2022, demand for containerboard in Japan has remained lower than in previous years. Since December of the same year, the country has also been seeing lower demand for packaging paper than in previous years. I suppose that factors behind such weak demand for packaging materials in Japan include reduced demand due to price increases, the declining birthrate, and the decrease in the number of international tourists to the country. Now that the COVID-19 pandemic is approaching an end, there is a potential for recovery in the number of international tourists and in demand. Nevertheless, amid the general trend toward a population decline, we should anticipate the risk of a subsequent decrease in demand for packaging materials, which has remained firm and stable thus far. I basically believe that it is important for us to increase the added value of our products so that we will be able to take advantage of even such a risk as an opportunity. Our business group will shift the focus of our sales style from quantity to quality. For example, we may provide the kind of paper package that makes its content look better and more luxurious, rather than being a mere box for transportation. By adopting such approaches, we will help increase the value of the products contained in the packages we provide, which will have an impact on the selling prices of those products, hopefully leading to our paper products being purchased at the prices that they more truly deserve.

Resolving social issues through our business

Corrugated containers and paper bags are 100% recyclable, environmentally friendly packages. We will devote efforts to further reducing our environmental load by increasing the ratio of recovered pulp contained in our products and utilizing hard-to-recycle recovered paper, which has been disposed of as waste thus far. Furthermore, in anticipation of continuing steady growth in demand for products that contribute to plastic-free and low-plastic lifestyles, we will continue to develop such products. At the same time, we will also build networks and collaborate with external parties in promoting various initiatives, including those to realize horizontal recycling and to solve the so-called "2024 issue" in the Japanese logistics industry, that is, the issue of truck driver shortages expected to be exacerbated by an upper limit that will be imposed on the working hours of drivers in 2024.

Home & Personal Care Unit

Domestic Business Group

● Message from the General Manager of the Business Group

Our vision is focused on carrying out structural reforms in what we already have in order to generate maximum profits at minimum costs.

Hiroyuki Fujita

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



Future vision of this business group

The Home & Personal Care (H&PC) Business Group is committed to enhancing activities aimed at generating maximum profits at minimum cost and initiatives to accelerate business growth through M&A. Last fiscal year, our focus was on achieving results cost-effectively, in the face of the difficulty in remaining profitable and the increase in raw material and fuel costs. For example, we adopted the approach of sharing information about our social contribution projects with the general public to raise general awareness of our products, while arousing our customers' empathy. I believe that our sustained efforts to scale out such approaches toward the 5th MTBP will become the core of our next future vision. In October last year, we acquired shares in Daiki Co., Ltd., a manufacturer and distributor of cat litter. We will enter the pet care business on a full scale in the second half of FY2023. Our basic business model was to earn profits through making capital investments in our own facilities. However, in a situation where we have to limit such capital investments, M&A could serve as an effective method to acquire know-how in new ventures, which not only enhances our brand power but also quickens and streamlines the process of establishing and nurturing new businesses. Therefore, we will keep in view the possibility of utilizing M&A to accelerate our business growth.

Business results for FY2022

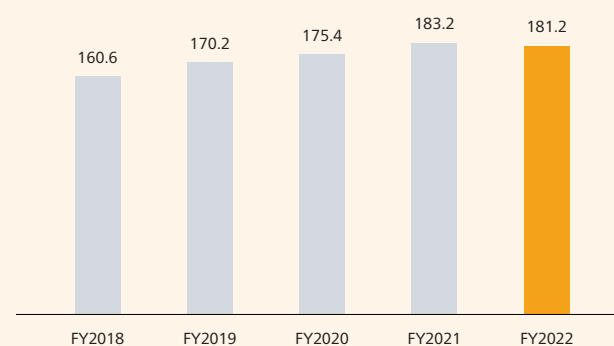
For FY2022, the Domestic Business Group of the H&PC Unit recorded sales of 181.2 billion yen, a decrease of 1.1% year-on-year, and an operating loss of 6.5 billion yen. The main factor behind the operating loss was a loss of several tens of billions of yen caused mainly by the sharp rises in raw material and fuel prices, which we were ultimately unable to completely offset throughout the year even with selling price revisions and major structural reforms. In preparation for FY2023, we slowed down our pace of launching new products and resolutely implemented no-holds-barred measures, including changing product specifications and reducing costs, to increase the profitability of each product. Additionally, the market positively responded to the price revisions we made throughout 2022. We

believe that the outcomes of these measures will significantly contribute to improving our operating profit for FY2023, thereby enabling us to achieve the financial targets. Furthermore, in April 2023, we established a new Structural Reform Promotion Division to speed up our responses to the revamped mission-critical system based on our achievements during FY2022. This division was established as a new organization that would work collaboratively across departments in charge of sales, marketing, IT systems, and logistics, as well as mills and factories. Its primary focus for FY2023 and toward the 5th MTBP is on increasing efficiency, sales, and profits through structural reforms of existing resources, equipment, and personnel without requiring additional investments.

Daio Paper's strengths and challenges

Daio Paper's strengths lie in its exceptional capability to meet the demand for household paper products and its facilities that can adapt flexibly to changes in the market situation. Our efforts to adapt to lifestyle changes have enabled us to shorten the preparation period for the launch of new regular or limited edition products, thereby increasing our ability to adapt to changes in the market. In addition, our efforts to make maximum use of the brand power of Elleair and increase its affinity with other product categories have contributed to sales expansion. Elleair's high brand

■ Net sales of the Domestic Business Group, H&PC Unit (Billion yen)



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● Development of the product lineup

In FY2021, we worked to increase the sales ratio of new products. By contrast, in FY2022, we slowed down our pace of launching new products and switched our direction to increasing the added value of products and present the appeal of each product compellingly during business talks. In addition, as a strategy for expanding the settings for use of our products, we developed a product series in collaboration with a popular outdoor brand. Our sanitizing products are typically used at home, especially during the COVID-19 pandemic. Going forward, we hope customers would also use them in outdoor activities, such as camping. To this end, we have also increased where this series is placed on shelves in stores, placing them on shelves for camping goods as well as instore fairs, in addition to sections for sanitizing products. In this way, we have been implementing further novel initiatives. Meanwhile, we believe that we will be able to reduce our stock, promote optimal logistics, and improve production efficiency by accelerating our efforts to reduce the number of stock keeping units (SKUs) in parallel with launching various limited edition products seasonally. Moreover, in the growing elderly care products market, we hope that our Attento brand disposable incontinence underwear products, which are developed with the tag line, "For better comfort," as well as in collaboration with Wacoal Corporation, can provide consumers with a bright future where they can casually try on and wear them out with a smile.

recognition nudges consumers toward choosing our elderly care products, masks, and wipes by appealing to their fondness for our family brand. Furthermore, we will also leverage our strengths to develop the pet care product business into a new growth field in anticipation that, in the pet care goods industry, one of very few growth markets in Japan, we will be able to produce a lot of synergetic effects using our existing technologies and in terms of production technology and raw materials. On the other hand, we have also striven for sales expansion through low-cost marketing in various projects, resulting in opportunities for consumers to learn about our products. I also believe that our joint research on the feasibility of a disposable diaper recycling business will give us a differentiating factor to set us apart from other companies, against a backdrop of further growing public environmental awareness in the future.

Views on the current market environment (opportunities and risks)

Incineration of used disposable diapers requires a large amount of energy. In the super-aging Japanese society, the volume of disposable diapers consumed per se is rapidly increasing. Therefore, it can be predicted that the issue of disposal of disposable diapers will become more serious in the future. Under these circumstances, Daio Paper aims to establish a unique environmentally friendly business model. In June last year, we launch a joint research initiative with Livedo Corporation and Total Care System Co. to explore the possibilities of establishing the recycling of disposable diapers as a business. By establishing a system for the recycling of used disposable diapers and insourcing the manufacture of fluff pulp, we aim to launch a horizontal recycling process for disposable diapers, whereby a mixture of fluff pulp and recycled pulp will be used to manufacture Daio Paper disposable diapers. Furthermore, we have already established a material recycling process that utilizes production rejects and scraps from the manufacture of household paper products and disposable diapers to produce cat litter. This form of diaper recycling as an environmentally friendly business model, which also includes a strength entirely unique to us, will also help enhance our brand value as an initiative for sustainable product recycling. Now that the COVID-19 pandemic is reaching an end,

consumer buying behavior and awareness is changing. Demand for such products as masks and wipes is predicted to decline from now on, so we will consider marketing products to replace them. Amid an accelerating population decline in Japan, the markets for baby care and feminine care products will inevitably shrink. Therefore, it is important for us to shift our resources to promising growth markets, such as the elderly care and pet care markets. The depreciation of the yen and the sharp rises in raw material and fuel prices appear to have begun to fall from their peaks since the beginning of FY2023. As the industry leader in the household paper category, we will continue our efforts to stabilize the selling prices of household paper and other personal care products, thereby raising ourselves to a higher position in the industry.

Resolving social issues through our business

One of the important themes that our business group is pursuing is to solve social issues of particular concern to us—including gender equality, period poverty, long-term care issues due to population aging, and a decline in close in-person contact triggered by the COVID-19 pandemic—through our business activities. The "meet my elis" project, which has been ongoing since last year, embodies our desire to create a society where no one has to forgo something they want to do just because they are having a period. This project also recognizes that those who menstruate encompass a diverse range of identities. The period product provision program that we launched under the project offers a solution to period poverty during the COVID-19 pandemic. The "Egao-ni Touch" Project is aimed at resolving the issue of the decline in close in-person contact triggered by the pandemic. In this project, we are conducting activities that respond to people's concerns and questions about close in-person contact while acknowledging the heightened hygiene consciousness. Moreover, as part of our efforts to reduce plastic waste, we are replacing plastic packaging for some Kirekira! products with paper packaging. As a paper manufacturer, we will place high priority on working on environmental improvement by providing alternatives to plastic and make a meaningful contribution to society by promoting sustainable business with the aim of becoming a company fully approved by various stakeholders.

Home & Personal Care Unit

Overseas Business Group

● Message from the General Manager of the Business Group

We will strive to build a foundation for the Overseas Business Group to serve as a growth driver, with the aim of achieving our financial targets through system reconstruction and an intense focus on the ASEAN region.



Makoto Saito

Senior Executive Officer
General Manager of Overseas
Business Group and
General Manager of Overseas
Business Promotion Division
Home & Personal Care Unit

Future vision of this business group

As Daio Paper is devoting further efforts to implementing its general policy of shifting weight from paper and paperboard products to home and personal care (H&PC) products, the presence of the Overseas Business Group has grown even more prominent than in FY2022. In FY2022, we failed to completely execute our plan despite striving to achieve the goal of becoming a driving force for the entire Daio Group. Based on the results of our review of our own FY2022 operations, we will go back to the starting point and revise our financial targets to more reliably achievable ones, while maintaining the lofty goal. By doing so, we hope to make FY2023 a new starting point for the Overseas Business Group's giant leap. In FY2022, we faced even more drastic environmental changes than expected, particularly in China, Brazil, and Turkey. Taking into account the challenges we faced last year, we have devised new countermeasures. We are currently implementing them to improve our strategies and operations. Currently, we have overseas manufacturing and sales bases in five countries, and bases dedicated to sales in two countries, including Vietnam, where we established a new base in July 2023. Around these countries are many markets with untapped growth potential. From now on, we will focus on the ASEAN region, where we will be able to explore markets at an increased speed and obtain more reliable opportunities than elsewhere. We will concentrate various resources in this region while capturing ever-expanding demand. Specifically, we will strengthen local marketing functions and at the same time, explore the possibilities for reorganization and the establishment of new sales subsidiaries.

Business results for FY2022

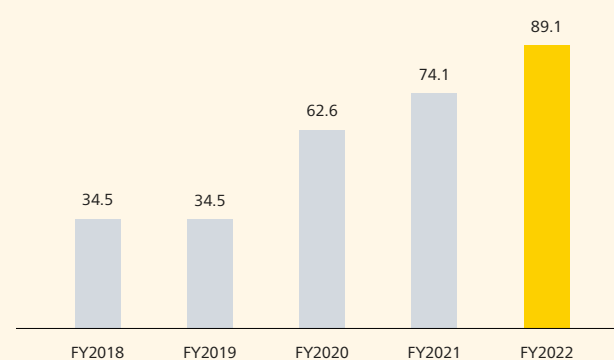
In FY2022, the business results in China, Brazil, and Turkey fell short of the initial targets. In China, immediately after the local in-house production of sanitary napkins started, a shortage of retailer staff occurred due to strict activity control under the zero-COVID policy. Many retailers long postponed starting to sell our new products,

despite agreements to include them as regular offerings in their stores. Our failure to achieve the targets in Brazil and Turkey was caused by the faster progress of cost-increasing changes there—the drastic increase in pulp prices in Brazil, and the massive depreciation of the local currency, hyperinflation, and the sharp rise in raw material prices in Turkey—than of our pass-through efforts. In China, our sanitary napkins have been on full-scale sale since this fiscal year. In Brazil, now that raw material and fuel prices have stabilized, the step-by-step pass-throughs we made last fiscal year are expected to produce positive effects throughout FY2023. Furthermore, our business in Thailand achieved profitability last year. Our strategy for the ASEAN region, including the establishment of a new sales subsidiary in Vietnam, is now beginning to make progress. The Turkish economy has long remained unstable, but we will continue our pass-through efforts, focusing on expanding sales of high-value-added products.

Daio Paper's strengths and challenges

Daio Paper's strengths lie in its abilities to develop products and to conduct marketing activities that match local needs. As part of the Daio Group's shift of weight to the H&PC Business, our marketing divisions have recently been reorganized so as to sharply accelerate the shift from the domestic business to the overseas business. One

■ Net sales of the Overseas Business Group, H&PC Unit (Billion yen)



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[China] elis-series sanitary napkins
elis Super Premium Napkin series (front); elis Premium Napkin series (back left); elis Fantasy Funie Napkin series (back right)

[Turkey] Premium liquid products
Komili Tea Tree Oil Hand Soap series (left)
Komili Premium Liquid Soap (center)
Komili Ecologic Soap (right)

[Brazil] Disposable baby diaper pants
Premium variety (left)
Standard variety (right)

● Development for the product lineup for each country

Disposable baby diaper pants in Brazil and liquid-category products in Turkey have sold even better than expected. In particular, in Brazil, which is not yet a large market for diaper pants, our premium-variety disposable baby diaper pants were launched onto the market in September last year and have since proved very popular. Following that, we launched new standard-variety disposable baby diaper pants in February 2023. We are therefore marketing a two-tier lineup of products in FY2023. Diaper pants account for about 15% of the entire Brazilian disposable baby diaper market. However, during the six months since their launch, sales of our diaper pants have grown so significantly that they currently account for about 20% of the total sales of our disposable baby diapers in Brazil. Meanwhile, in Turkey, we focused on increasing the added value of disposable baby diapers in the initial period of our local operations after business acquisition. Since the fall of 2022, we have also enhanced and broadened our lineup of premium liquid-category products, which are our main products in Turkey. As a result, for the first quarter of FY2023, sales of liquid-category products grew 2.6-fold year-on-year. It was our first experience dealing with liquid-category products, but I am pleased to report that our efforts are yielding positive results and this category is finally gaining momentum. I envision that, if these products are successful in Turkey, we will be able to scale out the know-how we have acquired there to other countries, such as China and Thailand.

of the challenges that Daio Paper has long faced is its lack of globally effective human resources who can play a central role in overseas businesses. To address this challenge, the Company is currently making a significant investment in increasing the number and capabilities of globally effective human resources. The Company is almost completely ready to send about a quarter of its domestic marketing staff to work abroad. I hope this move will bring us major new strengths, providing great support for our efforts in overseas business expansion. Daio Paper entered overseas markets later than other Japanese manufacturers, so it may be undeniable that we are still following in their wake in some ways. However, the COVID-19 pandemic has triggered radical changes in consumer needs and buying patterns. Since we are still in a transition period in terms of overseas expansion and capital investment, we can introduce the latest equipment, whose high performance will arm us with great agility in responding to new market needs. Therefore, I believe that our current position as a latecomer will rather provide us with significant business opportunities. We hope to leverage this as a strength of Daio Paper to accelerate our efforts to increase the profitability of our business.

Views on the current market environment (opportunities and risks)

Daio Paper has so far positioned increasing the added value of its products as the core of its overseas business strategy. However, the pandemic has changed consumer attitudes. For example, among consumers in China, there had been a trend of buying for themselves and their children without caring about costs. However, I recognize that they are inclining toward cost-performance-focused attitudes, considering the balance between quality and price. Nevertheless, they are still as uncompromising about product quality as before, so it is expected that price competition will become fiercer in the future. On the other hand, an increasing number of consumers are beginning to place high importance on quality while being not very particular about price. Polarization in terms of consumer attitudes is occurring between customers who focus on cost performance and those who place

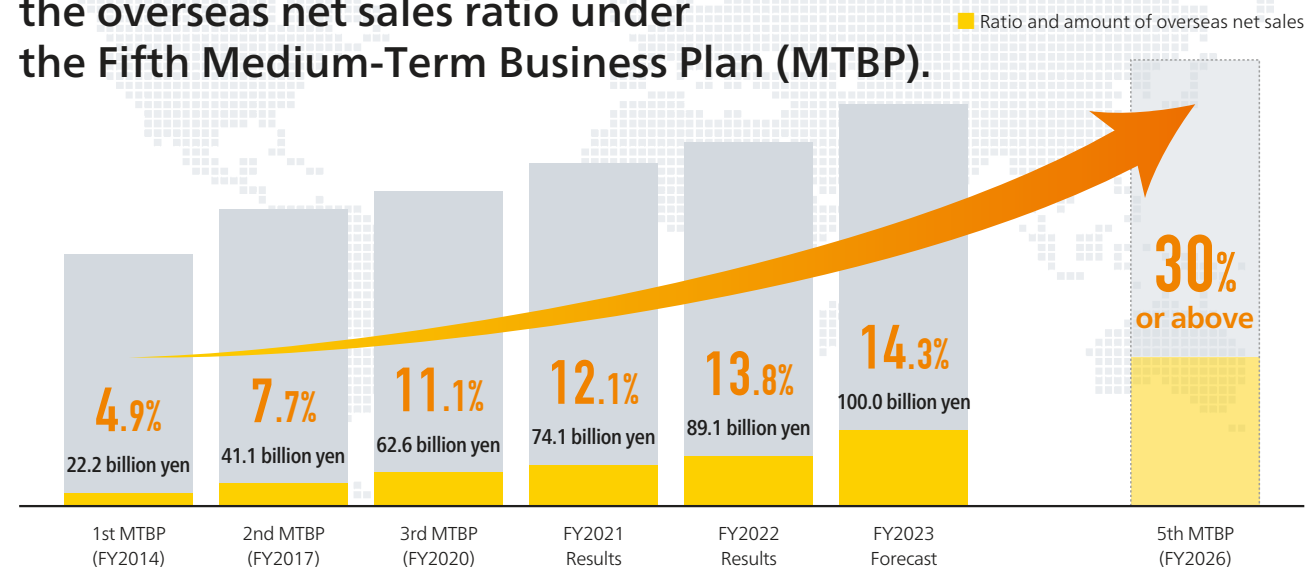
higher priority on quality than price. Keeping an eye on such changes in customer segmentation, we will enhance product lineups that appeal to respective types of consumers. Now that the sharp rises in raw material and fuel prices are passing their peaks, we will speed up our efforts to improve our profitability. In addition, our main strategy of local production of products for local consumption helps to reduce foreign exchange risks. In Brazil, the prices of raw materials and fuels passed their peaks and have been falling since the start of this year. We also hope that the selling price revisions that we have made four times since March 2022 will produce major obvious effects this fiscal year. In Turkey, the depreciation of the local currency and the soaring prices of raw materials and fuels have severely affected our profitability. However, we expect that the effects of our pass-through efforts will appear in FY2023.

Resolving social issues through our business

I believe that the mission of the Overseas Business Group is to maintain the Daio Group's business growth in the countries of its operation, thereby creating local employment and providing stable returns to the local communities. Therefore, I believe that our current top priority is to make a solid contribution to the local economies. Meanwhile, we will continue our current activities, including period education for students in Thailand and diaper education for expectant mothers in Indonesia, so as to deliver benefits to the local communities. In product terms, we have developed a new technology for bonding elastic thread to disposable baby diapers using ultrasonic waves in place of hot-melt adhesive. This technology has prepared us for the launch of low-plastic disposable baby diapers in each country in FY2023. Moreover, as part of our product and material recycling activities, in Brazil, we reuse pulp and polymers recovered from rejects from the disposable baby diaper production process. In Thailand, Indonesia, and China, we have launched an initiative to recycle production rejects of disposable baby diapers, whereby Daiki Co., Ltd., an affiliated subsidiary of Daio Paper, collects such diapers to recycle them as a raw material for a pet care product: cat litter.

Feature 1 Overseas Business Initiatives in Preparation for the Fifth Medium-Term Business Plan

We will build a foundation for achieving our target for the overseas net sales ratio under the Fifth Medium-Term Business Plan (MTBP).



Basic Policies

Enhance operations in the ASEAN region

Promote multi-category business expansion and increase added value of products

Increase the capabilities of human resources

Enhancing operations in the ASEAN region

Recognizing that the demand for disposable baby diapers in the ASEAN region is 2.6 times that of Japan on a volume basis, we position the region as the largest growth market for us. This is underscored by the anticipated population growth in the future. We will speed up our expansion into each of the markets in the region by reinforcing the marketing and sales staff and reviewing our product supply system.

We have so far provided consumers in ASEAN countries, excluding Indonesia, with the same products as we offer in Thailand. However, those countries differ in terms of market and consumer needs. While many of them are promising markets for standard and economy products, few are likely to match Thailand's strong demand for premium products. Therefore, we will implement the following measures to speed up our expansion into those markets:

Reinforcing sales and marketing staff in both number and capability

Manufacturing and providing products that meet the market and consumer needs of each country

National markets for disposable baby diapers in the ASEAN region

Research by Daio Paper

Rank	Country	Demand volume (million diapers)	Daio Group bases	
			Manufacture	Sales
1	Indonesia	624	●	●
2	Philippines	190		
3	Vietnam	176		●
4	Thailand	142	●	●
5	Malaysia	72		
6	Myanmar	39		
⋮	⋮	⋮		
10	Laos	6		

Vietnam: Establishment of a sales subsidiary

In July 2023, we established a new sales subsidiary in Vietnam, a promising market with high demand and great potential for further growth. We will reinforce our sales and marketing staff working in the country to speed up our expansion into the Vietnamese market.

Philippines and Malaysia

Sales in the Philippines or Malaysia were managed by our base in Thailand as we lack a sales base in either country, despite the two being among the top five that account for 90% of demand in the ASEAN region. In a move to provide products better suited to local needs and advance our expansion in the two markets by enhancing logistical efficiency, we recently shifted this responsibility to our base in Indonesia. To support this move, we will reinforce our Indonesian sales and marketing team in Indonesia in both capacity and capability.

SECTION 01

Fulfilling Our Purpose

~Value Creation Story of the Daio Group~

SECTION 02

Achieving Sustainable Growth

~Strategy for Continuing to Provide Value~

SECTION 03

Responding to Social Issues

~Foundation for Sustainable Growth~

SECTION 04

Data and Information

~Financial and Corporate Data~

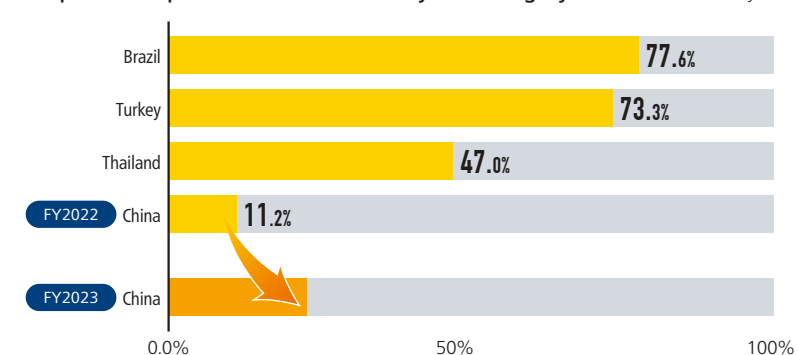
Promoting multi-category business expansion* and increasing added product value

* Multi-category business expansion: Business expansion through the provision of products in multiple categories

In our overseas business, we aim to strengthen our business foundation and improve our profitability by promoting multi-category business expansion and increasing added value of products according to the circumstances of each local subsidiary. Specifically, in China, Elleair International China (Nantong) Co., Ltd. (EICN) will leverage the firmly established brand image of DaWang as a brand of high-quality disposable baby diapers to expand sales of feminine care and household paper products, thereby promoting multi-category business expansion. In Brazil and Turkey, where we conduct business through the two subsidiaries we acquired in 2020, Santher-Fábrica de Papel Santa Therezinha S.A. (Santher) in Brazil and Elleair International Turkey Kişisel Bakım Ürünleri Üretim A.Ş. (EITR) in Turkey, products outside the baby care product category already constitute the majority of our product portfolio. However, a significant percentage of these are standard products. Therefore, they are working to market high-value-added products and expand their sales by introducing Daio Paper's proprietary technologies.

Multi-category business expansion: EICN (China)

Proportion of products outside the baby care category



In contrast to our progress in multi-category business expansion in other countries, COVID lockdowns in China prevented us from achieving our desired progress last fiscal year as we were made to defer the launch of sanitary napkins as a new category in the Chinese market. This fiscal year, we will leverage the sales capabilities we have developed through our sales activities for disposable baby diapers to facilitate our sales expansion and upgrade product displays at stores, while enhancing our production facilities. By doing so, we aim to broaden our product lineup, which is presently limited, and launch our sanitary napkins on a full scale in China as soon as possible.



Efforts to increase the added value of products: Santher (Brazil)

Business foundation of Santher

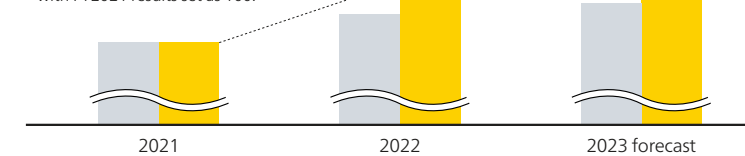
Technological prowess of the Daio Group

Efforts to increase the added value of main products, resulting in a net increase in sales of premium products

Sales growth in toilet tissue, sanitary napkins, and disposable baby diapers

Volume Amount

* This graph shows the total rate of increase in sales volume and amount of products in these categories with FY2021 results set as 100.



Three-ply toilet rolls



Premium sanitary napkins



Premium diaper pants



Standard diaper pants

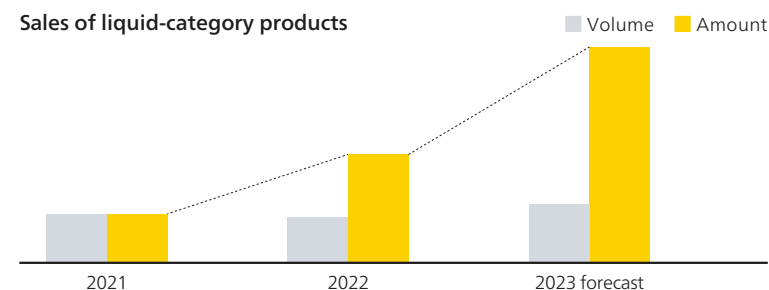
Efforts to increase the added value of products: EITR (Turkey)

Proprietary technologies of EITR



Marketing prowess of the Daio Group

Sales of liquid-category products



Komili Tea Tree Oil Hand Soaps



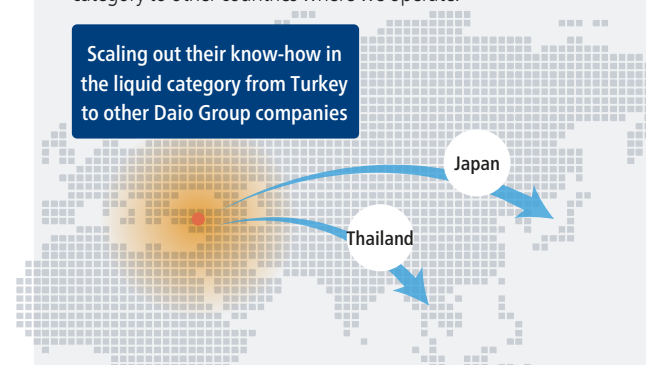
Komili Premium Liquid Soaps



Komili Ecologic Soaps

Before our acquisition of the predecessor of EITR, the company mainly dealt with standard products. However, since it joined the Daio Group, it has devoted enhanced efforts to developing new value-added disposable baby diapers and liquid products, and expanding their sales. The company's endeavor to pass on the increase in raw material and fuel prices to selling prices and expand sales of value-added products helped improve the unit prices of its products, resulting in remarkable growth in the sales amount when compared with the sales volume. This acquisition also introduced expertise in the liquid category to our Group. Moving forward, we will gradually scale out their know-how in the liquid category to other countries where we operate.

Scaling out their know-how in the liquid category from Turkey to other Daio Group companies



Creation of new kinds of added value in addition to luxury and high quality

We are devoting increased efforts to developing environmentally friendly products that do not require additional costs.

Environmentally friendly products



Prices affordable for those who need those products

➤ **New technology:** Ultrasonic bonding technology used in newly launched disposable baby diaper pants

➔ Reduction of costs and petroleum-derived raw material used

We used a new technology for bonding elastic thread to disposable baby diaper pants using ultrasonic waves. Together with other efforts, we reduced plastic in a pair of diaper pants by 25%. Disposable baby diaper pants using this technology were launched in Turkey in December 2022, and in Brazil in February 2023. We will also launch products with the same specifications in other countries.

Reducing the use of plastic by **25%**

* Compared with other Daio Group baby diaper pants of the same size



GOO.N FRIEND diaper pants

Launched in Turkey in December 2022

Scaled out



Personal baby TOTAL PROTECT diaper pants

Launched in Brazil in February 2023

Scheduled to be launched in other countries as well

Reinforcing human resources

To expand our overseas business, we will shift our human resources to the Home & Personal Care (H&PC) Overseas Business and enhance the capabilities of our overseas organizations and human resources. We will train our staff to be able to take the initiative in taking on new challenges even among people with different cultural backgrounds from their own, by such measures as providing young managerial-track staff with career paths that involve overseas assignment. We will also recruit human resources with great expertise in marketing and other fields from outside. By doing so, we aim to establish a system for ensuring speedy implementation of our overseas strategy.

Training and staffing

1. Enriching the staff training system ➤ Developing globally effective human resources
2. Reinforcing personnel in overseas business, which will continue to grow in the future
3. Increasing the staff of subsidiaries in ASEAN countries ➤ Boosting our marketing and development prowess in the ASEAN region

System improvement



Environmental conservation activities, team bonding with locally employed staff, and social contribution activities



PT. Elleair International Trading Indonesia (EITI)
Recycling of disposable baby diapers production rejects



Elleair International (Thailand) Co., Ltd. (EIT)
Installation of additional solar panels



PT. Elleair International Manufacturing Indonesia (EIMI)
Guided factory tour for local residents



EICN (China)
In-house event for celebrating the 10th anniversary of the company's founding



EICN (China)
Solar panels



EICN (China)
Guided factory tour organized by the government body in charge of the Nantong Economic and Technological Development Zone

Intellectual Capital

—Intellectual Property Strategies to Enhance Corporate Value—

The Daio Group's basic principle for intellectual property is to "Maximize the value of seeds that will shape an abundant and affable future for the world."

The Intellectual Property (IP) Department is involved actively in all steps in the innovation process in order to increase the value of "seeds" that could serve as our future revenue streams. The IP Department staff listen sincerely to the management team and related departments, such as development and marketing departments, as well as overseas bases, to ensure that no "seed" goes unnoticed, no matter how small it might be. In our IP activities, we will adopt a proactive stance toward co-creation and co-cultivation with related departments.

Takashi Imaizumi

Executive Officer
General Manager of
Intellectual Property
Department, Corporate
Planning Division
Corporate Unit



Raising seeds into ideas

Good listeners and advisors

The IP Department staff listen sincerely to the staff of related departments, such as development and marketing departments, as well as the staff of overseas bases, to identify promising "seeds." They also keep an eye out for information about the external environment, and propose new perspectives and directions to relevant departments while utilizing such analysis methods as IP landscaping. By doing so, they raise the identified seeds to be "buds" of ideas for specific products and services that can offer high value to customers.



Raising ideas into our competitive advantages

Good partners in co-creation and co-cultivation

To further develop those ideas into the Daio Group's competitive advantages, the IP Department staff collaborate with related departments and external partners with a proactive stance toward co-creation and co-cultivation. In addition, through department-wide dialogues, they secure strong strategic combinations of rights to patents, designs, and trademarks, thereby building an intellectual property portfolio that is finely tuned to the Daio Group's requirements.



Raising our competitive advantages into our profit sources

Solid offense and defense

The IP Department staff will fortify the Daio Group's offense and defense through intellectual property rights, and work together with related departments to cultivate the Daio Group's products and brands into its strengths and profit sources.
[Offense] Protecting and enforcing IP rights globally, implementing proactive countermeasures against counterfeits, etc.
[Defense] Performing thorough IP clearance searches, providing the staff of related departments with IP training, disseminating IP-related information throughout the Daio Group, etc.

Leveraging the IP Department's position that allows for a holistic view of the entire Group from a management standpoint

At Daio Paper, IP activities are regularly reported to the management team twice a year at Management Meetings. Important IP-related matters are also reported to the management team as needed to consult the team about those matters. In April 2023, the IP Department made a new start as part of the Corporate Planning Division. This strategic shift that allows for a holistic view of the Group from a management standpoint positions the department to play a pivotal role in driving innovative strategies across the entire Group. Each IP staff member will reframe their mindset as a member of the Corporate Planning Division, seek to understand the business strategy and the current IP portfolio of their areas of responsibility, and identify the factors that differentiate the Daio Group from its competitors and the ways the Group can cultivate and maximize the value of "seeds." Ultimately, we aspire to establish a framework where IP staff members can actively propose new avenues for product development to related departments and fresh business directions to the management team.

Strategic transformation of our business portfolio

The IP Department supports the creation of products and services that can provide high value to customers and the protection of the Daio Group's competitive advantages, both of which help increase the profitability of each business.

→ **Major Initiatives** 1
→ **IP Data** 3

Acceleration of global expansion

The IP Department protects important technologies by obtaining patents for them globally.

→ **IP Data** 1

The IP Department protects important brands by obtaining trademark and design rights globally.

→ **Major Initiatives** 2

Creation of new businesses

The IP Department contributes to establishing competitive advantages by applying for patents for technologies related to cellulose nanofiber (CNF) and radio frequency identifiers (RFID; also known as "IC tags"), which are integral to the Daio Group's new businesses.

→ **IP Data** 2

Realization of a recycling-oriented society

The IP Department strategically applies for patent for environmentally friendly technologies and utilizes the Daio Group's IP to aid in enhancing product recognition.

→ **Major Initiatives** 1
→ **IP Data** 2

Major Initiatives

1 Development and protection of the Elipla series of environmentally friendly products

The Daio Group views global trends toward plastic-free lifestyles as a business opportunity, and provides various paper materials and products as alternatives to plastic. To increase public recognition for those products, in February 2022, Daio Paper consolidated products that contribute to plastic-free and low-plastic lifestyles under a single brand, and launched the new Elipla series.

Among the Elipla-series products is FS Elipla Paper, high-density heavyweight paper developed by leveraging Daio Paper's proprietary technology. The Company not only provides corporate users with this product as an alternative to plastic, but is also developing highly functional and well-designed products using this paper, including paper hangers. The IP Department protects the brand name, logo, technology, and designs from various aspects, by obtaining patents and trademark and design rights in order to ensure that the Daio Group can continue to manufacture and sell environmentally friendly products while maintaining its own advantages, thereby contributing to the Company's sustainable growth and sustainable social development.



- More than 30 applications have been submitted for patents and design registration for the entire Elipla series (including already approved or undisclosed applications), eight of which are for registration of designs related to hangers and have been approved.
 - The brand name and logo have also been trademarked.
- Web page featuring the Elipla series
<https://www.daio-paper.co.jp/en/csr/dedicated/environment/>

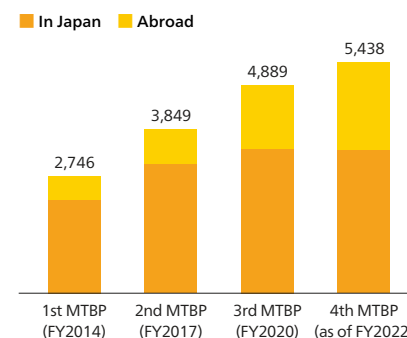
2 Offensive and defensive IP strategies linked to brand strategies

The Daio Group respects the rights of other companies, and promotes brand protection activities closely linked to its brand strategies in Japan and abroad. We promote a hybrid IP strategy that combines trademark rights, design rights, and copyrights with a view to scaling it out globally. Our main measures to achieve this include selecting likely competitive brands from the planning and development stages for new products, checking that the names and designs of our products will not infringe other companies' rights, and obtaining rights that are highly effective in holding other companies in check. Our recent progress in overseas business expansion has helped increase global public recognition of our brands, including Elleair and GOO.N, resulting in growing obstacles to our business operations due to the distribution of counterfeits and imitations. The entire Daio Group rigorously monitors trends in third-party products in the market, and is ready to make resolute responses to any infringement on our rights or unfair competitive acts committed by third parties, including even legal actions against such cases, by leveraging the IP rights that the Group has in Japan and abroad.

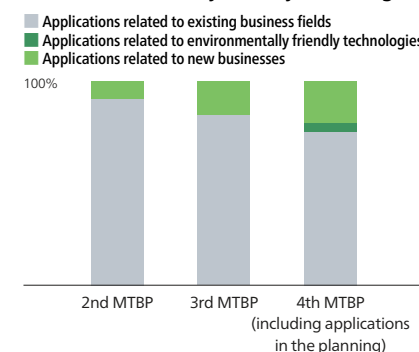


IP Data

1 Number of patents held by the Daio Group



2 Percentages of patent applications related to new businesses and environmentally friendly technologies



3 Daio Paper's rank in total YK Value^{*4} in each technological field (as of the end of March 2023)

Hygiene products No. 1
Medical products No. 1
Cleaning tools No. 1

Daio Paper ranks top in three fields!

[Notes] 1. The number of patents held by the Daio Group, the number of patent applications, and other figures shown here may not match previously published figures due to changes in internal tabulation standards and other factors.
2. The number of patents held by the Daio Group is as of the end of the final fiscal year of each Medium-Term Business Plan (MTBP). Only the number for the 4th MTBP is as of the end of the latest fiscal year.
3. The percentages of patent applications related to new businesses and environmentally friendly technologies are calculated based on the total number of patent applications submitted during the three-year period of each MTBP. Although this graph shows the percentage of the number of patent applications related to environmentally friendly technologies only for FY2022, the Daio Group's efforts to apply for patents for environmentally friendly technologies date back to before FY2022.
4. The YK Value is an indicator for the competitiveness of a patented technology. This indicator was developed by KUDO & Associates to measure the strength of a patent's monopoly and exclusivity.

Daio Abundant and Affable Future 2030

The Daio Group will achieve the Three Well-beings (Hygiene, Life, and Regeneration) to realize an abundant and affable future through the four pillars of our management philosophy that have underpinned our business operations since our establishment.

We will ensure a link between solutions to 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 Group Sustainability Vision

Three Well-beings

1. Hygiene

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.

2. Life

Enhance well-being of lifestyles



We will provide services that enhance lifestyles, improve the quality of life, and enable people to lead happy and enriching lives.

3. Regeneration

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.

Four pillars of our management philosophy and social issues that we have been addressing

D Dedicated Dedication to manufacturing

1. Strategic transformation of our business portfolio
2. Acceleration of global expansion
3. Creation of new businesses

As a manufacturer that is the closest to customers, we embody 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.

A Attentive Bonds with local communities

4. Coexistence with local communities
5. Establishment of a sustainable supply chain

Our united efforts with local government and communities, as well as related industries, including papermaking, conversion, distribution, and logistics, have led to the development of Shikokuchuo City, the place of our founding, into Japan's top city of paper.

I Integrated Corporate culture providing safety and motivation to work

6. Respect for human rights, development of human resources, and compassion for employees
7. Fair and highly transparent management

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 programs, and technical skills training).

O Organic Contribution to the global environment

8. Response to climate change
9. Realization of a recycling-oriented society
10. Forest conservation and maintenance of biodiversity

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.

Business operations

Structural shift of product mix according to demand

Pulp and paper products
Maintain a competitive edge

Converted products
Increase added value

Paper and Paperboard Business

Newsprint and paper Industrial paper

Printing Corrugated containers

H&PC Business

Household paper products

Absorbent products

New Businesses

CNF*¹

RFID*²

Market-oriented sales style

*1 CNF: Cellulose nanofiber

*2 RFID (radio frequency identifier): Contactless electronic smart tag

Contribution to achieving the SDGs

Major initiatives

Sales of environmentally friendly products

- Environmentally conscious products (e.g., using recovered paper)
- Products that reduce plastic waste
- Forest Stewardship Council (FSC)-certified paper
- Reduction of plastic use



Sales of products against infectious diseases

- Masks, sanitizing wet wipes, and paper towels



Provision of products and services for an aging population

- Provision of services to reduce caregivers' anxiety and burden
- Sales of products for active seniors



Major initiatives

Contribution to invigorating and developing local communities

- Coexistence together with local business partners
- Preservation and creation of employment through capital investment
- Formation of a pulp and paper industrial cluster



Coexistence with and support for the local community of each production base

- Invigoration of the local economy
- Cooperation with local communities toward establishing essential infrastructure, including water supply for daily use and irrigation



Major initiatives

Respect for human rights and diversity

- Empowerment of female employees (increasing the percentage of female managers)
- Promotion of paternity leave uptake
- Employment of the disabled



Development of global human resources

- Reinforcement of language training programs
- Overseas training programs for young employees



Work-style reform and health and productivity management

- Promotion of paid leave uptake
- Promotion of smoking cessation rates and improvement of mental health care



Major initiatives

CO₂ emissions reduction, absorption, and fixation

- Transition to biomass fuel
- Effective use of waste fuel
- Energy saving and improvement in energy use efficiency
- Improvement of logistics efficiency and promotion of modal shift
- CO₂ absorption and fixation through forestation



Reduction, reuse, and recycling (3Rs)

- Achievement of a high utilization rate of recovered paper
- Recycling and reuse of water



Material Issues and Contribution to Achieving the SDGs

To solve each of the material issues that it has identified, the Daio Group has formulated business

strategies and initiatives, and has set numerical targets for the relevant key performance indicators (KPIs).

Four Pillars of Our Management Philosophy	Material Issues	Business Strategies		Solving Social Issues through Business Operations			Relevant SDGs
<div>D</div> <div>Dedicated</div> <div>Dedication to manufacturing</div> <div><div>Hygiene+</div><div>Life</div><div>Regeneration</div></div>	Strategic transformation of our business portfolio	[Newsprint and paper business] <ul style="list-style-type: none">Review the production system and sales structureStrengthen the downstream printing business	[Industrial paper and containerboard business] <ul style="list-style-type: none">Continue to ensure a stable supply in JapanAccelerate overseas expansion	<ul style="list-style-type: none">Make a shift from paper to containerboard<ul style="list-style-type: none">Preserve employment by continuing the operation of machines			<div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div></div> <div><div>4</div><div>QUALITY EDUCATION</div></div> <div><div>5</div><div>GENDER EQUALITY</div></div> <div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div></div> <div><div>9</div><div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div> <div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div> <div><div>17</div><div>PARTNERSHIPS FOR THE GOALS</div></div>

*1 The KPI targets for FY2030 and the FY2022 results are consolidated figures. The FY2020 and FY2021 results are non-consolidated figures. *2 The KPI targets for FY2030 and the FY2020, FY2021, and FY2022 results are non-consolidated figures. *3 The Daio Career Challenge system is an internal open call system. *4 The KPI targets for FY2030 are consolidated figures. The FY2020, FY2021, and FY2022 results are non-consolidated figures. *5 The amount of emissions from subsidiaries that became part of the Daio Group in and after the reference year 2013 is included.

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

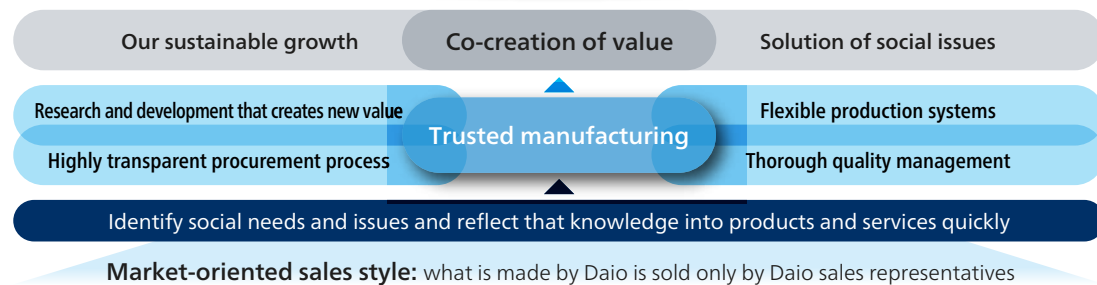
As a manufacturer that understands its customers' needs, we operate based on the belief "what is made by Daio is sold only by Daio sales representatives." While providing high-quality and value-added products and services, we are striving to realize people-friendly manufacturing in harmony with the global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

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

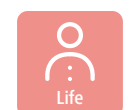
care products, we quickly identify new social needs and issues in a wide range of fields, reflect that knowledge into our research and development that creates new value and also into our flexible production systems, and ensure high transparency in our procurement process and thoroughness in quality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

Management Philosophy

Shaping an abundant and affable future for the world



Major Initiatives



Strategic transformation of our business portfolio Entry into the pet care products market

Our sustainable growth

- Launching new products in growing fields

Solution of social issues

- Reduction, reuse and recycling (3Rs)

The total number of dogs and cats kept in Japan has reached approximately 15.89 million.^{*1} Spending on each pet is increasing due to the increase in the average life span of pets and the change in pet-keeping styles as pets become part of the family, leading to the expansion of the pet-related market. Under the Daio Group Sustainability Vision, we aim to realize a society where people and diverse organisms coexist and thrive. To this end, we have entered the pet care products business with the desire to deliver products and services that enrich the lives of pets and their families and make them feel happy by utilizing the product development capabilities and production technologies that we have cultivated through the Elleair brand. By utilizing production rejects and scraps generated in the process of producing household paper and disposable diapers as raw materials for paper-based cat litter, we have established an environmentally-conscious business model^{*2} and will continue to reduce environmental impact at the same time.



^{*1}: According to the "2022 National Survey on Dogs and Cats Ownership in Japan," conducted by the Japan Pet Food Association
^{*2}: For details on the establishment of an environmentally-conscious business model, please refer to page 79.
^{*} Initiatives for achieving Target 5 of Goal 12

Fulfilling Our Purpose

-Value Creation Story of the Daio Group-

Achieving Sustainable Growth

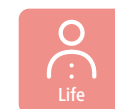
-Strategy for Continuing to Provide Value-

Responding to Social Issues

-Foundation for Sustainable Growth-

Data and Information

-Financial and Corporate Data-



Acceleration of global expansion Elis 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

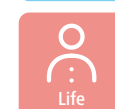
- Hygiene improvement (control of infectious diseases)
- Access to vocational training, etc.

We are keen to help developing countries solve social issues, such as the spread of infectious diseases caused by the lack of widespread hygienic practices and the inability to escape poverty since insufficient access to proper education prevents people from becoming self-reliant. Since 2018, under the Elis Heart Support Project, we have been working in Africa to reduce infectious diseases through education on and dissemination of how to make cloth sanitary pads, and to support access to vocational training. In FY2023, we supported the making of cloth sanitary pads, fostered peer educators,^{*1} provided information on sexuality and hygiene, and offered counseling by nurses in a community space in Zambia. We will continue to provide support for hygiene improvement and women's independence, and expand our business globally at the same time by building a foundation for expansion into Africa as well as increasing our brand profile at home, in conjunction with projects aimed at solving social issues.

<https://www.elleair.jp/hs/>



^{*1}: Peer educators are people who provide education and communicate information to their peers. "Peer" means "companion" or "friend."
^{*} Initiatives for achieving Target 3 of Goal 3, Target 5 of Goal 4, Target 1 of Goal 5, and Target 17 of Goal 17



Creation of new businesses Application development of cellulose nanofibers

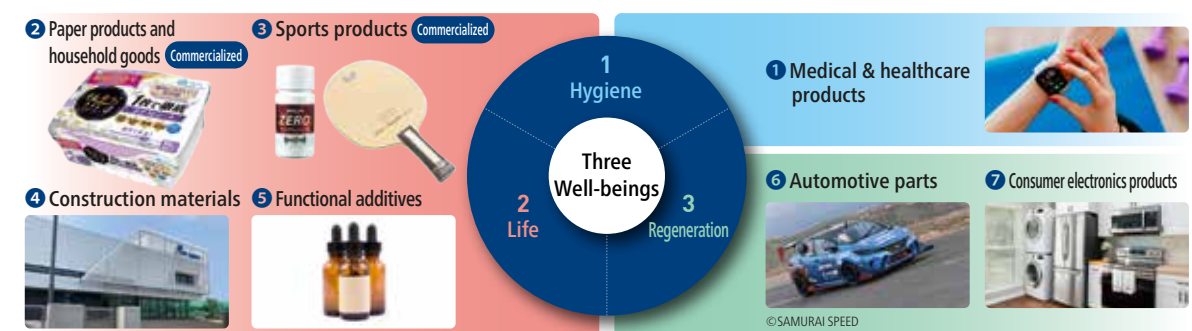
Our sustainable growth

- 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

Regarding cellulose nanofibers ("CNF"), whose related market is expected to be worth 6 trillion yen by 2050, we are developing manufacturing development processes that make full use of the facilities, technologies, and know-how that we have accumulated as a pulp and paper manufacturer, and developing applications that take advantage of the various functions of CNF, which paper and pulp do not have. Furthermore, with the growing need for CNF as a material that can contribute to the realization of a low-carbon society through the use of CNF to reduce product weight and plastic usage, the number of CNF samples we have provided increased significantly, and product development and adoption are progressing. Based on our Mishima Mill's strengths of utilizing diverse pulp and being able to supply CNF in various forms and fiber sizes to meet user needs, as well as our vision of "Three Well-beings," we are aiming to commercialize products using CNF in seven fields, including medical & healthcare products, paper products, household goods, and automotive parts, and have so far commercialized products using CNF in two fields. To develop new applications, we have also started semiconductor material development in collaboration with Tohoku University, the University of Tokyo, and the National Institute of Advanced Industrial Science and Technology. We will accelerate the development of CNF manufacturing technology and applications by maximizing the use of the pilot plant for CNF composite resin, which has been in operation since FY2021, and aim for early commercialization of a wide range of applications, including construction materials, functional additives, and consumer electronics products. <https://www.daio-paper.co.jp/en/development/cnf/>



(FY)	2018 result	2019 result	2020 result	2021 result	2022 result	2023 target	2026 target	2030 target
CNF commercialization fields	1	1	2	2	2	3	5	7

^{*} 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

Material Issue:

Coexistence with local communities

Basic Approach

As a global corporate group with operating bases in eight countries, the Daio 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 participate in local communities. We hope to enhance their understanding of our business operations and we aim to grow harmoniously with local communities.

Management Philosophy

Shaping an abundant and affable future for the world

Harmonious growth
with local communities

Response to declining birthrate and aging population

We are striving to contribute to community development so that 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 various international norms and each country and region's laws, cultures, religions, customs, etc., we will contribute to developing people's daily lives, cultures and industries around the world through our global business operations.

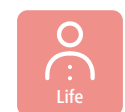
Coexistence with and support for local communities

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 development, we will continue to grow together with local communities.

Major Initiatives



Hygiene



Life



Realization of comfortable and effective incontinence care Secure and comfortable for both the caregiver and the recipient

As the birthrate declines and the population ages, there is the risk of a decline in the quality of care at nursing care facilities due to a shortage of nursing personnel. In addition, research has shown that incontinence problems can affect healthy life spans, and we believe that it is necessary to improve the quality of care by increasing the number of human resources with knowledge of incontinence care at nursing care facilities. To that end, under the slogan of "comfortable and effective incontinence care,"^{*1} we are encouraging nursing care workers and others to get certified as "Attento Meister Professional" to promote the acquisition of appropriate knowledge about the correct use of Attento-brandTM disposable diapers and advice, suggestions, and support related to incontinence care. We began this initiative in 2017, and as of the end of June 2023, we have certified a total of 5,011 people as an "Attento Meister Professional," with the goal of having 22,000 certified by FY2030. Through the "Attento Meister Professional" initiative, we are aiming to realize effective support for incontinence care that is secure and comfortable for both the caregiver and the recipient.



Attento Meister Professional Search

(FY)	2018 result	2019 result	2020 result	2021 result	2022 result	2023 target	2026 target	2030 target
Number of certified Attento Meister Professionals	465	1,273	1,805	2,778	4,787	6,700	12,700	22,000

*1: "Comfortable and effective incontinence care" means incontinence care that is secure and comfortable for both the caregiver and the recipient.

*2: Daio Paper's adult disposable diaper brand

* Initiatives for achieving Target 4 of Goal 3, Target 5 of Goal 8, Target 3 of Goal 11, and Target 16 of Goal 17

Fulfilling Our Purpose

-Value Creation Story of the Daio Group-

Achieving Sustainable Growth

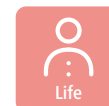
-Strategy for Continuing to Provide Value-

Responding to Social Issues

-Foundation for Sustainable Growth-

Data and Information

-Financial and Corporate Data-



Life



Contribution to invigorating and developing local communities

Our group company, Forestal Anchile LTDA. (Chile, South America), practices sustainable forest management and continues to engage in dialogue with indigenous communities and strengthen their rights in accordance with the New York Declaration on Forests. The city of Purranque, Chile, where the forests owned by the company are located, suffers from water shortages every year during the dry season, and the company is working to develop infrastructure together with the community to help secure water for local residents' daily needs.

- Through dialogues with local residents and internal studies, Forestal Anchile proposed and constructed facilities for taking water from the Puquitrhue River, which runs through the forests that it owns, and storing it in tanks via approximately 2,300 m of water pipes. The company is currently in discussions with the Chilean government to construct a drinking water supply system for approximately 70 households in the area using the facilities.
- Forestal Anchile is protecting approximately 60 water sources for domestic use and irrigation in the forests that it owns by designating them as areas with high conservation value, and is improving water intake facilities and providing water storage tanks as needed.

Forestal Anchile also offers materials and skills training in fruit cultivation, knitting, cooking, and other skills to indigenous groups, as well as cooperates in cultural activities. The company supports local residents in the acquisition of skills and knowledge that will lead to local economic development and personal growth.



Irrigation tank



Skills training for local residents



Intake from the Puquitrhue River



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

* 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 Group, we perform procurement activities based on the Daio Group Sustainable Procurement Guidelines Based on the SDGs in line with the stance described on the right.

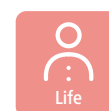
Daio Group Sustainable Procurement Guidelines Based on the SDGs
<https://www.daio-paper.co.jp/wp-content/uploads/2210en.pdf>

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.

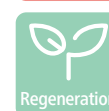
2. We build good partnerships with our suppliers, conduct fair and equitable transactions, and work to mutually improve and develop quality and technical capabilities.

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 Initiative



Life



Regeneration



Establishment of sustainable supply chain CSR Procurement: Procurement based on the Daio Group Sustainable Procurement Guidelines Based on the SDGs

If a company that does not take social responsibility in terms of human rights and the environment is left unchecked in our supply chain, this may lead to boycotts of our products and a decline in our brand value. To avoid this, we have formulated the Sustainable Procurement Guidelines Based on the SDGs, which include compliance with laws and regulations on human rights, environmental conservation and preservation, and health and safety, and fair and equitable transactions, as well as BCP and contributions to local communities, so that we and our suppliers can work together to fulfill our social responsibilities. To confirm that our procurement is in accordance with the guidelines, we conduct a questionnaire survey of our suppliers every year. With a response rate reaching 96%, 61% of the respondents received a rating of 3.5 or higher on a 5-point scale this year. We have provided explanations to small-scale suppliers with low evaluation scores for the purpose of promoting the SDGs, and will continue to request and provide support for improvement to achieve CSR procurement throughout the supply chain.

	(FY)	2018 result	2019 result	2020 result	2021 result	2022 result	2023 target	2026 target	2030 target
Supplier survey response rate		-	-	87%	95%	96%	100%	100%	100%
Number (percentage) of suppliers rated 3.5 or higher on a 5-point scale		-	-	56%	62%	61%	75%	85%	90%
Retention of forest certification at home and abroad		100%	100%	100%	100%	100%	100%	100%	100%

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

Initiatives to Achieve the SDGs

Integrated

Corporate Culture Providing Safety and Motivation to Work

Material Issues:

Respect for human rights, development of human resources, and compassion for employees / Fair and highly transparent management ▶ Corporate Governance from p.81

Issues and Actions in Human Resources Strategy and Future Vision

Aiming for sustainable growth, the Daio Group is promoting human capital management through measures for promotion of diversity & inclusion, development of human resources, and compassion for employees.

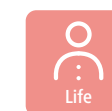
We will also create innovation by increasing the engagement of each and every employee, which will lead to a sustainable increase in corporate value and realize our management

philosophy of "Shaping an abundant and affable future for the world."

To further improve employee engagement, we have changed from the conventional "Employee Satisfaction Survey" to the "Engagement Survey" from FY2021, to visualize engagement and identify operational issues at each unit.



Major Initiatives



Promotion of diversity & inclusion

To expand our domestic and international Home and Personal Care ("H&PC") Business, which is a growth engine for sustainable development, as well as new businesses, we are focusing on the development of diverse human resources. In FY2019, we established the Diversity Committee, chaired by the President and Representative Director, to reform our corporate culture and create an environment so that diverse human resources can take on challenges and play an active role. In particular, we consider the empowerment of female employees to be one of the most important issues for the expansion and growth of our H&PC Business, and we are working to increase the number of female employees on the managerial track and to increase the percentage of female managers to 10% by FY2030 (5.2% in FY2022) through various training programs, including cross-industry exchange training for women.

To date, we have been developing female leaders (section heads and chiefs) who are candidates for next-generation managers while working to (1) recruit and foster excellent human resources, (2) introduce support and systems for balancing work and childcare, (3) promote understanding of diversity within the company and reform the corporate culture. We will continue to promote the empowerment of female employees by focusing on the implementation of leadership development training programs, mid-career recruitment of female managers, improvement of the gender gap in balancing family and work, and measures against unconscious bias.

Reinforcement of the diversity promotion system

- Established the Diversity Committee (2019)

Achievement of 10% female manager percentage (FY2030)

- Mid-career recruitment (female managers)
- Next-generation leader (manager) training

Outcome

- Innovation through achieving diversity in decision-making in feminine care product planning and other specialized areas

Declarations and statements

- Endorsement of WEPs (2021)
- Declaration of commitment to being a company where 100% of male employees take childcare leave (2021)

Increase in female leaders (section heads and chiefs)

External evaluations

- Nadeshiko Brand (2014, 2016 and 2018)
- Bloomberg Gender-Equality Index (2021 and 2022)



1 Recruit and foster excellent human resources

- Increase in the number of female employees on the managerial track (new graduate hires) (2012-)
- Provision of female cross-industry exchange training for female leaders (2014-)
- Provision of designated distance learning courses (e.g., fundamentals for managers)

2 Introduce support and systems for balancing work and childcare

- Introduction of GOO.N SukuSuku Leave (paid leave for childcare purposes) (2017-)
- Opening of GOO.N SukuSuku House (facility for employer-provided childcare services) (2018-)
- Introduction of the flextime program, promotion of remote work and promotion of annual paid leave uptake (2020-)
- Promotion of paternity leave uptake (2021-)

3 Promote understanding of diversity within the company and reform the corporate culture

- Unconscious bias training (2019-)
- LGBTQ understanding training (2020-)
- Diversity training for executives and general managers (2021-)
- Training to promote understanding of women's health (2021-)



	FY2019 Result (Unconsolidated)	FY2020 Result (Unconsolidated)	FY2021 Result (Unconsolidated)	FY2022 Result (Unconsolidated)	FY2022 Result (Consolidated)	FY2023 Target (Consolidated)	FY2026 Target (Consolidated)	FY2030 Target (Consolidated)	Target company
Percentage of female managers	2.0%	2.2%	2.8%	2.7%	5.2%	6.0%	8.0%	10.0%	Consolidated companies*
Percentage of female leaders (section heads and chiefs)	11.3%	9.0%	8.3%	11.1%	—	—	—	—	Daio Paper (employees on the managerial track)
Number of female leaders (section heads and chiefs)	16	21	19	24	—	—	—	—	Daio Paper (employees on the managerial track)
Percentage of female employees on the managerial track	13.8%	15.0%	15.8%	18.4%	—	—	—	—	Daio Paper
Percentage uptake of paternity leave	4.0%	6.3%	28.9%	82.7%	79.3%	100.0%	100.0%	100.0%	Consolidated companies*
Percentage uptake of annual paid leave	78.7%	67.2%	71.7%	75.0%	72.6%	70.0%	80.0%	90.0%	Consolidated companies*

* Consolidated companies (Domestic consolidated subsidiaries subject to legal disclosure requirements)

TOPICS Female cross-industry exchange training

The training program, which involves forty to forty-five female employees from nine companies in different industries, requires participants to work together on an assignment. This enables them to gain exposure to different corporate cultures, broaden their perspectives, and acquire the practical leadership skills required. Through a curriculum of main training (2 days), 4-month assignment preparation, and follow-up training (1 day), as well as dialogue with female managers and networking unique to the cross-industry training program, each participant learns how to become a leader who is uniquely herself. The goal is for participants to be able to further demonstrate their abilities in the workplace after the training program.



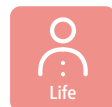
Scene from the group training

Impressions of the training from a participant

During the dialogue with female managers in the main training session, I was struck by the fact that all of them did not place too much weight on "becoming a manager," which made me realize that I had unconsciously raised the bar for female managers myself. Collaborating on a shared assignment with individuals from various industries was also a rewarding experience. It felt akin to a cultural exchange and offered a completely different kind of experience compared to my daily work. It was a valuable opportunity for me to reconsider my career and the way I work.

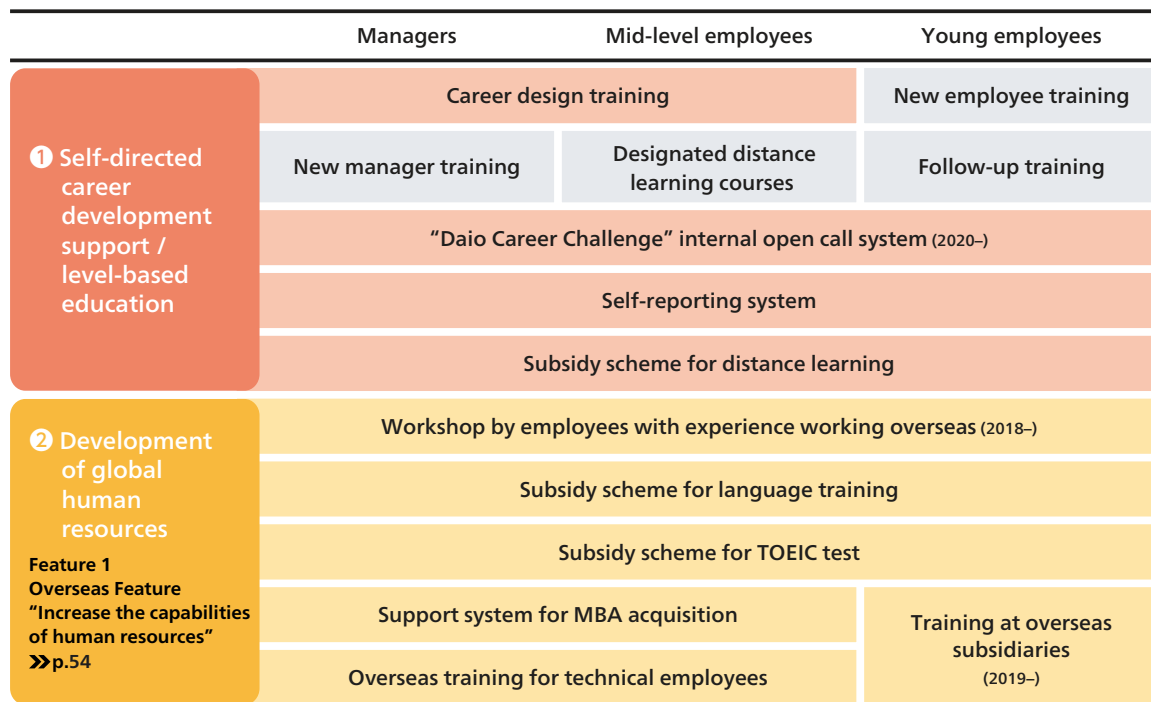
Participant in FY2022 **Mika Eto**
Sustainability Promotion Department

* Initiatives for achieving Targets 1, 5 and C of Goal 5, and Target 3 of Goal 10



Development of human resources

To respond flexibly to the rapidly changing business environment and diversifying needs of consumers, and to remain a sound and competitive company, we believe that it is important for each and every employee to think deeply, discuss issues with relevant personnel, and work as one across organizational boundaries to solve day-to-day problems. As part of our measures to develop self-directed human resources who think, decide, and act on their own initiative, we have introduced systems to support self-directed career development, such as the Daio Career Challenge (internal open call for employees to select their own career), a self-reporting system (a system that allows employees to report their preferences for department, work location, etc.), and a subsidy scheme for distance learning. Furthermore, we are working on measures focused on expanding our domestic and international H&PC business, as domestic demand for paper and containerboard is declining year by year due to the progress of digitalization and a declining population. To accelerate global expansion with the goal of realizing our future vision, "an Abundant and Affable Future" (a future where hygiene habits and products are prevalent and women are empowered across the world), we are working in particular to develop global human resources.



Sound and competitive company

③ Recruit and foster excellent human resources

- Referral recruitment system (2019-)
- Stock-based incentive system for managers (2021-)
- Comeback (rehiring of retirees) system

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2026	FY2030	
	Result	Result	Result	Result	Target	Target	Target	Target company
① Number of applicants for Daio Career Challenge ^{*1}	19	20	36	14	—	—	—	Daio Paper
② Number of employees using the subsidy scheme for distance learning	161	158	143	113	—	—	—	Daio Paper
Percentage of employees with TOEIC 600+	14.1%	14.4%	15.7%	15.6%	16.5%	20.0%	30.0%	Daio Paper
③ Number of participants in the workshops by employees with experience of working overseas	—	23	Canceled due to the COVID-19 pandemic	176	—	—	—	Daio Paper
④ Retention rate of new graduates after 3 years [*]	75.3%	75.0%	74.7%	82.2%	85.0%	87.0%	90.0%	Daio Paper

^{*1}: Internal open call system

^{*} The retention rate of new graduates after 3 years is calculated as a 3-year average. (The rate for FY2022 is a weighted average of the 3-year retention rate for new graduates on the managerial track hired between FY2018 and FY2020.)

TOPICS Workshop by employees with experience of working overseas

To help employees deepen their understanding of the realities of working overseas, we regularly hold an overseas career workshop online, in which employees working overseas serve as panelists to explain both the work and personal aspects of their experience working overseas, such as job scopes and workplace scenes in their respective countries, and engage in panel discussions. In FY2022, a total of 176 employees participated in the workshop on two occasions, and the rate of understanding and satisfaction with the workshop was extremely high, at approximately 90%.

Scene from a remotely held workshop by employees with experience of working overseas



^{*} Initiatives for achieving Targets 3 and 4 of Goal 4

Fulfilling Our Purpose
—Value Creation Story of the Daio Group—

Achieving Sustainable Growth
—Strategy for Continuing to Provide Value—

Responding to Social Issues
—Foundation for Sustainable Growth—

Data and Information
—Financial and Corporate Data—



Compassion for employees

We aim to create a vibrant workplace environment that puts safety and security first, where each employee is able to work with vitality by always prioritizing safety and security in our operations above all else. We believe that if employees and their families are not in good health, they will not be able to maintain their motivation and focus, which will reduce productivity and even affect business performance. The Daio Group announced the Daio Group Declaration of Health in FY2014 and continues to hold Health Management Committee meetings chaired by the Chief Health Officer (CHO: General Manager of General Affairs and Personnel Division) to create an environment where employees can work in good health through efforts to promote their physical and mental health. In addition, with the three pillars of "safe awareness," "safe environment," and "safe work" to achieve zero accidents, we are committed to protecting the safety of all people working in our business sites and are engaged in safety and health activities on a daily basis.

① Promotion of health and productivity management

- Daio Group Declaration of Health (FY2014)
- Establishment of Health Management Committee (2018-)
- Smoking cessation program (2019-)
- Establishment of Health Consultation Desk (2020-)
- Sports club management / Partnership with external sports clubs
- Establishment of counseling desk (2014-)
- Mental health awareness training for managers (2016-)
- Implementation of mental health check (stress check)

External evaluations



② Promotion of safety and health

- Establishment of annual safety activity policy common to all group companies (2014-)
- Implementation of Safety Wednesday web conference (2012-)

Main actions taken

- Workplace improvement through risk assessment
- Conducting mutual patrols among group companies
- Disaster drills based on the assumption of a large-scale disaster
- Holding of AED lifesaving training sessions

		FY2019	FY2020	FY2021	FY2022	FY2023	FY2026	FY2030	
		Result	Result	Result	Result	Target	Target	Target	Target company
Health and productivity management	Smoking rate	30.5%*1	26.1%*1	23.9%*1	30.0%	29.0%	26.0%	22.0%	Consolidated companies (Member companies of the Daio Paper Health Insurance Association)
Safety and health	Lost time injury frequency rate ^{*2}	0.90	1.11	1.14	1.01	0.90	0.80	0.69	Consolidated companies ^{*3}

^{*1}: The smoking rates from FY2019 to FY2021 are results of Daio Paper on a non-consolidated basis. ^{*2}: The lost time injury frequency rate is for the full year.

^{*3} Consolidated companies (manufacturing subsidiaries in Japan, etc.)

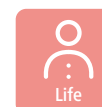
TOPICS Implementation of "Safety Wednesday"

With the goal of reducing lost-worktime injuries, we hold a "Safety Wednesday" web conference every Wednesday. All group manufacturing companies in Japan participate in the conference, with over 200 attendees each time, to share corrective actions to prevent similar accidents and preventive actions for potential accidents based on accident case studies.

Scene from "Safety Wednesday"

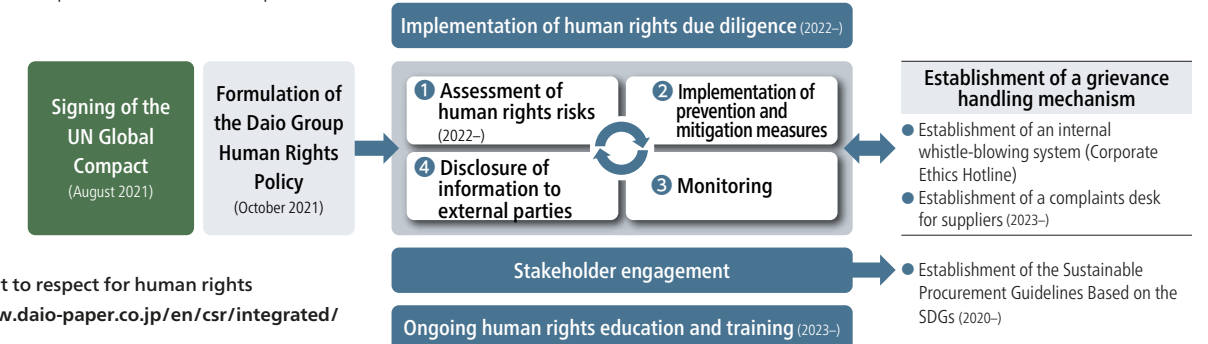


^{*} Initiatives for achieving Targets 4, 6 and 9 of Goal 3, Targets 5 and 8 of Goal 8, and Target 2 of Goal 10



Commitment to human rights

In May 2021, the Daio Group formulated the Daio Group Sustainability Vision with the aim of realizing our management philosophy of "Shaping an abundant and affable future for the world." In August of the same year, we expressed our support for the UN Global Compact, which sets forth principles for the protection of human rights, and in October of the same year, we formulated the Daio Group Human Rights Policy in compliance with the UN Guiding Principles on Business and Human Rights. The Daio Group clearly states "respect for human rights" as one of its material issues, based on the belief that a society where the freedom, dignity and inherent rights of every individual are upheld is imperative to shaping "an Abundant and Affable Future", which is the Group's future vision. As we continue to expand our business globally under the Daio Group Human Rights Policy, we will continue to contribute to the realization of a sustainable society by establishing a human rights due diligence process and implementing thorough education on respect for human rights, with the cooperation of our business partners.



Commitment to respect for human rights

<https://www.daio-paper.co.jp/en/csr/integrated/respect/>

^{*} Initiatives for achieving Target 7 of Goal 8

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

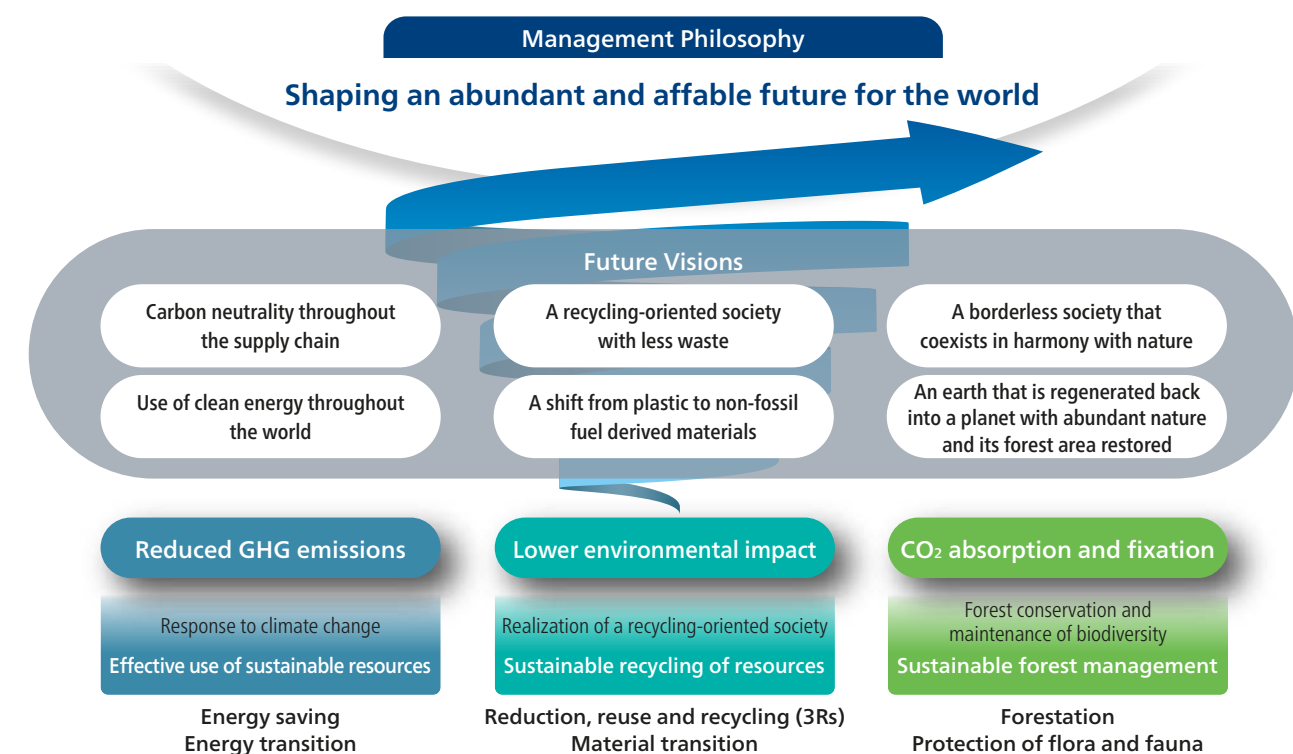
Daio Paper established the Daio Global Environmental Charter in 1993 ahead of any other company in the papermaking industry. Since then, the Daio Group has been actively committed to solving environmental problems through its business operations based on the charter. In May 2021, we established the Daio Group Sustainability Vision, laying out our initiatives toward accomplishing the SDGs. To ensure a link between those initiatives

and the previous initiatives in which we have been engaged so far, as well as to incorporate these initiatives into our business management, we revised the Daio 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.

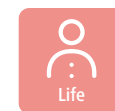
Daio Global Environmental Charter

Principle The Daio 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.

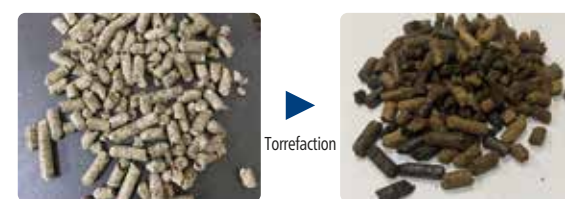
Basic Policy	1. Mitigation of global warming	5. Development and deployment of technologies and products with lower environmental impact	For details of each item, read this QR code.
	2. Forest conservation and maintenance of biodiversity	6. Reduction of environmental load together with supply chain partners	
	3. Effective use of resources and environmentally friendly procurement of raw materials	7. Legal compliance and active environmental communication/coexistence with local communities	
	4. Reduction and effective use of waste		



Major Initiatives

Response to climate change Reduction of fossil-based CO₂ emissions through the development of black pellets

We recognize decarbonization as a top priority issue and have formulated a roadmap to achieve carbon neutrality by FY2050. As part of this roadmap, we are working to stop the use of three coal-fired boilers (full phasing-out of coal) at the Mishima Mill. As one of the measures, we are reducing GHG emissions in the entire region where the mill is located by introducing waste-to-energy boilers that use locally generated garbage and other waste as fuel, and at the same time we are working to reduce internal consumption of fossil fuel. To further reduce the use of coal, we are also working on the development of black pellets using bark and sawdust generated in the process of sawing lumber from logs. In FY2026, we will start an experiment of mixed firing of black pellets at coal boilers, and eventually, by fueling one boiler with only



Wood pellets

Black pellets

black pellets, we will be able to stop two coal boilers*1 and achieve our fossil-based CO₂ emissions reduction target for FY2030 (46% reduction compared to FY 2013).

*1: Achieved through a combination of measures including the shift from selling biomass-generated power under the FIT scheme to self-consumption

* Initiatives for achieving Target 2 of Goal 7, Target 5 of Goal 12, and Targets 1 and 2 of Goal 13



Realization of a recycling-oriented society Promotion of the use of hard-to-recycle recovered paper (hard-to-recycle recovered paper that contains contaminants, such as film and plastic)

At the Mishima Mill, our core paper mill, we collect paper waste that was previously landfilled or incinerated, categorizing it as hard-to-recycle recovered paper. By separating paper from other non-paper materials, such as film, using our proprietary processing technology, we recover paper as a raw material for papermaking, while recovering the residual waste as fuel for waste-to-energy boilers for power generation. In FY2022, production activities at domestic mills that generate hard-to-recycle recovered paper stagnated, resulting in a decrease in the amount of hard-to-recycle recovered paper generated and collected, and a decline in the usage of hard-to-recycle recovered paper pulp and its ratio in containerboard. To achieve the target (KPI) of 30% of the ratio of hard-to-recycle recovered paper pulp in containerboard by FY2030, we will (1) strengthen our partnerships with recovered paper generating companies that are not affected by market conditions for recovered paper exports and discover new types of hard-to-recycle recovered paper through proposal-based purchasing leading to reduction of environmental impact, and (2) consider introducing equipment that can process water- and oil-resistant hard-to-recycle recovered paper and miscellaneous paper mixed with vinyl and other materials.

* Ratio of hard-to-recycle recovered paper pulp in containerboard at the Mishima Mill, our core paper mill

(FY)	2018 result	2019 result	2020 result	2021 result	2022 result	2023 target	2026 target	2030 target
Ratio of hard-to-recycle recovered paper pulp in containerboard	14.8%	18.7%	15.7%	15.7%	14.2%	15.4%	17.1%	30%

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



Example of hard-to-recycle recovered paper <Paper bags with vinyl interiors>



Forest conservation and maintenance of biodiversity

① The Daio Group has set "Forest conservation and maintenance of biodiversity" as an important policy in the Daio Global Environmental Charter, which was established in 1993, and is working on sustainable forest management based on the Daio Group Policy on Forest Management. Located in Chile, South America, Forestal Anchile owns approximately 280 km² of forested land as natural forests, and is also committed to the protection of Alerce (Patagonian Cypress), a natural treasure said to have a lifespan of over 5,000 years.

The company holds discussions with Chile's National Forest Corporation and NGOs, and also arranges for a specialist organization to conduct a habitat survey. It is also using drones to take photos of the areas of operation from the sky to confirm that forest management does not have a negative impact on the ecology of plants and animals. In 2022, Forestal Anchile cooperated with a research group from the University of Los Lagos to conduct an ecological survey, which revealed that the puma (Felidae), a near-threatened species in Chile, is living in the forests of its holdings. The company will continue to strengthen cooperation with related organizations to ensure sustainable forest management and maintain biodiversity.



Puma living in the forests owned by Forestal Anchile



Kawabata-moroko, endangered freshwater fish inhabiting the Yoshino River

② The Tokushima Factory of Daio Paper Products

Corporation, which is a member organization of an association breeding and releasing Kawabata-moroko, is working to breed 200 fish that it received from Tokushima Prefecture in January 2016 using water tanks on its property to breed and release them into the natural environment. The fish population declined by approximately 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, the factory has been successfully increasing the number of the fish since the third year. As of June 2023, 1,466 individual fish were identified. Aiming for further breeding, the factory has added various measures, such as monitoring the water quality, setting spawning beds, and cleaning the protective cases. The factory will continue to work with local governments and local companies to solve social issues while contributing to environmental education at elementary schools and other schools.

* 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

大王グループの森林経営に関する方針について

大王グループは、「森林と土地利用に関するグラスゴー宣言書」(Glasgow Leaders' Declaration on Forest and Land Use) (東証 1) を支持し、2030 年までに森林減少を終わらせることに貢献します。

森林減少に歯止めをかけて、パリ協定が掲げる 1.5 度目標達成を支えるため「森林に関するニューヨーク宣言」(New York Declaration on Forests: NYDF) に賛同した次の取組を進めています。

- 1) 気候変動と森林は密接に関連しています。気候変動を促進して森林や森林地を転換することは気候変動を悪化させることで気候変動を悪化させることにつながります。気候変動を悪化させることは気候変動を悪化させることにつながります。気候変動を悪化させることは気候変動を悪化させることにつながります。
- 2) すべての人の人権を尊重し、差別や偏見のある行為を一切行いません。また、児童労働、強制労働はこれを一切認めません。
- 3) 先住民コミュニティとの対話を継続し、森林経営標準 (FSC、PEFC 等) に限り持続可能な森林経営に努めます。
- 4) NDPE (森林減少禁止、劣化地開発禁止、搾取禁止) No Deforestation, No Peat, No Exploitation) を明記された森林経営標準 (FSC、PEFC 等) に限り持続可能な森林経営に努めます。
- 5) TNFD (注 2) に準拠した情報開示を支持し、生物多様性に関する情報開示に努めます。
- 6) 森林木の生長量拡大のための品種改良に努めると共に、CO₂ 吸収、固定化に寄与する森林木の生長量拡大と森林地の拡大に努めます。

注 1) イギリス・グラスゴーで開催された COP26 (国連気候変動枠組条約第 26 回締約国会議) の開会 2 日目となった 2021 年 11 月 1 日に、国連の首脳や代表が、2030 年までに森林減少を食い止めるために各国が協力することを宣言。

注 2) TNFD (Taskforce on Nature-related Financial Disclosures: 自然関連財務情報開示タスクフォース) は、組織が自然の資源活動における自然環境や生物多様性に関するリスクと機会を評価し財務に与える影響を開示する枠組みを決めるタスクフォースとして 2021 年 6 月に設立された。最初のレビューを経て 2023 年 9 月にバージョン 1 のフレームワークが公表される予定である。

Daio Group Policy on Forest Management

Initiatives toward a Carbon-free Society

SECTION 01

Fulfilling Our Purpose
-Value Creation Story of the Daio Group-

SECTION 02

Achieving Sustainable Growth
-Strategy for Continuing to Provide Value-

SECTION 03

Responding to Social Issues
-Foundation for Sustainable Growth-

SECTION 04

Data and Information
-Financial and Corporate Data-

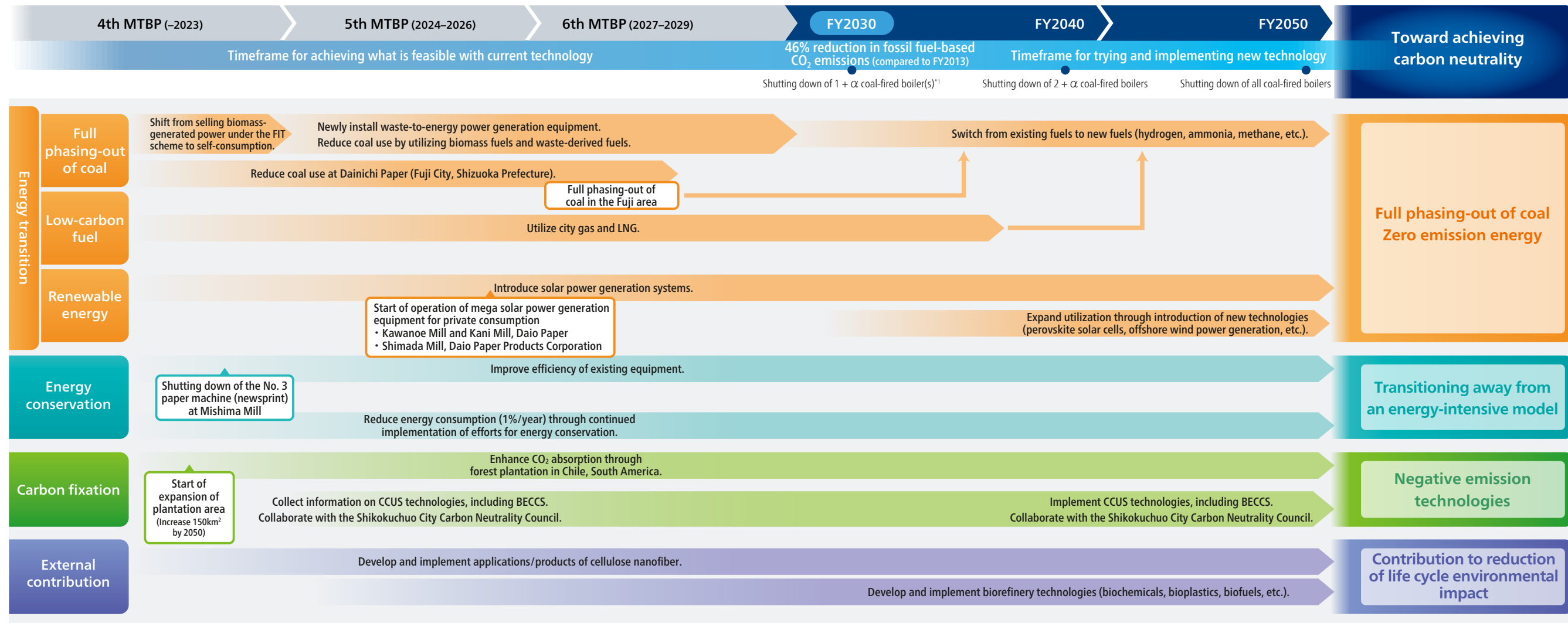
The Daio Group declared its commitment to achieving carbon neutrality by FY2050 in May 2021. In accordance with the Daio Global Environmental Charter, we have been promoting a variety of environmentally friendly initiatives, including energy conservation and the use of biomass fuels. Recognizing that addressing climate change is one of the most important management

issues, we will continue to formulate and implement measures in line with the roadmap that we have established to achieve carbon neutrality, while making disclosures and efforts in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

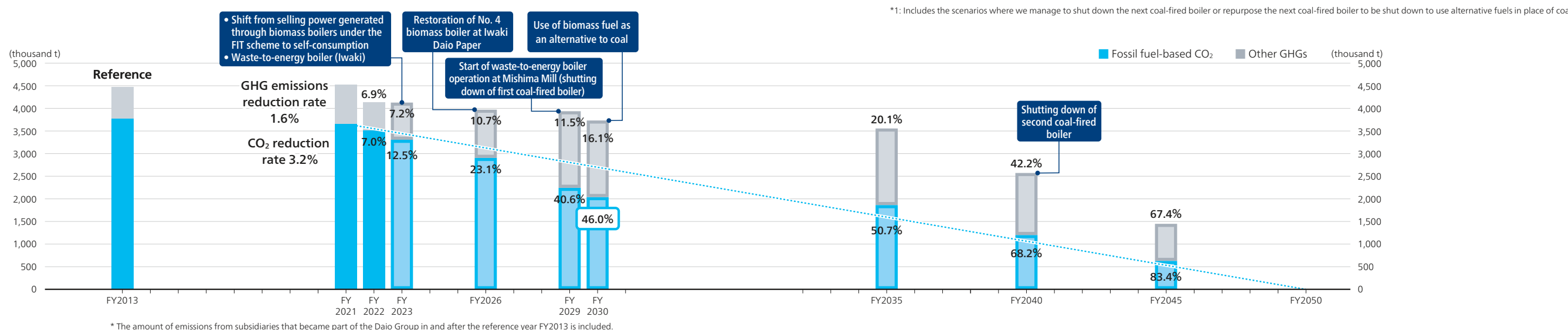


We will actively work to reduce dependence on fossil fuel by using alternative fuels and applying new technologies in cooperation with local communities.

Roadmap to Achieving Carbon Neutrality by 2050



Estimated CO₂ emissions reduction



Message from the General Manager of the Production Division

Accelerating our efforts to realize carbon neutrality in response to the shift toward a carbon-free society

Toshikatsu Tanahashi

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

Phasing out coal ahead of schedule

Responding to climate change is a pressing global issue, and it is a natural responsibility for companies to work to reduce greenhouse gas (GHG) emissions, which are a factor in causing global warming. The paper industry, in particular, is heavily dependent on fossil fuels at present, and it is an imperative that we achieve carbon neutrality by FY2050 through a conscious shift away from fossil fuels while maintaining the economic rationality necessary for the company's survival.

We have established a roadmap for achieving carbon neutrality by FY2050 from the three approaches of "phasing-out of coal," "promotion of energy conservation," and "expansion of carbon sinks." We aim to reduce fossil-based CO₂ emissions in our production activities by 46% from the FY2013 level by FY2030 and to achieve carbon neutrality by FY2050, as the basic policy of the roadmap. The most important initiative is to shut down coal-fired boilers, and we are working to bring forward the plan to shut down the three coal-fired boilers at the Mishima Mill, which I am responsible for, one by one every ten years by FY2030, FY2040, and FY2050, and to gradually replace them with alternative power generation facilities. Looking back to FY2022, the logistical disruptions caused by the COVID-19 pandemic, combined with the impact of Russia's invasion of Ukraine, caused fossil fuel prices, mainly coal, to soar sharply especially after the summer of 2022. Due to these rapid changes in the business environment, the Mishima Mill, which uses a large amount of coal, also suffered a major blow to its performance due to the soaring raw material and fuel prices. In response to these sudden changes in the business environment, we brought forward the shift from selling power generated through biomass boilers under the FIT scheme to self-consumption, which was originally planned for FY2030 or later, switched 63,000 kW worth of electricity from coal to biomass power generation in April 2023, and shut down the No. 3 paper machine that manufactures newsprint in April, thereby optimizing the mill's energy efficiency. As a result, we expect to achieve a gradual reduction in the annual coal consumption at the entire company from 1.2 million tons in 2013 to an estimated 950,000 tons in 2023.

Accelerating energy conservation activities as well

Energy conservation efforts are something that each employee can carry out at the production site to contribute to achieving carbon neutrality. At our mill, we are conducting the "From the Ground Up Movement," in which we accumulate energy conservation efforts from the employees one by one. Each member of the production staff proposes ways to improve energy conservation and shows a sense of ownership by prioritizing and implementing these proposals. This movement, driven by the "on-site capabilities" of the production staff, has become deeply entrenched at our mill. The Daio Group's target for energy conservation is 1% reduction in base unit per sales every year. However, at the Mishima Mill, as raw material and fuel prices soared, momentum to accelerate efforts grew throughout the mill, and since the summer of 2022, we have concentrated on implementing the energy conservation improvement activities based on the on-site capabilities and also made equipment improvements. As a result, we achieved energy savings of approximately 2.5%. These activities are being deployed throughout the Daio Group's production mills.

Challenges and anticipated risks for future initiatives

To further accelerate our initiatives toward carbon neutrality, it is important to continue to procure stable and inexpensive alternative fuels to coal. At the Mishima Mill, while we have plans to decommission the coal-fired boilers, we have a plan to build a waste-to-energy boiler. This is a significantly effective measure for phasing out of coal; however, with the rapid acceleration of efforts to achieve carbon neutrality, not only in the paper industry but also in other industries, competition to procure fuels for waste-to-energy boilers is expected to intensify. We are currently discussing measures to expand the number of collection points for stable fuel procurement. The main raw material for waste-to-energy boilers is refuse paper & plastic fuel (RPF), which is solid fuel made by solidifying waste paper and waste plastics among industrial waste, which are generally difficult to recycle as materials, into pellet form. However, we plan to make the waste-to-energy boiler to be constructed at the Mishima Mill able to effectively utilize, in addition to RPF, waste materials that have been simply incinerated in the past. The first boiler with this specification in Japan was installed

and started operation at Iwaki Daio Paper in February 2023, and we have already started collecting and using waste-derived fuels that could not be used before. From now on, we will accumulate know-how on the collection and use of new waste-derived fuels and accelerate the reduction of coal consumption through the construction and operation of the waste-to-energy boiler at the Mishima Mill.

Talks are underway in Japan to introduce a carbon tax (carbon pricing) in 2028, and we believe that the longer we delay our efforts toward carbon neutrality, the more pronounced the negative impact will be on our company, both in terms of costs, including those related to carbon pricing, and in terms of operation. In the process of increasing our brand appeal to consumers by shifting our focus toward the Home and Personal Care Business, our brand image will also be affected by our stance toward creating a carbon-free society. We place a high priority on the capital investments necessary to advance carbon neutrality, and we will continue to make decisions quickly while balancing investment timing and costs, carbon neutral management, and economic rationality.

Also contributing to achieving carbon neutrality in the region

Based on the idea that activities to achieve carbon neutrality should be carried out throughout the entire supply chain and region, the Shikokuchuo City Carbon Neutrality Council in Shikokuchuo City, Ehime Prefecture, where the Mishima Mill is located, was established in 2021 to promote the activities. The council, which initially started with three managing companies, Daio Paper Corporation, Marusumi Paper Co., Ltd., and Ehime Paper Mfg. Co., Ltd., has now grown to encompass 24 general member companies situated in the Shikokuchuo City area. To date, the council has held a total of five meetings attended by general member companies in addition to the managing companies, and with the cooperation of the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and businesses with energy conservation-related technologies, has provided information on the latest trends in carbon neutrality and energy conservation technologies, and conducted educational activities. To realize carbon neutrality by FY2050, in the first phase until FY2030, the managing and general member companies are aligning their efforts to utilize biomass, black liquor, and renewable energy, and to improve the energy efficiency of existing equipment. The government is promoting the establishment and implementation of subsidies and other measures to support the introduction of renewable energy, while financial institutions have decided to provide funding for existing technologies and support for the visualization of emissions. In this way, the scope of issues handled through the regional councils is expanding, encompassing matters that would be difficult for a single company to address, and we are aware that expectations are growing for companies to take an active role in the management of regional carbon neutral councils and their operations. In terms of community involvement, we have begun to consider the use of in-vessel composting technology, which uses microorganisms to solidify general waste into fuel for use

in waste-to-energy boilers to be constructed in the future. The majority of household waste is currently incinerated, but many incinerators are aging and will need to be rebuilt in an increasing number of municipalities in the coming years. Under these circumstances, a growing number of municipalities, particularly in Ehime, Kagawa, and Tokushima prefectures, are considering the use of in-vessel composting, which was adopted by Mitoyo City in Kagawa Prefecture, located approximately 30 km from our mill. By procuring and using such solid fuel as an alternative to coal and other fossil fuels, we will be able to both mitigate global warming and achieve cost savings, which makes economic sense. This scheme also allows municipalities to dispose of waste at a lower cost and at the same time sell the waste as fuel. Since this will lead to GHG emissions reduction in the entire Shikoku region, we would like to be actively involved in what we call the "win-win cycle for all" of the local government, region, and company. In terms of logistics, too, we have begun to use double-trailer trucks to ship products, which will help reduce GHG emissions while improving transportation efficiency.

Effective use of water resources

Pulp and paper manufacturing requires a large amount of water. Shikokuchuo City, where the Mishima Mill is located, is an area with little rainfall due to its topography. We have been able to secure the necessary water volume due to three dams (Shingu, Yanase, and Tomisato Dams) that were constructed on the Dozan River with the cooperation of the national and prefectural governments, and with thanks to the wisdom and great labor of those who came before us. The Mishima Mill puts in efforts to make effective use of such precious water. It uses different qualities of water for different purposes, such as for pulp manufacturing, papermaking, and cooling water. It also reuses approximately 10% of the used water, such as by filtering it for use as reclaimed water. Due in part to climate change, we are suffering from drought more and more these days. In FY2022, there was a period in which the water supply was once again restricted, with a reduction of up to 35% at one point, from the standard availability due to a significant decrease in rainfall. Our culture of water conservation and water reuse has been handed down from generation to generation, and with our accumulated know-how from the past, we have built a system that enables us to operate without affecting product quality even if we raise the amount of reclaimed water used to about 30%, allowing us to keep the mill's production facilities in full operation and continue supplying customers even under such circumstances. We will continue to operate with constant awareness of water and energy conservation.

Message to stakeholders

As a paper mill that uses a large amount of fossil fuels, with unwavering determination and will to become carbon neutral, we are advancing our initiatives, and we are prepared to expedite our plans even if just a little ahead of schedule, in anticipation of changes in the business environment. On top of that, we will do our utmost to deliver products that will be selected by and satisfy our customers, and we hope for your continued support.

Response to the Task Force on Climate-related Financial Disclosures (TCFD)

At the same time as formulating the Daio Group Sustainability Vision in May 2021, the Daio Group expressed its support for the TCFD recommendations, and it is working to evaluate climate-related risks and opportunities in line with the TCFD recommendations and reflect them in the management strategies and risk management, thereby enhancing disclosure of information, including financial impacts.

Governance

At the Daio Group, the Daio Group Sustainability Vision, its sustainability strategy, was established by the Board of Directors in May 2021. In conjunction with that, the Sustainability Committee meets once every three months to assess climate-related risks and opportunities, set the targets, policies, and strategies, and confirm and deliberate on the progress of its initiatives. The Sustainability Committee is chaired by the President and Representative Director and comprises Managing Executive Officers and Directors, attended by full-time Audit & Supervisory Board Members, Outside Directors and Outside Audit & Supervisory Board Members as observers. Matters decided by the Sustainability Committee are reported once each quarter to the Board of Directors’ meeting. All members of the Board of Directors oversee the implementation and progress of the initiatives related to climate change, as well as approve and decide important matters. Under the Sustainability Committee is the ESG Subcommittee, under which eight working groups (WGs) are established. Specific initiatives related to climate-related risks and opportunities are examined and promoted by the Global Warming Countermeasures WG, the TCFD Response WG, the Logistics GHG Emissions Reduction WG, the Forests & Biodiversity Response WG, and the Value Co-Creation WG, and monitored by the ESG Subcommittee. The Group has identified “Response to Climate Change” as one of its material issues, and among the areas, it identified decarbonization as a priority. The promotion of the full phasing-out of coal, in particular, is taken charge of by the Managing Executive Officer and Director responsible for the Production Unit, and initiatives are reported and monitored also at the Production Meetings and the Medium-Term Business Plan Implementation Meetings, which are attended by Directors and Executive Officers.

Strategy

The Daio Group has conducted a scenario analysis in the medium term (until 2030) and long term (until 2050) based on a 1.5°C scenario and a 4°C scenario to determine how climate change would impact the domestic businesses of the Paper and Paperboard Unit and the Home & Personal Care (“H&PC”) Unit. When setting the conditions of each scenario, with regard to the transition scenario, we referenced scenarios such as the SSP1-1.9 and SSP5-8.5 scenarios in the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), and the NZE and the STEPS in the World Energy Outlook 2022 of the International Energy Agency (IEA). With regard to physical risks, we conducted risk assessments based on data from Aqueduct provided by the World Resources Institute (WRI), “Climate Change in Japan 2020” published by the Ministry of Education, Culture, Sports, Science and Technology of Japan and the Japan Meteorological Agency, Four Twenty Seven, Inc., ENCORE, “Spreading like Wildfire: The Rising Threat of Extraordinary Landscape Fires” (2022) issued by UNEP, and other sources. As regards the scale of financial impact of risks and opportunities in the scenario analysis shown on the right, “Large” indicates an impact of 15 billion yen or more, “Medium” indicates an impact of 5 to 15 billion yen, “Small” indicates an impact of less than 5 billion yen, and “-” indicates under analysis.

Scenario Analysis

Transition risks

We recognize that in the 1.5°C scenario, we face legal and regulatory risks such as carbon taxes although there are differences in carbon pricing between domestic and overseas manufacturing sites, raw material price increase risks, and market and reputational risks due to responses regarding information on the carbon footprint of products (CFP). In terms of energy, we have analyzed that the Paper and Paperboard Business accounts for most of the risk; however, we will also take actions in the domestic and overseas H&PC Business, and the Group as a whole will work toward the reduction target by FY2030 (46% reduction of fossil fuel-based CO₂ emissions by FY2030 compared to FY2013), and make further efforts to achieve carbon neutrality by FY2050. In particular, with respect to the domestic operations, we reviewed the roadmap for energy-related measures to be implemented mainly by the Mishima Mill. In March 2023, we shifted from selling power generated through biomass boilers under the FIT scheme to self-consumption at the Mishima Mill. We will continue to actively promote fuel switching and other

energy transition initiatives, and energy conservation in the future. Furthermore, we analyzed the supply chain of raw materials in this fiscal year, taking into account the increase or decrease in volume due to future changes in market conditions, and analyzed the maximum risks. We will also work on establishing a low-carbon supply chain of raw materials, particularly in logistics activities, to reduce risks, including Scope 3.

1.5°C scenario

		Risks	Description of implications	2030 1.5°C	2050 1.5°C	Strategies and actions
Policies and regulations	Mandatory CO ₂ emissions reduction obligation scheme Tightening of regulations on GHG emissions Rising carbon pricing		<ul style="list-style-type: none">● Introduction of GHG emissions regulations and carbon pricing● Increase in costs due to rising energy prices	Large	Medium	<ul style="list-style-type: none">● Shift from selling power generated through biomass boilers under the FIT scheme to self-consumption.● Adopt renewable energy sources such as solar energy.● Switch from fossil fuels to waste-based fuels through the installation of waste-to-energy boilers and other measures to shut down one or more coal-fired boilers by FY2030.● Implement and continue investments in energy conservation technologies.● Expand area of forest plantations.● Promote initiatives such as those through the Shikokuchuo City Carbon Neutrality Council (including CCUS).● Burn black pellets in waste-to-energy boilers and coal-fired boilers.● Introduce hydrogen and ammonia combustion technology.
			<ul style="list-style-type: none">● Increase in prices of various materials due to the introduction of a carbon tax	Medium	Large	<ul style="list-style-type: none">● Choose low-GHG-emitting materials from the first stage of product development to curb cost increases.
Market and reputation	Shift to environmentally compliant products		<ul style="list-style-type: none">● Decrease in sales of environmentally non-compliant products● Decrease in sales due to delay in CFP labeling● Decrease in demand due to ethical consumption	—	—	<ul style="list-style-type: none">● Change product design to be environmentally compliant.● Promote and respond to CFP labeling, etc.● Promote the use of recycled plastic.
Technologies	Low-carbon energy transition in goods transport		<ul style="list-style-type: none">● Increase in costs due to the adoption of new technologies and other measures to lower carbon intensity of transport modes● Fuel switch	Small	Small	<ul style="list-style-type: none">● Promote the modal shift from trucks to coastal vessels and roll-on/roll-off ships, the reduction in transport distances, the use of double-trailer trucks, etc.● Adopt new technologies in line with advances in autonomous vehicles, hydrogen or synthetic fuel-powered trucks, etc.

Physical risks

We expect that physical risks such as droughts, storm surges and tidal waves anticipated in the 4°C scenario will not have a significant impact on the Group’s domestic and overseas sites, based on their locations. However, we are aware of the risk of short-term disruption of logistics due to flooding of less than 50 cm in the mills and surrounding areas caused by torrential rains, etc. To reduce such risks, we will enhance our business continuity plan (BCP) and business continuity management (BCM), including for logistics, as well as continue to promote water-saving technologies and the use of water recycling.

Furthermore, we recognize that as time lapses to 2030 and 2050, wildfires and other hazards will increase in some foreign countries due to the effects of climate change. With regard to forest resources, we will diversify procurement sources, increase tree planting to secure sufficient procurement volume, select, breed and develop tree species suitable for the region and climate, as well as take other measures to reduce risks.

4°C scenario

		Risks	Description of implications	2030 4°C	2050 4°C	Strategies and actions
Acute	Increase in frequency of typhoons and torrential rains		<ul style="list-style-type: none">● Impact of natural disasters on production activities (flooding)● Damage to roads, railroads, and port facilities leading to supply chain disruptions and suspension of transportation of goods and raw materials	Small	Small	<ul style="list-style-type: none">● Continue to enhance BCP and BCM.
Chronic	Changes in precipitation and weather patterns and an increase in average temperature		<ul style="list-style-type: none">● Damage to plantation forests and raw material suppliers affecting procurement stability	Small	Small	<ul style="list-style-type: none">● Diversify suppliers for stable procurement.● Increase tree planting to secure sufficient quantity of raw materials.● Select, breed and develop tree species suitable for the region and climate of afforested areas.

Opportunities

In the 1.5°C scenario, while climate change poses risks to us, opportunities could also arise from it. As shown in our Roadmap to Achieving Carbon Neutrality (pages 71 and 72), we will actively work to reduce our dependence on fossil fuels by applying our know-how and new technologies to enable us to use a wide variety of fuels. We will also promote energy transition by installing waste-to-energy power generation equipment, solar power generation facilities and other such facilities, as well as promote energy conservation through the adoption of new technologies. We will work on these as part of our initiatives toward coexistence with local communities. In addition, by promoting the development of products that are environmentally conscious or help consumers adapt to climate change and launching such products in the market, we will work toward achieving the Three Well-beings (Hygiene, Life, and Regeneration) to embody our philosophy of “Shaping an Abundant and Affable Future for the World.”

In FY2022, as part of our social contribution activities, as shown on page 78, we reduced the amount of plastic used in product packaging in the Home & Personal Care (“H&PC”) Business, and released products that can help to eliminate and reduce plastic in the Paper and Paperboard Business. As for cellulose nanofibers (“CNF”), a new material, we also promoted application development by supplying samples of CNF-containing composite resin, which can reduce the weight and increase the strength of products. We also began developing biorefining technology that utilize materials from the paper industry. We will strive to make significant improvements in product life cycle environmental impact for society as a whole.

1.5°C scenario

		Opportunities	Description of implications	2030 1.5°C	2050 1.5°C	Strategies and actions
Products and services	Changes in consumer needs Development of new products and services through technological innovation		<ul style="list-style-type: none">● Increase in demand for environmentally conscious products (FSC products, plastic-replacing and plastic-reducing products)● Increase in demand for products that help consumers adapt to climate change (products for sweat control and emergency preparedness)● Changes in perceptions of recycling● Pressure to reduce industrial waste● Increase in water efficient products to conserve water resources	Small	Small	[Paper & Paperboard Unit] <ul style="list-style-type: none">● Increase lineup of products to replace plastic, and lineup of packaging and functional materials.● Increase lineup of products with forest certification (e.g. FSC-certified paper).● Develop CNF materials and RFID technology and increase lineup of such products. [H&PC Unit] <ul style="list-style-type: none">● Switch to plastic-free packaging materials.● Increase lineup of products that help consumers adapt to climate change, such as masks and hygiene products.● Develop and increase sales of sweat control products and products to stay cool in heat waves.● Develop products to support water conservation, e.g. products that easily disintegrate in water.
			<ul style="list-style-type: none">● Increase in demand for bio-materials and products	—	—	<ul style="list-style-type: none">● Develop and expand sales of biomass chemical products and materials using papermaking materials.
Resource efficiency	Recycling of raw materials Reuse of materials		<ul style="list-style-type: none">● Cost reduction by establishing a recycling system for raw materials● Higher consumer satisfaction via compliance with environmental policies and requirements	—	—	<ul style="list-style-type: none">● Establish a system for collecting and recycling used disposable diapers.● Install facilities to reuse materials.● Introduce environmentally conscious products onto the market.

Risk Management

At the Daio Group, the Sustainability Committee takes charge of the comprehensive management of all sustainability-related issues, including climate change.

Its subcommittee, the ESG Subcommittee, consists of eight working groups (WG), among which five are in charge of identifying climate-related risks and opportunities: the Global Warming Countermeasures WG, the TCFD Response WG, the Logistics GHG Emissions Reduction WG, the Forests & Biodiversity Response WG, and the Value Co-Creation WG. The climate-related risks and opportunities that are identified by the WGs are then evaluated by the ESG subcommittee. Ultimately, the elements of risks and opportunities that need to be addressed are deliberated at the Sustainability Committee.

In developing strategies for TCFD, we performed a scenario analysis to identify and assess climate-related risks. In the process, we comprehensively extracted all possible drivers of climate change (risks and opportunities) by classifying them into the following three groups to identify the items that would affect finance: 1) Transition risks (a. Policies and regulations, b. Market, c. Reputation, d. Technologies), 2) Physical risks (a. Acute, b. Chronic), and 3) Opportunities (a. Energy source, b. Market, c. Resilience, d. Products and services, e. Resource efficiency). We assessed the scope of impact and the degree of uncertainty (high/low) for these items. We also conducted both qualitative and quantitative

assessments to determine the magnitude of the financial impact of these items. In carrying out these assessments, scenarios such as the NZE and the STEPS in the World Energy Outlook 2022 of the International Energy Agency (IEA) were referenced for transition risks, and parameters (carbon pricing, raw material prices, etc.) from sources such as Aqueduct provided by the World Resources Institute (WRI), "Climate Change in Japan 2020" published by the Ministry of Education, Culture, Sports, Science and Technology of Japan and the Japan Meteorological Agency, Four Twenty Seven, Inc. and ENCORE were used for physical risks. Matters discussed by the Sustainability Committee are reported to the Board of Directors' meeting once each quarter and integrated into the management of the Group. Similarly, matters regarding the identification and assessment of risks that may have a significant impact on management, including compliance violations and misconduct are discussed at the Risk and Compliance Committee, and are reported regularly to the Board of Directors and integrated into the management of the Group. The risks and opportunities identified at the Sustainability Committee and the Risk and Compliance Committee, together with the comprehensiveness of identification of the risks and opportunities and the responses to them, are shared and managed in an integrated manner by the Sustainability Promotion Department and the General Affairs Department, which are the respective secretariats of these committees.

Metrics and Targets

In conjunction with the Daio Group Sustainability Vision, we have set the goal of achieving carbon neutrality by FY2050 as our long-term vision for global warming countermeasures. As a milestone goal, we have also set a target of reducing Scope 1 and Scope 2 CO₂ emissions from fossil fuel combustion by 46% (from 2013 levels) by FY2030. Our Roadmap to Achieving Carbon Neutrality presents our target to shut down all three coal-fired boilers at the Mishima Mill, our core mill, by FY2050. We have set milestone targets for a gradual shift away from coal of shutting down at least one boiler by FY2030, the second boiler by FY2040 and the third boiler by FY2050. Based on the TCFD scenario analysis and market conditions for raw materials and fuels, we are moving up the timing for shutting down the coal-fired boilers, and have completed the shift from selling power generated through biomass boilers under the FIT scheme to self-consumption and the shutting down of the No.3 paper machine for newsprint. We are also working on the development of black pellets

as a substitute for coal and also co-combustion of black pellets and coal, and aim to achieve the shutdown of at least one coal-fired boiler by FY2030. Internally, we will carry out a fuel transition to renewable energy and low-carbon fuels (such as LNG) and undertake further energy-saving measures. To contribute to reducing GHG emissions of the entire community, our waste-to-energy boiler will also make use of waste generated in the region for thermal recycling. Furthermore, we are working to expand the area of our forested land. By balancing the CO₂ emissions reduction and the carbon absorption and fixation, we will ultimately achieve carbon neutrality by FY2050. With regard to Scope 3 emissions, we have completed calculations for Daio Paper on a non-consolidated basis in FY2021 and for Daio Paper on a non-consolidated basis plus domestic production companies in FY2022. We will work to quantify and set targets for emissions of the entire Group.

Target (Scope 1 + 2)

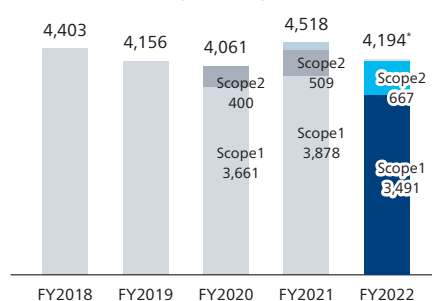
FY2050
Long-term vision for global warming countermeasures
- To achieve carbon neutrality by 2050 -

FY2030 Target for global warming countermeasures

Target Reduce CO₂ emitted through production activities by 46% compared to FY2013.

Results (Scope 1 + 2)

■ GHG emissions (thousand t)



* FY2022: Net GHG emissions excluding the amount equivalent to green power certificates sold: 4,158,000 tCO₂

Result (Scope 3)

Emissions in FY2022
Scope 3: 2,297,000 tCO₂
See pages 79 to 80 for details on GHG emissions by category and initiatives with suppliers.

Scope 3
Reduce GHG emissions throughout the supply chain in cooperation with suppliers.

H&PC products: Initiative to reduce the amount of plastic used in product packaging

The H&PC Unit is working to reduce the amount of plastic used in product packaging in response to growing awareness of ethical consumption, the practice of purchasing products that are considerate of the global environment, people, and society.

In response to the Plastic Resource Circulation Act, we are promoting paper packaging and development of environmentally friendly products as follows, with the goal of reducing waste plastic emissions intensity from H&PC products by 10% or more by FY2025, compared to FY2020.

Paper packaging for products

"Ellever Paper Towel"
Adopted environmentally friendly paper packaging



Initiative to reduce environmental impact

"Kirekira! Toilet Cleaning Wipe"
Reduced height and thickness of the container to reduce the amount of plastic used



Paper products: Track record of efforts to develop and launch plastic-replacing and plastic-reducing products

Development/launch

Since the launch of the Elipla Series (10 types) in February 2022, the number of product types in the Elipla Series has been expanded and has now grown to 31 types.

New brand of environmentally friendly paper "Elipla Series" received the "Plastics Smart Excellent Case Award" from the Ministry of the Environment

We received the Plastics Smart Excellent Case Award in the Use and Reduce category from the Ministry of the Environment for our Elipla Series, which is a product series that can help to eliminate and reduce plastic. To realize our management philosophy of "Shaping an abundant and affable future for the world," the Daio Group is working to solve social issues through our business activities under its vision of the Three Well-beings: Hygiene, Life and Regeneration.



Track record of efforts to develop and launch cellulose nanofibers (CNF)

Utilizing the CNF composite resin pilot plant equipment that started operation in March 2022, we succeeded in developing a composite resin with higher cellulose concentration of 67% from the previous 55%, and started supplying samples of "ELLEX-R67." We are promoting application development through sample evaluation by users.

As other examples of application development, a new product "Fan Zhendong CNF" was launched in September 2022 by a table tennis racket manufacturer that started using our CNF in their rackets in 2020, and in October, CNF was adopted and commercialized as a wax material for skis and snowboards.

Initiatives to reduce Scope 3 emissions

To achieve carbon neutrality by 2050, regarding Scope 1 and Scope 2, we are working on activities to reduce GHG emissions throughout the region, as indicated in the Roadmap. In addition, the Daio Group has visualized Scope 3 emissions, which are indirect emissions from its supply chain, and is promoting activities to reduce GHG emissions in cooperation with suppliers and competitors.

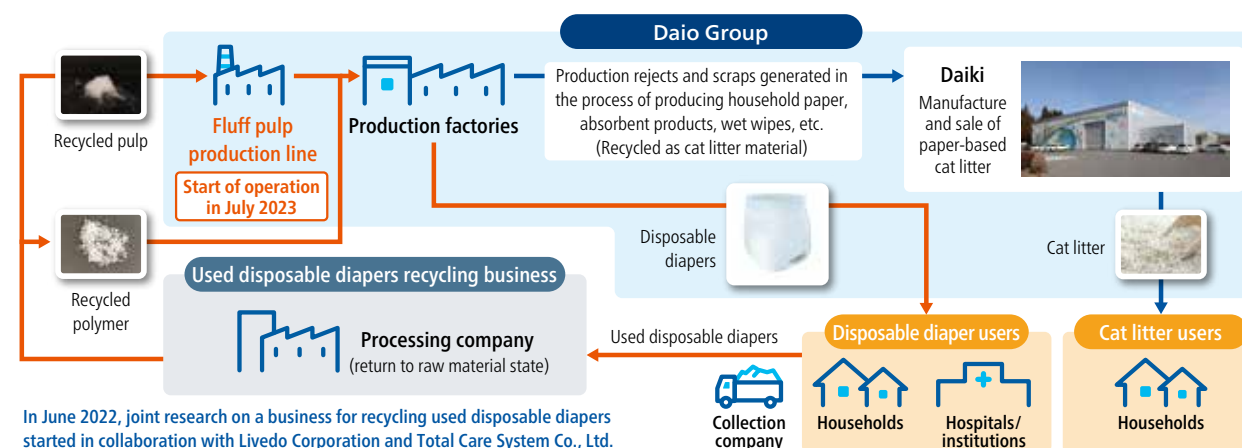
Emissions throughout the supply chain

(Unit: thousand tCO₂)

Emissions throughout the supply chain		FY2021	FY2022	Target range
Scope1	Direct emissions	3,878	3,491	Daio Group
Scope2	Indirect emissions	509	667	Daio Group
Scope3	Other emissions	1,782	2,297	
Category 1	Purchased Goods and Services	683	1,321	For FY2021, Daio Paper on a non-consolidated basis, for FY2022 Daio Paper on a non-consolidated basis plus domestic production companies
Category 2	Capital Goods	166	124	Daio Group
Category 3	Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	320	123	Daio Group
Category 4	Upstream Transportation and Distribution	313	408	For FY2021, Daio Paper on a non-consolidated basis, for FY2022 Daio Paper on a non-consolidated basis plus domestic production companies
Category 5	Waste Generated in Operations	26	27	Daio Group
Category 6	Business Travel	2	2	Daio Group
Category 7	Employee Commuting	6	6	Daio Group
Category 8	Upstream Leased Assets	Not applicable	Not applicable	
Category 9	Downstream Transportation and Distribution	91	109	* The transportation of master rolls of paper for converting between Daio Paper and its domestic production companies and other affiliated companies is included in Category 9.
Category 10	Processing of Sold Products	-	-	
Category 11	Use of Sold Products	-	-	
Category 12	End-of-Life Treatment of Sold Products	176	178	
Category 13	Downstream Leased Assets	Not applicable	Not applicable	
Category 14	Franchises	Not applicable	Not applicable	
Category 15	Investments	Not applicable	Not applicable	

Scope 3: Establish an environmentally friendly business (recycling) model

Our Scope 3 Category 12 emissions are mainly due to the disposal of disposable diapers. In June 2022, we began research on a business for recycling used disposable diapers in collaboration with Livedo Corporation and Total Care System Co., Ltd. We are also utilizing production rejects and scraps generated in the process of producing household paper and disposable diapers in the manufacture of cat litter at Daiki Co., Ltd., which became a Group company recently. We will strive to reduce GHG emissions by establishing an environmentally friendly business model through a diaper collection scheme.



Scope 3: Initiatives to reduce GHG emissions in the logistics sector

In the logistics sector, the entire Daio Group is promoting initiatives to build an environmentally friendly delivery network. Specifically, in Japan, we are promoting a modal shift from trucks to coastal vessels and roll-on/roll-off ships, joint use of 31-foot containers for rail transportation, and joint distribution with other companies to reduce GHG emissions. In anticipation of future changes in the external environment of the logistics industry, we are also considering new means of transportation, such as the use of double-trailer trucks, which will also lead to truck driver work style reform.

Initiative to share one-way 31-foot containers with Suntory Logistics Ltd.

Since FY2022, we have been carrying out joint distribution by mixing paper products of our Group in rail containers from Osaka to Tokyo used by Suntory Holdings Limited. Furthermore, we have established a new scheme of one-day round-trip trailer transportation in the Kanto and Kansai regions by using our intermediate location as a switch point, as well as started mixed loading in available space in such trailers. This enabled the operation of new routes in addition to an increase in the number of operations on existing ones. This initiative is expected to reduce CO₂ emissions by approximately 216 tons per year, and we achieved an annual reduction of 35 tons in FY2022. This will also lead to a reduction in drivers' working hours, contributing to an improved working environment (work style reform).



Loading and transporting colored linerboard of Daio Paper in a 31-foot container
Photo provided by: Suntory Logistics Ltd.

Initiative to introduce double-trailer trucks



Photo provided by: Seishin Sangyo Unyu Co., Ltd.

We are considering the introduction of a double-trailer truck as one of the measures to address the 2024 logistics problem, and we conducted a four-day demonstration test of relay transportation using it (approximately 850 km between Saitama and Ehime) from June 5. Double-trailer trucks have been permitted on roads in selected sections since 2018, and the number of sections increased in November 2022. This has made it possible to operate from Ehime and Shizuoka prefectures, where the Group's core sites are located, which led to the implementation of this test. This is the first time in Japan that a double-trailer truck ran on the Seto Ohashi Bridge and Akashi-Kaikyo Bridge as well as transported freight within Shikoku Island. We expect to reduce CO₂ emissions by approximately 40% compared to operating two trucks.

Modal shift to coastal vessels and roll-on/roll-off ships

In FY2021, we achieved a modal shift of paper and paperboard products from the Mishima Mill bound for Nagoya to coastal vessels, which, together with the shift of H&PC products bound for Gyoda (Saitama Prefecture) to roll-on/roll-off ships in FY2018, contributed to a reduction of approximately 752 tons of CO₂ emissions per year. In FY2022, we also achieved a modal shift of paper and paperboard products bound for Kyushu and Shizuoka to coastal vessels, which is expected to reduce CO₂ emissions by approximately 215 tons per year. Furthermore, in FY2023, we will work to achieve a modal shift of fluff pulp from the Mishima Mill bound for the Kanto region to coastal vessels, and transport paper and paperboard products from the Kani Mill bound for the Kyushu region by sea, which is expected to reduce CO₂ emissions by approximately 574 tons per year.



Photo provided by: Daio Kaiun Co., Ltd.

Corporate Governance

Our Measures to Strengthen the Corporate Governance Structure

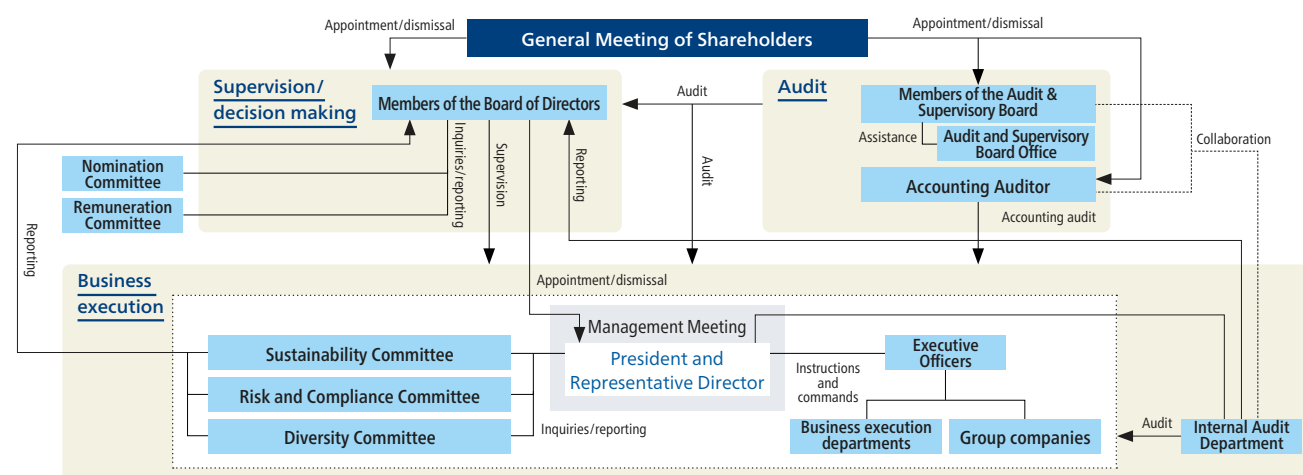
Daio Paper continuously reviews and strengthens its governance structure through adapting to the Corporate Governance Code and exchanging opinions with Outside Officers and investors. In FY2022, based on the revised Corporate Governance Code, we reviewed the relationship between the Board of Directors and voluntary committees from the perspectives of effective functioning of the Board of

Directors and initiatives to address issues pertaining to sustainability. As a result, we strengthened the Board of Directors' function to monitor business execution and established a structure in which the Board of Directors takes initiative in promoting sustainability management. We will continue to work to strengthen the practical aspects of the governance structure and enhance disclosure.

Key Measures Implemented to Strengthen Corporate Governance

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	
Medium-Term Business Plans	The First Medium-Term Business Plan			The Second Medium-Term Business Plan			The Third Medium-Term Business Plan			The Fourth Medium-Term Business Plan (until FY2023)			
	Restart Solid Reform and Further Growth			Step-up Leap and Expand			Move on Reform and Soar Above			GEAR UP The Next Growth Stage, to a New Future			
President	From 2011 Masayoshi Sako									From 2021 Yorifusa Wakabayashi			
Corporate Governance Basic Policy				From 2015 Disclosed Corporate Governance Basic Policy									
Clarification of roles of supervision and execution	Number of Directors	From 2012 13					From 2019 16		2021 12	2022 11	2023 12		
	Number of independent Outside Directors	From 2012 2				From 2017 3			From 2021 4				
	Number of female Directors					From 2017 1		From 2020 0	From 2021 1				
Effectiveness evaluation of the Board of Directors				From 2016 Effectiveness evaluation of the Board of Directors									
Establishment of Nomination Committee and Remuneration Committee	Nomination Committee						From 2018 Established the Nomination Committee						
	Remuneration Committee	From 2012 Established the Remuneration Committee											
Committees	Sustainability Committee								From 2020 Established the Sustainability Committee				
	Risk and Compliance Committee	From 2008 Established the Compliance Committee											
	Diversity Committee								From 2019 Established the Diversity Committee				

Corporate Governance Structure (as of July 1, 2023)



Board of Directors

The Board of Directors of Daio Paper bears the function of supervising overall management and works to ensure the fairness and transparency of management while making decisions on important matters for business execution as specified by laws and regulations or the Articles of Incorporation. The Board of Directors shall consist of no more than 15

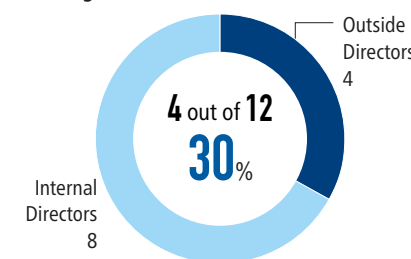
members, as stipulated in the Articles of Incorporation. That is the necessary and appropriate number of members to ensure an effective management structure and substantial discussions at the Board of Directors meetings. Adequate consideration is also given to ensuring diversity and sufficient expertise on the Board of Directors.

Major Issues Examined by the Board of Directors in FY2022

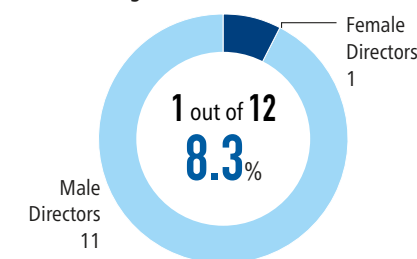
- **Management strategies** Progress of the Medium-Term Business Plan and consideration of the next Medium-Term Business Plan, global strategies, status of initiatives concerning sustainability
- **Governance** Review of the committee structure to enhance governance, enhancement of risk management structure, status of compliance with Corporate Governance Code
- **Capital policy** Dividend policy, review of capital plan, loans and debt guarantees

Composition of the Board of Directors (as of July 1, 2023)

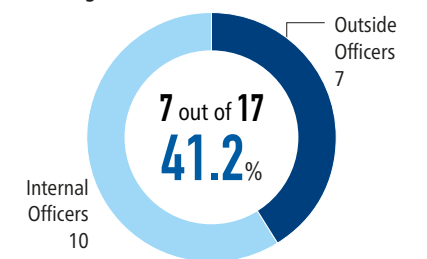
Percentage of Directors who are Outside Directors



Percentage of Directors who are female



Percentage of Officers who are Outside Officers



Skills Matrix of Directors (as of July 1, 2023)

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

Name	Position	Independence	The fields in which we expect our Directors to contribute significantly									
			(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	(9) Sustainability / ESG	(10) IT / DX
Yorifusa Wakabayashi	President and Representative Director Chief Executive Officer		○	○	○		○			○	○	
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			○	○					○		○
Hirofumi Fujita	Director Managing Executive Officer		○			○				○		○
Toshikatsu Tanahashi	Director Managing Executive Officer		○			○			○		○	
Shuhei Shinagawa	Director Managing Executive Officer			○			○		○			○
Naosuke Oda	Outside Director	○	○	○	○			○				○
Yoichi Takei	Outside Director	○		○					○		○	
Yoshinobu Hiraishi	Outside Director	○							○	○	○	
Haruko Ozeki	Outside Director	○		○				○	○	○		

Effective Evaluation of the Board of Directors

We conduct an annual evaluation of the effectiveness of the Board of Directors to ensure its proper functioning, addressing any identified issues and implementing measures for improvement as needed.

● Method of Evaluation

We conducted an anonymous self-evaluation questionnaire targeted at all Directors and Audit & Supervisory Board Members. Using the results of the questionnaire, which were collected by an external organization, we carried out analysis and evaluation. We also interviewed our Officers.

● Overview of the Evaluation Results

We evaluated the Board of Directors from 10 standpoints: vision; composition; operation; discussions; monitoring function; support system for Directors and Audit & Supervisory Board Members; training; dialogue with shareholders (investors); Directors' self-initiated execution of business; and operation of committees. As a result, we confirmed that the Board of Directors is largely functioning properly and that its effectiveness is sufficiently ensured.

● Actions Taken to Address Issues Identified in the FY2022 Board of Directors' Effectiveness Evaluation

In response to the issues identified in the FY2022 Board of Directors' effective evaluation, namely, "reviewing the relationship between the Board of Directors and committees thereunder" and "delegating more authority to the Management Meeting," we reviewed the detailed rules on matters to be discussed at the Board of Directors' meetings and clarified the committees' duty to report to the Board of Directors, thereby enhancing the Board of Directors' monitoring function over business execution. We also added new matters for discussion, creating a conducive environment for the Board of Directors to engage in in-depth discussions on medium to long-term management issues.

● Issues for the Future

In light of the rapidly changing business environment, we will continue to have discussions on sustainability, IT, DX, and other related issues at the Board of Directors' meetings for the achievement of sustainable long-term growth. In parallel, we will create avenues for acquiring knowledge to enhance the depth of the discussions as needed.

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 secure time for substantial discussions 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 outline the key points, background, objectives, 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 conduct periodic inspections at our mills and other facilities to enhance 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 to ensure even closer cooperation between them.
Providing a wide variety of information for Outside Officers	At appropriate times	We share materials and minutes of the Management Meeting and other internal meetings, such as meetings of various committees, with Outside Officers, thereby striving to help them understand the background of examination of the matters. We also share a wide variety of industrial reports, information on our IR efforts, etc. with our Outside Officers, with the aim of helping them deepen their understanding of industrial trends and our operations.

Remuneration of Officers

Basic Policy on Remuneration of Directors

The appropriate remuneration levels of Directors are determined based on various elements, including the business environment, performance, and consistency with employee compensation. The remuneration system aims to effectively attract outstanding individuals and motivate Directors to improve business performance, ultimately leading to an increase in our corporate value.

Overview of the Remuneration System for Officers

● Composition of Remuneration of Officers

The remuneration for our Officers is composed of basic compensation, which is fixed remuneration, bonuses, which are tied to business results, and stock-based compensation. The types of remuneration paid to Directors, Audit & Supervisory Board Members, and Outside Officers are as follows.

Officer category	Basic compensation	Bonuses	Stock-based compensation
Directors (excluding Outside Directors)	○	○	○
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	○	-	-
Outside Officers	○	-	-

● Basic Compensation for Directors

Full-time Directors receive a fixed amount specified by position in the Regulations on Remuneration of Officers. Representative Directors receive an additional fixed amount. The remuneration for Outside Directors comprises only basic compensation. The amount paid to each Outside Director is based on the status of their membership on committees of the Company.

● Performance-linked Remuneration (Bonuses)

In order to boost motivation for annual performance targets, bonuses are paid in accordance with a consolidated performance indicator. The amount of consolidated ordinary profit, which is an objective performance measurement indicator, is used as the

performance indicator. The base amount of a bonus for a Director of the base position ("base bonus amount") is calculated by multiplying the amount of consolidated ordinary profit for the previous fiscal year by a certain percentage specified in the Regulations on Remuneration of Officers. The amount to be paid to each individual is calculated by multiplying the base bonus amount by a percentage determined by position and a percentage determined by the performance evaluation rank of each individual. No bonuses are paid if a consolidated ordinary loss is recorded in the previous fiscal year.

● Stock-based Compensation

The purpose of stock-based compensation is to directly link the remuneration of Directors to our stock value. This aligns the Directors' interests with our shareholders by involving them in the profits and risks associated with fluctuations in the stock price, thereby raising their motivation to contribute to medium to long-term improvements in business performance and corporate value. In this stock-based compensation system, we have created a trust by contributing cash, and the trust acquires shares of Daio. Through the trust, each Director will receive a number of shares equivalent to the number of points allocated to them.

● Policy on Deciding Percentages for Basic Compensation, Bonuses, and Non-monetary Compensation

To serve as an incentive for improving business performance and corporate value, bonuses are decided in correlation with the amount of consolidated ordinary profit. This design ensures that the proportion of bonuses increases with improved performance.

Percentages if the target consolidated ordinary profit is achieved (FY2023)

(* The figures may differ slightly depending on the position.)

Monthly salary	Bonuses	Stock-based
79%	7%	14%

Voluntary Committee Activities

● Nomination Committee

The Nomination Committee is established as an advisory body to the Board of Directors to enhance objectivity and transparency in the nomination of candidates for Directors, etc. and the appointment and dismissal of Directors, etc. It is chaired by an independent Outside Director, and independent Outside Directors constitute the majority of its members. Two Outside Audit & Supervisory Board Members attend as observers.

The Nomination Committee receives inquiries from the Board of Directors regarding the nomination, appointment and dismissal of candidates for Directors and Executive Officers of a Managing Executive Officer position or higher. It reports back on the inquiries in accordance with the nomination policy set out in our Corporate Governance Guidelines.

● Remuneration Committee

The Remuneration Committee is established as an advisory body to the Board of Directors to ensure the objectivity and transparency of decisions on remuneration of Directors, etc. It is chaired by an independent Outside Director, and independent Outside Directors constitute the majority of its members. Two Outside Audit & Supervisory Board Members attend as observers with the aim of further enhancing the objectivity and transparency of the processes to decide the remuneration of Officers. The Remuneration Committee receives and reports back on inquiries from the Board of Directors regarding the policy, etc. on deciding the remuneration of our full-time Directors and Executive Officers of a Managing Executive Officer position or higher. The Committee also decides on the evaluation and the amount of remuneration of each of these officers in accordance with the remuneration decision policy resolved by the Board of Directors.

● Sustainability Committee

The Sustainability Committee is established under the Board of Directors for the purpose of formulating the sustainability strategy (a sustainable corporate strategy that integrates environmental, social, and governance concerns) for the entire Daio Group. This strategy seeks to improve the Group's social value through solving social issues while enhancing its corporate value. It is chaired by the President and Representative Director and consists of a total of nine members, namely, all the full-time Directors, including the General Manager of the Sustainability Promotion Division, and the General Manager of the Overseas Business Group. Outside Directors, full-time Audit & Supervisory Board Members, and Outside Audit & Supervisory Board Members attend as observers. The Sustainability Committee decides material issues related to sustainability and determines targets, commitments, and initiatives for such material issues. The ESG Subcommittee, established under the

Sustainability Committee, consists of eight working groups that are aligned with sustainability trends and material issues: (1) global warming, (2) logistics GHG emissions reduction, (3) environmental load reduction, (4) SDG-based procurement promotion, (5) response to TCFD, (6) forests and biodiversity, (7) value co-creation, and (8) ESG information disclosure enhancement. Each working group has specific initiatives and key performance indicators, and they are working toward the goals through the deliberation of measures and progress checks.

● Risk and Compliance Committee

The Risk and Compliance Committee is established under the Board of Directors to manage risks and enhance compliance of the Daio Group. It is chaired by the Director responsible for risk and compliance and consists of a total of nine members, including other executive officers. Outside Directors, full-time Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members, and the General Manager of the Internal Audit Department attend as observers.

The Committee comprehensively identifies and assesses risks, implements unified management of the risk control measures, and deliberates on those risk control measures in accordance with the severity of the risks. Through these actions, it checks the risk management structure of the Daio Group.

Subcommittees are established under the Risk and Compliance Committee. Each subcommittee reports on the status of its initiatives to the Risk and Compliance Committee as necessary. Specific implementation measures according to the characteristics of each risk are examined, determined, and promoted, thereby making the risk management structure highly effective.

● Diversity Committee

The Diversity Committee is established under the Board of Directors to realize diversity across the entire Daio Group through initiatives to facilitate an inclusive work environment that enables flexible working style and that is accommodating to individuals regardless of gender, age, nationality, disability, the form of employment and other factors. The Committee is chaired by the President and Representative Director and consists of a total of nine members, including Directors and Managing Executive Officers. Outside Directors, full-time Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members attend as observers.

The Diversity Committee formulates the basic policy for promoting diversity, material issues, measures to promote diversity and workstyle reform for the entire Group, and it works to implement the measures through reporting to the Board of Directors, distributing messages from top management, and inputs to executives, managers, and employees.

IR Activities

● Policy for IR Activities

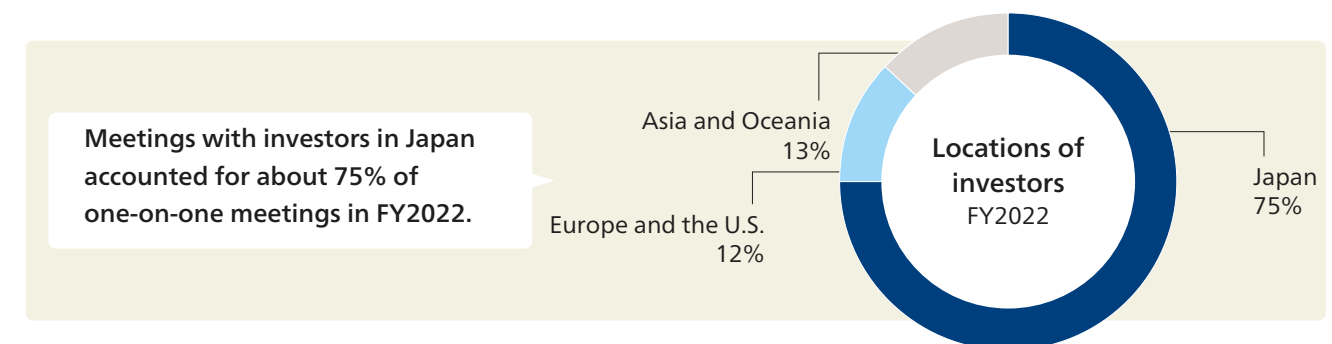
At the Daio Group, we follow our corporate motto "Passion with Sincerity" and focus on making timely, appropriate and fair information disclosure to our stakeholders, including shareholders, investors and analysts, and promoting sincere and proactive dialogue with them. We will continue to make efforts to explain the direction of our management policy and business strategies clearly and to provide feedback on opinions received to management (including Outside Directors) and reflect them in our corporate activities appropriately.

● Major IR Activities and IR Structure

Details of the dialogues are promptly relayed to the management team after each event.

Activities	FY2020	FY2021	FY2022	Major persons in charge (FY2022)
One-on-one meetings with institutional investors	67	77	91	General Manager and Manager in charge of IR
Earnings and strategy briefing for analysts and institutional investors	6	6	5	President, CFO, General Manager of Corporate Planning Division
Overseas IR events*	4	1	2	President
Events for institutional investors (mill tours, etc.)	0	0	3	General Manager and Manager in charge of IR
Events for individual investors	0	1	2	General Manager of Corporate Planning Division, General Manager in charge of IR

*Events geared toward overseas investors mainly took place online due to COVID-19.



● Major themes of dialogue

- Response to the soaring costs of raw materials and fuels caused by historic exchange rate fluctuations and geographical risks
- Performance results and strategies for growth businesses of H&PC domestic business and overseas business
- Demand trends after COVID-19
- Progress in the Medium-Term Business Plan
- Policy for shareholder return

Briefing for individual investors



Please check the website below for IR materials.
<https://www.daio-paper.co.jp/en/ir/>

Web-based briefing for individual investors



Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2023)

● Representative Directors



Yorifusa Wakabayashi
President and Representative Director
Chief Executive Officer
Responsible for Home & Personal Care Unit

July 2018: Director and Managing Executive Officer
General Manager of Home & Personal Care Domestic Business Group
April 2019: Director and Managing Executive Officer
General Manager of Domestic Business Group, Home & Personal Care Unit
April 2021: President and Representative Director
Chief Executive Officer



Kunihiro Okazaki
Executive Vice President and Representative Director
Executive Vice President
Responsible for Sales and Global Logistics Division

June 2012: Director and Managing Executive Officer
June 2015: Director and Senior Managing Executive Officer
April 2016: Representative Director and Senior Managing Executive Officer
April 2019: Executive Vice President and Representative Director
April 2021: Executive Vice President and Representative Director
Executive Vice President

● Directors

**Hiroshi Yamasaki**

Director, Managing Executive Officer
General Manager of Resources and Procurement Division and General Manager of Sustainability Promotion Division, Corporate Unit

May 2017: Director, Deputy General Manager of Production Division, and General Manager of Mishima Mill
April 2019: Director, Deputy General Manager of Production Division, Production Unit and General Manager of Mishima Mill
April 2021: Director, Managing Executive Officer Responsible for Production Unit; General Manager of Production Division

**Yukihiro Tanaka**

Director, Managing Executive Officer
General Manager of General Affairs and Personnel Division, Corporate Unit; Responsible for Risk & Compliance

April 2019: Director, General Manager of Corporate Planning Division, Corporate Unit
April 2021: Director, Managing Executive Officer
General Manager of Corporate Planning Division, Corporate Unit
June 2021: Director, Managing Executive Officer
General Manager of General Affairs and Personnel Division, Corporate Unit

**Atsushi Ishida**

Director, Managing Executive Officer
General Manager of Paper & Paperboard Business Group, Paper & Paperboard Unit; Responsible for Intelligence Technology Planning Division, Corporate Unit

April 2021: Managing Executive Officer
General Manager of Industrial Paper and Containerboard Business Group, Paper & Paperboard Unit
June 2021: Director, Managing Executive Officer
General Manager of Industrial Paper and Containerboard Business Group, Paper & Paperboard Unit
May 2023: Director, Managing Executive Officer
General Manager of Paper & Paperboard Business Group, Paper & Paperboard Unit

**Hiroyuki Fujita**

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

July 2018: Executive Officer, General Manager of Paper Business Group
June 2019: Director, General Manager of Newspaper and Paper Business Group, Paper & Paperboard Unit
July 2020: Director of Daio Paper; Chairman and Director of Santher-Fábrica de Papel Santa Therezinha S.A.
June 2021: Managing Executive Officer of Daio Paper; Chairman and Director of Santher-Fábrica de Papel Santa Therezinha S.A.

**Toshikatsu Tanahashi**

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

July 2019: Executive Officer
Senior Deputy General Manager of Mishima Mill, Production Division, Production Unit <Responsible for Manufacturing Department>
April 2021: Senior Executive Officer
Deputy General Manager of Production Division, Production Unit and General Manager of Mishima Mill
April 2023: Managing Executive Officer
Deputy General Manager of Production Division, Production Unit and General Manager of Mishima Mill

**Shuhei Shinagawa**

Director, Managing Executive Officer
General Manager of Corporate Planning Division and Business Administration Division, Corporate Unit

April 2021: Senior Executive Officer
General Manager of Corporate Planning Department, Corporate Planning Division, Corporate Unit
June 2021: Senior Executive Officer
General Manager of Corporate Planning Division, Corporate Unit
July 2022: Managing Executive Officer
General Manager of Corporate Planning Division, Corporate Unit

● Outside Directors

**Naosuke Oda**

Director (Outside)
Appointed in 2022

**Yoichi Takei**

Director (Outside)
Appointed in 2020

**Yoshinobu Hiraishi**

Director (Outside)
Appointed in 2021

**Haruko Ozeki**

Director (Outside)
Appointed in 2021

Fulfilling Our Purpose

~Value Creation Story of the Daio Group~

Achieving Sustainable Growth

~Strategy for Continuing to Provide Value~

Responding to Social Issues

~Foundation for Sustainable Growth~

Data and Information

~Financial and Corporate Data~

● Audit & Supervisory Board Members

**Hiromitsu Fujii**

Audit & Supervisory Board Member

**Tsutomu Ariyasu**

Audit & Supervisory Board Member

**Yoichiro Yamakawa**

Audit & Supervisory Board Member (Outside)

Appointed in 2008

**Takemi Nagasaka**

Audit & Supervisory Board Member (Outside)

Appointed in 2016

**Kyoko Okada**

Audit & Supervisory Board Member (Outside)

Appointed in 2020

● Executive Officers

Managing Executive Officers	Hiroyuki Shidara	Chairman and Director of Santher-Fábrica de Papel Santa Therezinha S.A.
	Toshiki Yamagami	President and Representative Director of Elleair International Turkey Kişisel Bakım Ürünleri Üretim A.Ş.
	Hiroshi Mizobuchi	General Manager of Product Development Division, Home & Personal Care Unit; Responsible for Global Marketing Division, Home & Personal Care Unit
	Takahisa Kashiwabara	President and Representative Director of Elleair International China (Nantong) Co., Ltd.
Senior Executive Officers	Michihiko Tamaki	General Manager of Advanced Materials R&D Center, Production Division, Production Unit
	Takashi Yoshida	General Manager of Intelligence Technology Planning Division, Corporate Unit
	Mitsuru Ogawa	General Manager of Human & Family Care Sales Division, Domestic Business Group, Home & Personal Care Unit
	Makoto Saito	General Manager of Overseas Business Group, Home & Personal Care Unit; General Manager of Overseas Business Promotion Division, Overseas Business Group, Home & Personal Care Unit
Executive Officers	Yukio Kume	Executive Vice President and Director of Elleair International China (Nantong) Co., Ltd.
	Mikiro Shiramine	Deputy General Manager of Resources and Procurement Division (Responsible for Purchase Planning Department and Overseas Resources Department)
	Takashi Imaizumi	General Manager of Intellectual Property Department, Corporate Planning Division, Corporate Unit
	Junichi Ikawa	Deputy General Manager of Sustainability Promotion Division, Corporate Unit
	Akihisa Yano	Acting Manager of Mishima Mill, Production Division, Production Unit (Responsible for Utility Unit)
	Masahiko Takeshima	President and Representative Director of Elleair International (Thailand) Co., Ltd.
	Yoshitsugu Fujii	General Manager of Newsprint Sales Division, Paper & Paperboard Business Group, Paper & Paperboard Unit
	Akio Nagaoka	President and Representative Director of Daio Package Corporation
	Shuji Ozaki	Acting Manager of Mishima Mill, Production Division, Production Unit (Responsible for Paper Production Unit)
	Akihisa Masuda	General Manager of General Affairs Department, General Affairs & Personnel Division, Corporate Unit (Responsible for General Affairs in Shikoku)
	Takeshi Kojima	Deputy General Manager of Business Administration Division, Corporate Unit
	Kazuyoshi Tagami	General Manager of Global Logistics Division

Round-table Talk by Outside Directors

The four Outside Directors of Daio Paper had a round-table talk on our governance structure and issues in business management from two perspectives: review of the previous fiscal year and the future direction. Here are the contents of the talk.

Review of FY2022

— Please give us your evaluation of our governance initiatives in FY2022.

Ozeki: Last year, the three committees, Risk and Compliance, Sustainability, and Diversity, were clearly positioned as organs of the business execution segment, and their structures were reviewed. The Risk and Compliance Committee enhanced the activities for risk assessment, which had been conducted by the Compliance Committee, its predecessor, by modifying the direction of activities so that various risks can be identified not only through a bottom-up approach but also from a top-down perspective. For these committees, in addition to reviewing matters handled by each committee, it is necessary to define more specifically the relationship between these committees and discussions at the Board of Directors' meetings. Through trial and error, a first step toward reform has been taken. So I will continue to keep an eye on their progress with further structural enhancement.

Takei: Regarding the three committees you mentioned, the position of Outside Directors on the committees was changed from committee members to observers. Also, Outside Directors are now assigned to different committees as observers. As a result, I feel that it has become difficult to obtain information about the committees to which I am not assigned as an observer. Therefore, there is room for further improvement in

enhancing cooperation with the Board of Directors to facilitate better sharing of information on committee discussions and, in particular, ensure timely reporting of significant matters. For the Nomination Committee and the Remuneration Committee, we must continue to consider ways to bring their operation closer to what the Corporate Governance Code requires. On the other hand, I recognize certain improvements in the efficiency of the Board of Directors' operation, such as the introduction of tablet devices at the Board of Directors' meetings.

Oda: I was appointed as an Outside Director only last year, but my impression about the committees, especially the Risk and Compliance Committee and the Sustainability Committee, is that regarding each of their themes of discussion, they should go through a process of thoroughly considering and discussing within the company the stance and direction of the approach of the company before bringing them to discussion with the Board of Directors. Sharing of information and reporting to the Board of Directors are important. However, rather than just listing themes like a textbook, I think it is necessary to have more in-depth discussions within the company about its stance and approach on each of the themes.

Hiraishi: As all of you have pointed out, I, too, have noticed the structural issue of a significant disparity in the information available to me depending on my participation in a committee. Regarding the

reorganization of the Risk and Compliance Committee, the aim was to recognize risks much earlier than before so as to accelerate consideration of responses thereto. I think the direction for improving awareness of risk management is right. I participated in the Sustainability Committee as an observer last year for the first time. As international standards and frameworks are being developed, I think it is noteworthy that awareness of sustainability has been recognized and shared throughout the company as demonstrated in actions such as the release of the Sustainability Vision and the declaration of achieving carbon neutrality by FY2050. Of course, we could argue that Daio Paper, as a company in the manufacturing industry, which has a significant impact on the environment, should have strengthened its recognition and awareness of sustainability earlier and reflected them in business management. However, it is making steady progress with reform, and I would like to keep paying attention to future development.

— Please share with us your suggestions for further enhancement of our governance structure.

Takei: Although there are many issues to be discussed by the Board of Directors, improvements can be seen in the content, time allocation, format, etc. of the agenda items. Going forward, the company will increase the weight of its Home & Personal Care (H&PC) business, while the Japanese government has set a target of

a 30% female executive ratio. In response, we must consider the number of members of the Board of Directors, including Audit & Supervisory Board Members, and its composition. Of course, the urgent priority for the moment is to rebuild the business performance. However, we must also continue to consider the ideal governance structure.

Oda: After I became an Outside Director last year, what surprised me most was the thickness of the paper documents shared as reference materials for the Board of Directors' meetings and the detailedness of their contents. I think this represents the company's culture of placing emphasis on reporting. But what is more important than reporting is to clarify the themes and issues to be discussed at the Board of Directors' meetings and deepen discussions from multiple angles. Matters that need to be confirmed in advance should be confirmed in the advance briefing held before the Board of Directors' meeting, and then discussions should be deepened during the meeting. In this sense, thanks to the introduction of tablet devices as Mr. Takei mentioned, the operational aspect has been gradually improved over the past year.

Hiraishi: Yes. Since I first joined the Board two years ago, I have been overwhelmed by the "paper culture" that the company has inherited, from materials for advance briefings to those for the actual Board of Directors' meetings, and to the minutes prepared after the meetings. The use of tablet devices has facilitated

Yoichi Takei

Outside Director

Became Outside Director of Daio Paper in June 2020. Has expertise as an attorney-at-law and served as an officer at other companies.

Haruko Ozeki

Outside Director

Became Outside Director of Daio Paper in June 2021. Served as the legal head and an officer at another company.

Naosuke Oda

Outside Director

Became Outside Director of Daio Paper in June 2022. Served as the president and representative director at another company.

Yoshinobu Hiraishi

Outside Director

Became Outside Director of Daio Paper in June 2021. Served as a diplomat in various countries.

organization and simplification of the meeting agenda, improving efficiency of operation. The overall governance system cannot be improved overnight. However, based firmly on the history and traditions that the company has inherited, the company must boldly change what should be changed in light of the emerging global standards for governance structure, without decelerating the governance reform. What I can point out as a step of improvement is that in response to a request of us, Outside Directors, meetings to exchange opinions between the three Representative Directors and the four Outside Directors began to be held once every few months on top of the Board of Directors' meetings. These are very good opportunities for us to exchange opinions with the execution side beyond the scope of the agenda of Board of Directors' meetings, so I would like to see this trend continue in the future.

Ozeki: I heard it was difficult to obtain tablet devices due to the COVID-19 pandemic, but with support from Outside Directors, it was finally realized. Everyone involved, including not only the secretariat but also members of the Board of Directors, is benefiting from them. Also, as Mr. Takei said, the discussion about the ideal Board of Directors for the company was delayed because the highest priority was on issues related to business performance, but of course it has not been shelved. As to the target ratio of 30% for women in executive positions, the level of social requirement will never decline in the future. Since diversity on the Board of Directors is insufficient, I recognize this as a theme that should be discussed in line with the direction that the Corporate Governance Code aims at.

— How do you evaluate our human capital strategy, and what are the issues?

Oda: In line with going paperless, under the leadership of President Wakabayashi, the company has begun to promote a shift from “a job for the end goal of reporting” to “a job that involves thinking actively for the end goal of driving changes.” Over the past year, I have felt that the company is good at having top-down instructions thoroughly followed, while the bottom-up awareness of employees to question the current situation in a positive sense and make changes is rather weak. Cultivating a corporate culture in which employees think for themselves and make changes will definitely lead to a stronger corporate structure. And I strongly agree with the policy of promoting the development of such highly independent and autonomous human resources.

Hiraishi: While placing importance on training new

graduates, Daio Paper also actively hires competent human resources from outside the company and promotes them even to core positions, such as General Managers of Divisions or Departments. In view of future business expansion overseas, I am confident that the direction of human resource recruitment and development is right. On the other hand, when looking at sustainable growth on a global scale, we must consider human resources in a broader and multilayered range. It is important to help employees build career paths over the medium to long term through such means as having young employees experience overseas duties and assigning personnel with global experience to core positions of the Headquarters. If such human resource development and promotion becomes established as part of the corporate culture, I think it will attract talented human resources in terms of hiring new graduates and developing next-generation successors. Not only for global human resources, the same goes for development of female executives. As a company listed on the Prime Market, Daio Paper will be sooner or later urged to disclose the targets for the numbers of female officers and managers and their percentages. So, a major task for the company would be robust planning and successful implementation of a human resource strategy that can achieve such targets.

Ozeki: In order for the company to continue to exist and thrive in the future, it is necessary to continuously hire personnel who have a skill set different from before. In the Sustainability Committee, we are discussing the theme of how to be a company of choice. There are many issues that need to be addressed to become a company that will be chosen in the job market and, in particular, to become an attractive company that can appeal to the pool of human resources that the company wants. In addition to enhancing diversity in skill sets, I think it is important for not only the Corporate Unit but also subsidiaries and plants to proactively introduce a job-based personnel system that makes it easier to clarify the responsibilities of each position and the required skill sets and competencies.

Takei: Looking back on this year, there are several points that I evaluate highly, such as reviewing employee career paths and encouraging male employees to take childcare leave. On the other hand, for the development of female managers and global human resources, I think it is necessary to consider stronger initiatives with the Diversity Committee placed at the core. I think there are also many other important issues to be addressed, such as increasing engagement by employees of subsidiaries and group companies and making investment in human resources in the technology and digital aspects.

I hope that the company will prioritize and organize its human resources strategies and thereby strengthen the structure. Due to the severe business results in FY2022, the company was unable to raise the wages of its hard-working employees, which must have affected the employees' motivation. I think it is necessary, from the perspective of securing competent human resources, to consider the introduction of a job-based personnel system.

For future growth

— For growth in the future, what are the social issues that the company should address? And what do you think are the societal expectations placed upon the company?

Hiraishi: There are a wide range of social issues that the company should address. But efforts toward decarbonization and climate actions are particularly important in order to achieve the target of carbon neutrality by FY2050. The company has launched some plastic-replacing products, and I expect it will further advance development of technologies that contribute to the environment. In terms of human resources, while working to secure diversity in its human resources, the company should develop an environment to make the company itself continue to be attractive to its existing human resources through such initiatives as establishing a fair evaluation system based on abilities of individuals. I think this will address at the company the issue of human rights in a broad sense. In addition, in view of natural disaster risks, I expect the company to strengthen measures to prevent or mitigate disasters and to establish a supply chain structure that is resilient to disasters if they occur so that the company can fulfill its social responsibility.

Ozeki: The company has already been working on social issues and risk management. In terms of manufacturing, in particular, I think that the risk associated with the concentration of various functions at the Mishima Mill is a critical and urgent issue to be addressed. Meanwhile, the company has shifted its focus for the future from B2B-oriented paper and paperboard business to the B2C-oriented field of household and hygiene products. It is expected that the company will increase its presence and popularity in the general consumer goods market. On the other hand, instead of relying on the fields in which it currently has strengths, in line with structural changes in the domestic population pyramid, the company needs to sharpen its awareness of trends and changes in the market segments in which the company may

demonstrate its meaning of existence and which may serve as a source of profits.

Takei: Social issues are not issues that arise from the company but emanate from outside. I think it is dangerous to have the idea that tackling social issues is good enough for a company. As movements and changes in society have been accelerating significantly, the company will not be able to survive unless it keeps up with them and works to solve the social issues. With such a sense of crisis, I think it is important for the company to undergo a painful structural change. As for manufacturing bases, the risk of concentration at the Mishima Mill is as mentioned by Ms. Ozeki. On the other hand, manufacturing sites have been constantly suffering from a water shortage for the past few years. I think the entire region, including the government, should take steps to address the issue of water resources.

Oda: The company has been enhancing its sustainable



management through such actions as upgrading the Sustainability Promotion Department to the Sustainability Promotion Division in the organizational reform this year. I think the enhancement of sustainable management is very important to solve social issues. I hope that the establishment of a structure to enhance sustainable management, including the Sustainability Committee, will lead to solving social issues.

— Please give us your advice for strengthening our growth foundation, such as the H&PC Business and overseas business expansion.

Ozeki: The company has several unique strengths that other companies do not have, such as production of fluff pulp. These strengths in the value chain from procurement to manufacturing are useful for sustainable

growth of the company. Ideas from within the company are of course important. But in order to grasp various changes with a sense of speed, I think it is also important to actively bring in insights from outside the company.

Takei: In the automobile industry, for example, amid what is said to be a once-in-a-century period of great change, there are companies that are rapidly shifting to EVs and companies that see EVs as an option. Similar changes are taking place in the papermaking industry. The company initially attempted to make a soft landing while reaping benefits by becoming one of the remaining players in the paper industry. But now this is becoming difficult. In Europe and the U.S., most paper manufacturers have shifted to the paperboard business. The company has positioned H&PC as the priority area and will change the allocation of resources, including human resources. In this process, I think the conventional mindset of pursuing “merits of scale” should also be changed. At the same time, as the trend of emphasizing ESG is likely to continue, forward-looking actions need to be taken. In determining a management direction, such as making effective use of human resources and digital technologies to focus on core businesses with a small number of selected employees and placing priority on creating profits, the company’s ability to adapt its mindset and execute changes is tested.

Oda: With domestic demand stagnant and growth opportunities sought overseas, it is important to change the business structure while developing high-value-added products to differentiate the company from competitors. The shift of the priority area to H&PC and overseas is not wrong. So, it will become extremely important to have a function to control ASEAN as a whole, overseas as a whole, or H&PC as a whole, from the perspective of total optimization while allowing individual local bases, such as those in Thailand, Vietnam, and Indonesia, to work hard to expand their respective

businesses. President Wakabayashi has taken charge of H&PC. I see this as a positive move. I believe discussing thoroughly on individual issues to find answers and considering total optimization from a broad perspective are both important.

Hiraishi: As ESG perspectives are becoming increasingly important, management based on ESG will be fundamental to companies. When expanding business overseas in the H&PC area, lessons learned from the past successes and failures should be reflected in overseas investment in the future to prevent the recurrence of the same failures. To make overseas business profitable, I think it is important to have a time span that takes into account various possible twists and turns that may arise from local history and social and economic circumstances.

— How do you envision the Daio Group of the future?

Takei: Since around 2000, the company has recognized that paper would eventually be replaced by digital, and the speed of the shift has been accelerating these days. In the past couple of years, it has become necessary to materialize the future picture we envisioned in the past ahead of schedule. It seems that the company is now urged to change not only its business portfolio but also its entire business structure. I expect the company will consider and carry out dynamic structural changes, including leveraging pulp instead of paper as its mainstay and enhancing technology in areas that are not paper, such as cellulose nanofibers, without dismissing even the possibility of removing “paper” from its company name, and envision growth toward future.

Oda: The business results of FY2022 were very severe. The company can no longer manage the situation by following what it has done so far. And I hope the company will turn this situation into a positive engine to change its fundamental structure. In terms of carbon neutrality, the initial policy was to shut down one coal-fired boiler every 10 years. However, due to soaring coal prices and rapid weakening of the yen, the company has begun to move ahead of schedule, including technological development. Reform may be opposed by conservatives. But when the situation has become this severe, there is no choice but that “we must do it.” I believe that we have come to such a point. So, with a strong awareness of the company’s Purpose (raison d’être), “with Passion with Sincerity, we will achieve Three Well-beings and realize an abundant and affable future,” I hope that the company will undergo a major reform by deepening constructive discussions to turn this

difficult situation into a positive vector, and all individual employees will voluntarily play active roles in it.

Hiraishi: As Mr. Oda said, it is important to make use of the experience of the drastic fall from the record-high profits in FY2021 to deficits in FY2022 for the future. At present, under these severe circumstances, the company is struggling to find ways to make improvements in the future through identifying the features of its business structure. In a sense, having experienced rock bottom has helped the company improve its resilience. Seeing it now as standing at a new starting point, I hope the company will leverage its strengths to implement structural reform, which is a shift to H&PC. For the future, I think it is also necessary to establish a brand image that makes it easier for general consumers and society to understand the company’s social mission and roles. I feel strong empathy for the Three Well-beings, namely, Hygiene, Life, and Regeneration, which the company values. No matter what its business structure is like in the future, I think it is important for the company to continue to communicate to society the value the company creates for society in an easy-to-understand manner.

Ozeki: Imagining the company existing in the future, say, 30 years or 50 years from now, which is difficult to predict, it would be no surprise if the company is engaged in a business completely different from now. It is highly possible that “paper” will no longer be included in the company name. I want not only the current executives but also young members, who will lead the company at that time, to discuss how the “Daio” brand should be rooted in society in the future. Looking back at history, under the leadership of the founder and his successors, the company continued to improve its business performance until around FY2021. But the performance declined significantly in FY2022, and the company decided to make a major shift to H&PC, partly due to the trends of the times. I guess that Daio Paper is now at a major turning point in its history. I believe we need to ask ourselves what will be the company’s purpose (raison d’être) 30 years from now, why we engage in business, and what are our unchanging core values. In the talk last year, I mentioned the importance of individuals with sound skepticism and an enterprising spirit. I think this is a good opportunity to have such individuals to actively discuss the future of the company without fixating on the preservation of what it is now and with an eye to even starting a completely different business.

— Finally, please give a message to our stakeholders.

Oda: In order for the company to increase its corporate

value in the future, I believe it is essential to leverage the sense of crisis under the current severe situation to promote and accelerate reform of the business structure. The company is at the stage of seeing the reform of its business structure over the medium to long term, strengthening the human resources base, and designing and implementing the reform in a speedy manner. In my own experience on the side of promoting businesses, I was sometimes bound by immediate tasks in front of me or past experience and tended to have a narrow perspective. Now, from a position a little distant from the company’s frontline operations, I will do my best to provide positive stimulations, based on my past failures and successes.

Hiraishi: I think the company has increased its resilience through trial and error, facing various difficulties during the past year. The company will have to overcome every issue for its growth, such as expanding business into new markets abroad, entry into the pet care products market, and exploring new businesses through development of cellulose nanofiber and other materials. In particular, in the course of the company’s overseas business expansion, my overseas experience during my time as a diplomat may be useful in several situations, such as M&A and PMI of overseas companies. Through contributing to improving the company’s global corporate value, I will do my best to respond to the expectations of the stakeholders.

Ozeki: The urgent task for the company is to rebuild and strengthen its business. But it does not mean that the governance reform can be relaxed. I will continue to aggressively express my opinions and recommendations while monitoring the executive side through the Board of Directors so that governance reform can be steadily implemented. Reform of the committee system has only just begun. I will do my best to help the executive team set a direction and firmly hold the steering wheel as they move forward.

Takei: In FY2022, what the company thought were their strengths turned into weaknesses. At the same time, I think that the move toward carbon neutrality served as a good opportunity to encourage reform within the company. As it has become difficult to imagine what the future will look like beyond the 5th MTBP, the company is being forced to draw a different picture of the future and make plans from a new stance. While the company will move forward with drastic reform after clarifying its new direction, I will personally offer various opinions from market and legal perspectives, thereby contributing to turning the current crisis into a positive opportunity for all members of the company to head in a new direction.



Financial Highlights

Daio Paper Corporation and its Consolidated Subsidiaries
As of and for the fiscal years ended March 31

(Millions of Yen)											
Fiscal year	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
For the Fiscal Year:											
Net sales	407,362	430,054	450,239	474,076	477,139	531,311	533,890	546,433	562,928	612,314	646,213
Selling, general and administrative expenses	70,445	79,892	84,206	89,821	95,600	110,312	104,255	109,677	122,706	124,105	131,641
Operating profit (loss)	11,577	16,049	21,796	24,322	23,534	11,061	12,122	30,628	36,873	37,569	(21,441)
Ordinary profit (loss)	6,637	11,257	21,783	21,258	21,346	12,779	9,841	28,111	34,478	37,696	(24,050)
Profit (loss) attributable to owners of parent	15,109	6,293	13,208	14,594	12,136	3,970	4,697	19,199	22,115	23,721	(34,705)
Comprehensive income	22,075	11,826	27,942	9,599	14,904	2,734	1,582	13,476	19,987	25,088	(18,795)
EBITDA	43,637	47,180	59,137	57,724	58,248	51,177	49,869	66,714	77,187	84,245	29,400
Capital expenditures	21,726	24,948	31,587	37,309	32,453	39,523	59,590	61,934	53,411	64,165	47,857
Depreciation	26,409	26,403	27,202	26,987	29,016	31,171	33,331	31,843	34,137	37,810	43,128
Research and development expenses	2,149	2,836	2,683	2,791	2,901	3,280	2,809	3,042	3,109	3,547	3,533
Net cash provided by operating activities	50,805	58,091	44,740	47,010	62,931	28,284	40,287	68,012	64,210	71,395	(26,233)
Net cash used in investing activities	(41,455)	(26,826)	(28,580)	(26,073)	(31,393)	(51,484)	(62,109)	(47,869)	(103,702)	(62,420)	(57,950)
Net cash provided by (used in) financing activities	(13,441)	(37,242)	(29,429)	(17,475)	(22,037)	386	65,897	(14,049)	63,589	(50,609)	96,437
Free cash flow	9,350	31,265	16,160	20,937	31,538	(23,200)	(21,822)	20,143	(39,492)	8,975	(84,183)
At Fiscal Year-End:											
Total assets	659,112	646,112	652,744	656,310	657,747	686,140	745,866	763,059	849,801	840,441	923,531
Net assets	107,969	119,252	164,494	174,819	191,079	193,064	199,338	209,536	246,788	266,704	244,670
Current assets	246,258	243,871	252,489	257,154	257,048	256,965	299,650	299,018	328,364	291,300	355,058
Net interest-bearing debt	363,533	331,825	292,466	281,456	255,077	279,994	301,906	285,426	299,785	297,445	387,670
Cash and cash equivalents	82,457	79,046	69,072	72,169	82,733	60,086	103,407	109,384	130,301	88,897	102,405
Number of shares issued (shares)	129,018,785	129,018,785	149,348,785	149,348,785	149,348,785	149,348,785	153,713,191	154,531,953	169,012,926	169,012,926	169,012,926
Per Share Data (Yen):											
Basic earnings per share	126.51	51.52	93.48	100.15	83.28	27.25	31.70	127.91	138.73	142.91	(209.01)
Net assets per share	821.21	875.39	1,059.78	1,119.24	1,211.33	1,221.65	1,236.58	1,319.57	1,440.33	1,561.52	1,414.73
Cash dividends per share	8.50	8.50	8.50	10.50	10.50	10.50	10.50	13.50	17.00	22.00	16.00
Financial Ratios:											
ROE (%)	16.8	6.1	10.0	9.2	7.1	2.2	2.6	10.0	10.1	9.5	(14.0)
ROA (%)	2.3	1.0	2.0	2.2	1.8	0.6	0.6	2.5	2.6	2.8	(3.8)
Equity ratio (%)	14.7	17.0	23.7	24.9	26.8	25.9	24.9	26.1	28.2	30.8	25.5
Net debt to equity ratio	3.7	3.0	1.9	1.7	1.4	1.6	1.6	1.4	1.3	1.1	1.6

Notes

1. Amounts are rounded down to the nearest million yen.

2. EBITDA = Ordinary profit + interest expenses + depreciation + amortization of goodwill + amortization of negative goodwill + equity in earnings of affiliates

3. Effective from the fiscal year ended March 31, 2019, the “Partial Amendments to Accounting Standard for Tax Effect Accounting” have been adopted, and all the deferred tax assets are presented under investments and other assets of non-current assets.

Consolidated financial statements for the fiscal year ended March 31, 2018 are restated in accordance with the presentation method after the amendments.

4. Effective from the fiscal year ended March 31, 2019, interest and dividends received and interest paid are presented under “Cash flows from operating activities.” Consolidated financial statements for the fiscal year ended March 31, 2018 are restated to reflect the change in the classification.

Consolidated Financial Statements

Consolidated Balance Sheet

	(Millions of Yen)	
	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	89,165	102,638
Notes and accounts receivable—trade, and contract assets	92,641	106,851
Electronically recorded monetary claims—operating	7,988	10,753
Merchandise and finished goods	48,008	61,061
Work in process	7,275	8,947
Raw materials and supplies	31,621	43,081
Other	15,063	22,002
Allowance for doubtful accounts	(465)	(279)
Total current assets	291,300	355,058
Non-current assets		
Property, plant and equipment		
Buildings and structures	257,887	273,981
Accumulated depreciation	(160,706)	(169,437)
Buildings and structures, net	97,181	104,544
Machinery, equipment and vehicles	980,885	1,015,112
Accumulated depreciation	(785,957)	(812,473)
Machinery, equipment and vehicles, net	194,928	202,639
Land	83,183	87,099
Construction in progress	28,634	18,388
Other	34,868	39,252
Accumulated depreciation	(17,600)	(19,817)
Other, net	17,267	19,434
Total property, plant and equipment	421,195	432,106
Intangible assets		
Goodwill	50,489	45,847
Other	31,529	38,619
Total intangible assets	82,018	84,466
Investments and other assets		
Investment securities	21,924	21,048
Retirement benefit asset	1,674	1,554
Deferred tax assets	6,322	11,281
Other	15,996	18,034
Allowance for doubtful accounts	(130)	(118)
Total investments and other assets	45,787	51,800
Total non-current assets	549,001	568,373
Deferred assets	139	99
Total assets	840,441	923,531

	(Millions of Yen)	
	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable—trade	75,384	88,167
Short-term borrowings	13,738	13,659
Commercial papers	—	20,000
Current portion of bonds payable	15,000	56
Current portion of long-term borrowings	65,580	78,812
Accounts payable—other	31,029	27,596
Current portion of long-term accounts payable—facilities	174	25
Income taxes payable	3,133	1,472
Contract liabilities	613	919
Provision for bonuses	5,550	5,474
Provision for bonuses for directors (and other officers)	156	77
Provision for loss on guarantees	—	300
Other	27,960	16,235
Total current liabilities	238,321	252,797
Non-current liabilities		
Bonds payable	45,000	45,136
Long-term borrowings	239,324	324,000
Retirement benefit liability	23,937	23,986
Provision for retirement benefits for directors (and other officers)	81	60
Provision for share awards	310	521
Provision for environmental measures	12	12
Provision for loss on business of subsidiaries and associates	37	36
Provision for fixed asset removal costs	—	430
Other	26,710	31,879
Total non-current liabilities	335,415	426,063
Total liabilities	573,736	678,860
Net assets		
Shareholders' equity		
Share capital	53,884	53,884
Capital surplus	55,112	55,112
Retained earnings	156,450	117,493
Treasury shares	(4,122)	(3,600)
Total shareholders' equity	261,325	222,890
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,445	3,968
Deferred gains or losses on hedges	219	329
Foreign currency translation adjustment	(7,189)	6,907
Remeasurements of defined benefit plans	1,288	1,026
Total accumulated other comprehensive income	(2,235)	12,231
Non-controlling interests	7,614	9,549
Total net assets	266,704	244,670
Total liabilities and net assets	840,441	923,531

Consolidated Statement of Income

	(Millions of Yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	612,314	646,213
Cost of sales	450,640	536,012
Gross profit	161,674	110,200
Selling, general and administrative expenses	124,105	131,641
Operating profit (loss)	37,569	(21,441)
Non-operating income		
Interest income	382	808
Dividend income	712	988
Share of profit of entities accounted for using equity method	95	184
Foreign exchange gains	2,793	1,181
Subsidy income	281	277
Ship lease income	331	120
Gain on net monetary position	—	311
Other	2,863	2,344
Total non-operating income	7,460	6,216
Non-operating expenses		
Interest expenses	4,194	5,626
Expenses for ship lease	378	511
Other	2,761	2,688
Total non-operating expenses	7,333	8,826
Ordinary profit (loss)	37,696	(24,050)
Extraordinary income		
National subsidies	513	5,680
Gain on sale of non-current assets	83	108
Gain on sale of investment securities	987	1,518
Insurance claim income	2,099	706
Other	31	398
Total extraordinary income	3,715	8,412
Extraordinary losses		
Loss on sale and retirement of non-current assets	900	1,089
Loss on tax purpose reduction entry of non-current assets	510	5,661
Impairment loss	2,031	12,660
Loss on disaster	350	2,833
Early retirement expense	—	909
Adjustment of payment	888	—
Other	140	407
Total extraordinary losses	4,822	23,562
Profit (loss) before income taxes	36,588	(39,201)
Income taxes—current	12,554	2,233
Income taxes refund	(703)	(275)
Income taxes—deferred	865	(6,220)
Total income taxes	12,717	(4,263)
Profit (loss)	23,871	(34,937)
Profit (loss) attributable to non-controlling interests	150	(231)
Profit (loss) attributable to owners of parent	23,721	(34,705)

Consolidated Statement of Comprehensive Income

	(Millions of Yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit (loss)	23,871	(34,937)
Other comprehensive income		
Valuation difference on available-for-sale securities	(766)	513
Deferred gains or losses on hedges	197	109
Foreign currency translation adjustment	1,849	15,768
Remeasurements of defined benefit plans, net of tax	(48)	(257)
Share of other comprehensive income of entities accounted for using equity method	(14)	9
Total other comprehensive income	1,216	16,142
Comprehensive income	25,088	(18,795)
Comprehensive income attributable to:		
Owners of parent	24,529	(20,239)
Non-controlling interests	559	1,444

Consolidated Statement of Cash Flows

(Millions of Yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	36,588	(39,201)
Depreciation	37,810	43,128
Impairment loss	2,031	12,660
National subsidies	(513)	(5,680)
Early retirement expense	—	909
Amortization of goodwill	4,450	4,512
Share of loss (profit) of entities accounted for using equity method	(95)	(184)
Gain on the net monetary position	—	(311)
Loss (gain) on sale of investment securities	(779)	(1,518)
Increase (decrease) in retirement benefit asset or liability	464	(261)
Interest and dividend income	(1,095)	(1,796)
Interest expenses	4,194	5,626
Foreign exchange losses (gains)	(2,718)	(438)
Loss on tax purpose reduction entry of non-current assets	510	5,661
Increase (decrease) in provision for fixed asset removal costs	—	430
Subsidy income	(281)	(277)
Decrease (increase) in consumption taxes refund receivable	(1,047)	(7,340)
Insurance claim income	(2,099)	(706)
Loss (gain) on sale of property, plant and equipment	(55)	(54)
Loss on retirement of property, plant and equipment	872	1,035
Decrease (increase) in trade receivables	6,306	(14,067)
Decrease (increase) in inventories	(4,304)	(23,874)
Increase (decrease) in trade payables	9,921	10,020
Increase (decrease) in accounts payable—other	(7,510)	(3,317)
Increase (decrease) in accrued consumption taxes	(977)	(976)
Increase (decrease) in other assets or liabilities	(1,740)	(3,856)
Other, net	169	794
Subtotal	80,101	(19,083)
Interest and dividends received	1,561	1,902
Interest paid	(4,479)	(5,633)
Proceeds from subsidy income	2,953	6,029
Proceeds from insurance income	2,103	707
Income taxes paid	(11,964)	(16,437)
Income taxes refunded	1,118	6,281
Net cash provided by (used in) operating activities	71,395	(26,233)
Cash flows from investing activities		
Net decrease (increase) in time deposits	170	53
Purchase of property, plant and equipment	(63,789)	(46,611)
Proceeds from sale of property, plant and equipment	231	277
Proceeds from sale of investment securities	1,861	3,529
Purchase of intangible assets	(3,314)	(2,586)
Loans receivable granted	(664)	(999)
Collection of loans receivable	3,687	998
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(12,550)
Other, net	(602)	(62)
Net cash provided by (used in) investing activities	(62,420)	(57,950)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6)	151
Proceeds from long-term borrowings	20,300	163,053
Net increase (decrease) in commercial papers	—	20,000
Repayments of long-term borrowings	(65,157)	(66,840)
Proceeds from issuance of bonds	14,932	—
Redemption of bonds	(15,000)	(15,056)
Proceeds from issuance of common shares assigned to non-controlling interests	509	—
Proceeds from sale of treasury shares	248	304
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,500)	—
Repayments of finance lease obligations	(1,913)	(2,123)
Cash dividends paid	(3,352)	(3,184)
Other	330	131
Net cash provided by (used in) financing activities	(50,609)	96,437
Effect of exchange rate change on cash and cash equivalents	(104)	1,334
Net increase (decrease) in cash and cash equivalents	(41,739)	13,588
Cash and cash equivalents at beginning of period	130,301	88,897
Effect of hyperinflation	—	(97)
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	318	17
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	17	—
Cash and cash equivalents at end of period	88,897	102,405

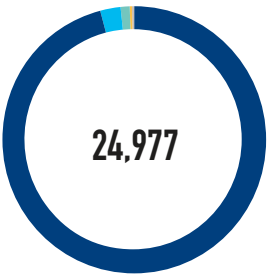
Investor Information

Status of Shares

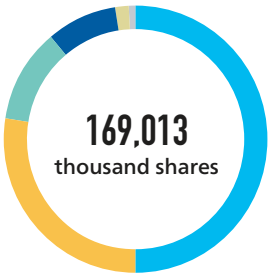
(As of March 31, 2023)

Authorized Shares	300,000,000 shares
Number of Shares Issued	169,012,926 shares
Number of Shareholders	24,977

Shareholder Distribution



Number of Shareholders by Type of Shareholder	
Individuals, others	95.9%
Other domestic companies	2.7%
Foreign institutions and individuals	1.1%
Financial institutions	0.2%
Securities companies	0.2%
Treasury stock	0.0%



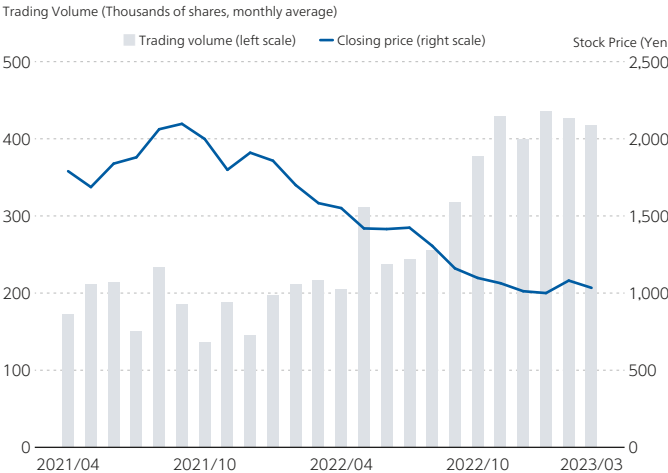
Number of Shares by Type of Shareholder	
Other domestic companies	50.1%
Financial institutions	27.4%
Foreign institutions and individuals	11.4%
Individuals, others	8.6%
Securities companies	1.7%
Treasury stock	0.8%

Major Shareholders

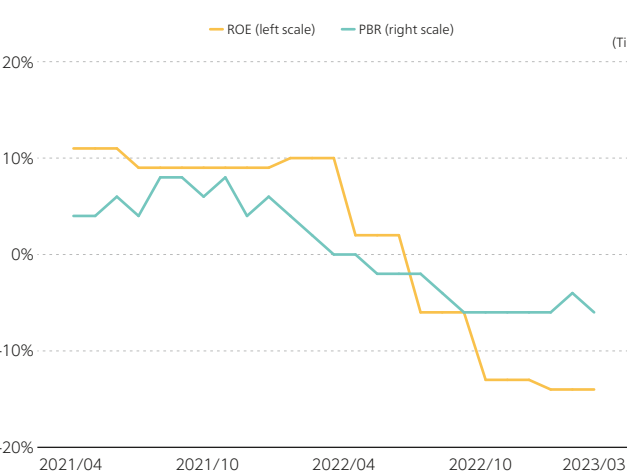
Name	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Hokuetsu Corporation	41,589	24.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,413	7.4
Daio Kaiun Co., Ltd.	8,452	5.0
Custody Bank of Japan, Ltd. (Trust Account)	7,126	4.3
The Iyo Bank, Ltd.	7,072	4.2
The Ehime Bank, Ltd.	6,920	4.1
Ehime Paper Manufacturing Co. Ltd.	5,331	3.2
Kami Shoji Co. Ltd.	4,700	2.8
OASIS JAPAN STRATEGIC FUND LTD. (Standing Agent: Citibank N.A. Tokyo Branch)	4,700	2.8
The Norinchukin Bank	4,110	2.5

- The shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account) are related to trust service.
- Shareholding ratio does not include treasury stock (excluding the shares held by trust bank as Trust for Delivery of Shares and Employee Stock Ownership Plan Trust).

Stock Price and Trading Volume



ROE and PBR



* Estimated figures based on internal management data

Corporate Data

Corporate Information (As of March 31, 2023)

Established	May 5, 1943
Capital	¥53.9 billion
Number of Employees	2,445 (Unconsolidated), 12,634 (Consolidated)
Offices	Tokyo Headquarters: 10-2, Fujimi 2-chome, Chiyoda Ward, Tokyo Tel: +81-3-6856-7500 Shikoku Headquarters: 628, Mishimakamiya-cho, Shikokuchuo City, Ehime Prefecture Tel: +81-896-23-9001
Mills	Mishima Mill (Ehime Prefecture), Kani Mill (Gifu Prefecture)
Branches	Osaka Branch, Nagoya Branch, Kyushu Branch (Fukuoka Prefecture)
Website	https://www.daio-paper.co.jp/en/
Main Products	Newsprint, coated paper, wood-free paper,

Production Bases

- 1 **Mishima Mill**
Shikokuchuo City,
Ehime Prefecture
 - 2 **Kani Mill**
Kani City, Gifu Prefecture

Former Akabira Paper
Corporation
(now Elleair Paper Co.,Ltd.)

(now Elleair Paper Co.,Ltd.)

Business Bases of the Group Companies Overseas

(As of August 31, 2023)

- 24 Forestal Anchile LTDA. (Chile)
- 25 Elleair International Korea Co., Ltd. (South Korea)
- 26 Elleair International (Thailand) Co., Ltd. (Thailand)
- 27 Elleair International China (Nantong)
- 28 PT. Elleair International Trading Indonesia (Indonesia)
- 29 PT. Elleair International Manufacturing Indonesia (Indonesia)
- 30 Oregon Chip Terminal INC. (U.S.A.)
- 31 Elleair International Turkey Kişisel Bakım Ürünleri Üretim A.Ş. (Turkey)
- 32 Santher-Fábrica de Papel Santa Therezinha S.A. (Brazil)

Business Bases of the Group Companies in Japan

(As of August 31, 2023)

Paper Manufacturing

- 1 Iwaki Daio Paper Corporation Iwaki City, Fukushima Prefecture
- 2 Dainichi Paper Corporation Fuji City, Shizuoka Prefecture
- 3 Otsu Paper Board Co., Ltd. Otsu City, Shiga Prefecture
- 4 Daio Paper Techno Corporation Tsuyama City, Okayama Prefecture
- 5 Marubishi Paper Tec. Corporation Shiookuchuo City, Ehime Prefecture

H&PC Manufacturing

- 6 Ellear Paper Co., Ltd. Fujinomiya City, Shizuoka Prefecture
- 7 Ellear Product Co., Ltd. Shikokuchuo City, Ehime Prefecture
- 8 Daio Paper Products Corporation Fuji City, Shizuoka Prefecture
- 9 Daiki Co., Ltd. Chiyoda Ward, Tokyo

Printing

- 10** Daio Miura Corporation Sumida Ward, Tokyo

Corrugated containers

- 11 Daio Package Corporation Chiyoda Ward, Tokyo
- 12 Yorii Insatsu Shiki Co., Ltd. Honjo City, Saitama Prefecture
- 13 Uemura Shiko Corporation Kanda-machi, Miyako District, Fukuoka Prefecture
- 14 Yoshikawa Shigyō Corporation Kawanishi City, Hyogo Prefecture
- 15 Yoshizawa Kogyo Corporation Mishima District, Niigata Prefecture

Distribution

- 16 Tokyo Pulp & Paper International Co., Ltd. Chuo Ward, Tokyo
17 EBS Co., Ltd. Chuo Ward, Tokyo

Paper Converting

- 18 Elleair Paper Technology Co., Ltd. Shikokuchuo City, Ehime Prefecture
- 19 Daio Mill Support Tokai Corporation Kawabe-cho, Kamo District, Gifu Prefecture
- 20 Elleair Texel Corporation Kani City, Gifu Prefecture

Engineering

- 21** Daio Engineering Co., Ltd. Shikokuchuo City, Ehime Prefecture

Transportation

- 22 Daio Logistics Co., Ltd. Shikokuchuo City, Ehime Prefecture

Other Businesses

- 23** Elleair Resorts Golf Club Co., Ltd. Matsuyama City, Ehime Prefecture

Third-Party Assurance

Daio Paper has received assurance by DNV Business Assurance Japan on the environmental data, etc. presented in Daio Group Integrated Report 2023 to enhance its reliability and accuracy.

Period covered: April 1, 2022 to March 31, 2023

Scope of verification

- GHG emissions: Scopes 1, 2 and 3
- Water use: Amount of water use and wastewater
- Waste: Amount of waste and waste reuse
- Occupational accident data: Lost time injury frequency rate

