

# ***Daio Group Transformation 2035***

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**Daio Group Long-term Vision**

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**The business environment we operate in is changing dramatically.**

**Over the years, we have continuously pursued challenges,  
introduced new values, and developed new markets.**

**Where is the Daio Group heading now?**

**We need to build a resilient business foundation through initiatives towards carbon neutrality, global expansion, and the development of advanced material technologies.**



***That's why we need  
to transform ourselves  
and take our first step now  
towards a new future.***

# ***Transformation***

**The Daio Group will expand in the fields of Home and Personal Care (H&PC)  
and advanced materials, alongside papermaking,  
to realize its management philosophy of  
“Shaping an abundant and affable future for the world”**

# *ROAD to 2035*

Transformation Road Map by Theme

# Daio Group Transformation 2035

## Four focus themes towards 2035

### **01** Area

Global presence,  
including Japan

Domestic focus

### **02** Strengths

Adaptability to environmental  
changes, R&D and  
marketing capabilities

Manufacturing / sales /  
factories / facilities

### **03** Energy

Woody fuel and community-  
sourced waste-derived fuel for  
regional sustainability

Fossil fuel (coal)

### **04** Source of value creation

Human resources  
Corporate culture

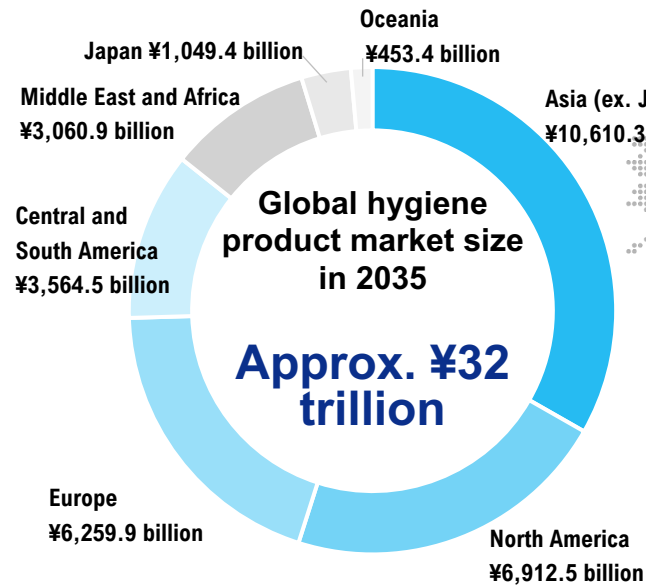
- Investment in securing and developing human resources that drive transformation
- Revamp of corporate culture and work-style mindset



**The Daio Group will create and deliver products that better the lives of people around the world**



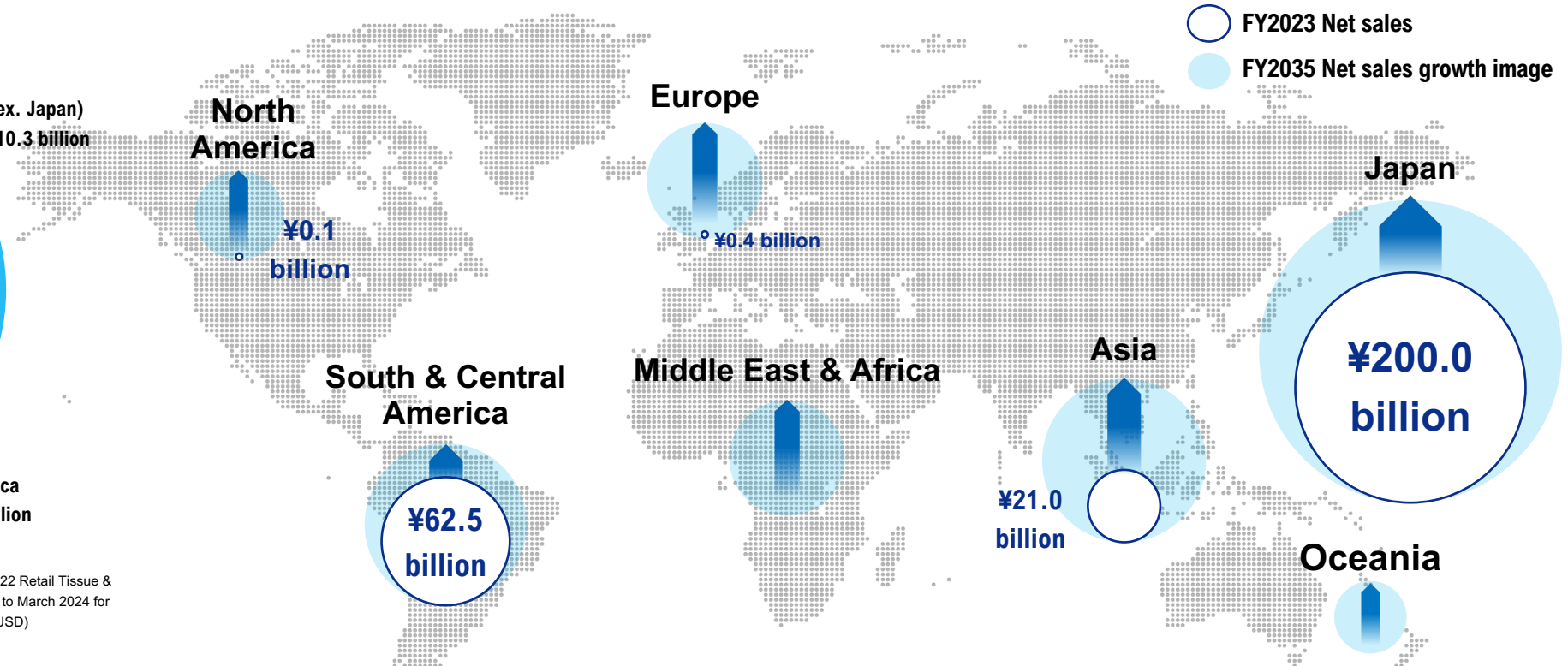
## Deliver abundant and affable future to the world



Source: Market size prepared with a trial calculation based on EUROMONITOR 2022 Retail Tissue & Hygiene retail price, Daio net sales for H&PC business based on April 2023 to March 2024 for domestic and January to December 2023 for overseas (FX rate of 145 yen/USD)


### Home and Personal Care (H&PC) Business only

○ FY2023 Net sales  
● FY2035 Net sales growth image



Every product we have created has been designed to better the lives of people. We will work together to deliver these wonderful products to people who need them around the world.





**The Daio Group will leverage its strengths built over the years to continue taking on challenges**

## Take on the challenge of establishing a new market-oriented strategy to move away from our conventional product-oriented approach.

### Product-oriented

The key to success is to produce high quality goods

||

Mindset in the equipment-intensive industry:

"Good products will naturally sell well"

- Changes in the background
- Diversified needs
- Diversified channels

### Market-oriented

Marketing / Branding Strategy



Product planning / production technology capabilities

e.g. **Santher (Hygiene product manufacturer in Brazil)\***

Synergy effects between Santher's sales channel and brand power and Daio's product planning and production technology capabilities

\*Turned into a subsidiary in June 2020 through joint investment with Marubeni

## Accelerate global expansion through growth investment and M&A that achieves both net sales expansion and profitability.

2023 to the end of  
the 5th MTBP

Overseas net sales  
**¥100.0 billion**

- Prioritize establishment of a profitable business model
- Invest in marketing and sales structure
- Develop and recruit global human resources
- Promote establishment of a system for executing M&A

2035

Overseas net sales  
**¥350.0 billion**

- Expand business size and stabilize profit level through organic growth and M&A
- Expand product line up beyond the baby care category and expand our geographical coverage
- Develop and enhance global human resources to promote global human resource management

**Promote product mix optimization for domestic H&PC to maximize profit.  
And, aim to create new products/categories with an eye on global markets.**

2023

Operating profit  
¥7.7 billion

- Achieve optimal product mix  
Expand sales by utilizing existing facilities
- Build R&D structure anticipating global operation  
Combining existing technology  
↓  
Strengthen fundamental R&D capabilities

2035

Operating profit  
Over ¥50.0 billion

- Optimize capital expenditures
- Concentrate on sanitary paper, adult diapers, wet wipes, etc.

Turn into cash-cows

Develop new  
categories

- Expand pet care category
- Continuously consider entering new categories

Create new products/categories  
with an eye on global markets

Change product mix of production and sales to maximize profit in the paper & paperboard field.  
Aim to switch to producing advanced materials as well as strengthen the packaging category.

2023

Operating profit  
¥16.0 billion

2035

Operating margin

10% or more

- Strengthen downstream sectors by utilizing M&A to provide a total packaging solution
- Increase the ratio of highly profitable products such as paperboards and plastic-replacing paper products

Switch to producing  
advanced materials

- Promote a shift from papermaking to advanced materials: Reallocate equipment and human capital to promote transformation

**Strengthen our R&D structure and enhance tie-ups with universities and overseas research institutions. Ensure enhancement of intellectual capital.**

### End of the 5th MTBP

Budget of R&D  
**¥5.0 billion**

R&D expenditure to net sales ratio **0.6%**

- Strengthen our human resources
- Enhance tie-ups with universities and overseas research institutions
- Strengthen coordination with intellectual property strategy
- Enhance testing facilities

### 2035

Budget of R&D  
**¥24.0 billion**

R&D expenditure to net sales ratio **2%**

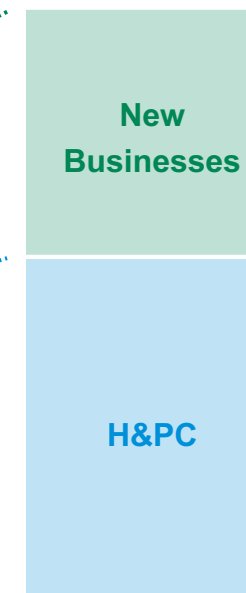
- Transition to sustainable products
- Enter new consumer product categories
- Promote global R&D
- Enhance external laboratories/testing facilities
- Enhance tie-ups with universities and overseas research institutions
- Strengthen coordination with intellectual property strategy, and capitalize on intellectual property rights

Expand investment in R&D and enhance our capabilities in product development and continuous new material innovation to turn them into strengths of the Daio Group.



R&D expenditure

¥24.0 billion



Paper & Paperboard



R&D expenditure

¥5.0 billion

R&D expenditure

¥3.5 billion

¥1.5 billion

¥2.5 billion

¥1.0 billion



2023

2026

2035



# Enhance R&D capabilities to enter new consumer product categories.



Entered adult diaper market

Attento (Adult diaper) brand acquisition



Entered baby diaper market



Entered sanitizing wet wipes market



Entered incontinence care market



GOO.N brand launched



Entered household cleaning products market



Entered sweat wipes market



Entered face mask market



Full entry into pet products market



Development from product-driven business to social contribution activities through business



Abundant and affable future

Category Line Up

- Sanitary paper
- Baby diaper
- Feminine care products
- Adult diaper
- Sanitizing wet wipes
- Incontinence care products
- Household cleaning products
- Face masks
- Pet products
- Sweat wipes

New Areas

1979

1980s

1990s

2000s

2010s

2020s

Entered sanitary paper market

Expanded from sanitary paper market to absorbents market

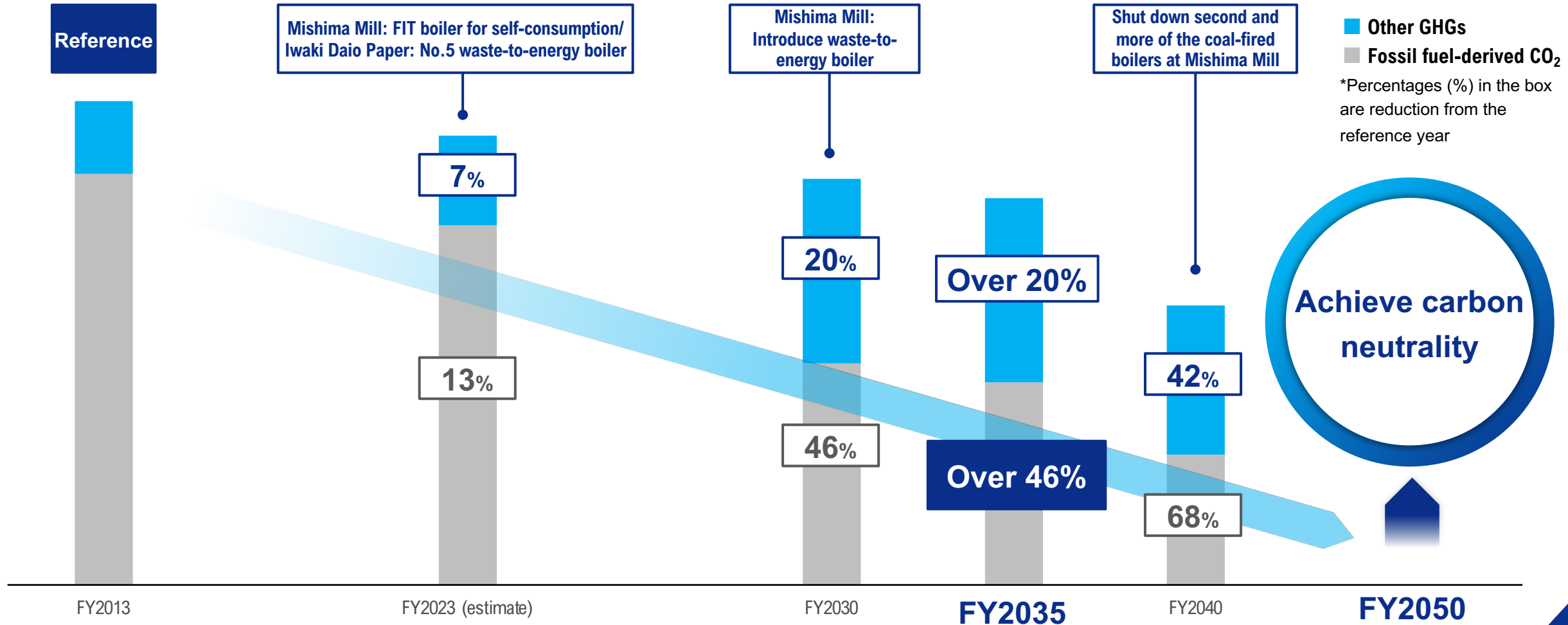
Took on new markets and engaged in social contribution activities

# Release the unlimited possibilities of woody resources.



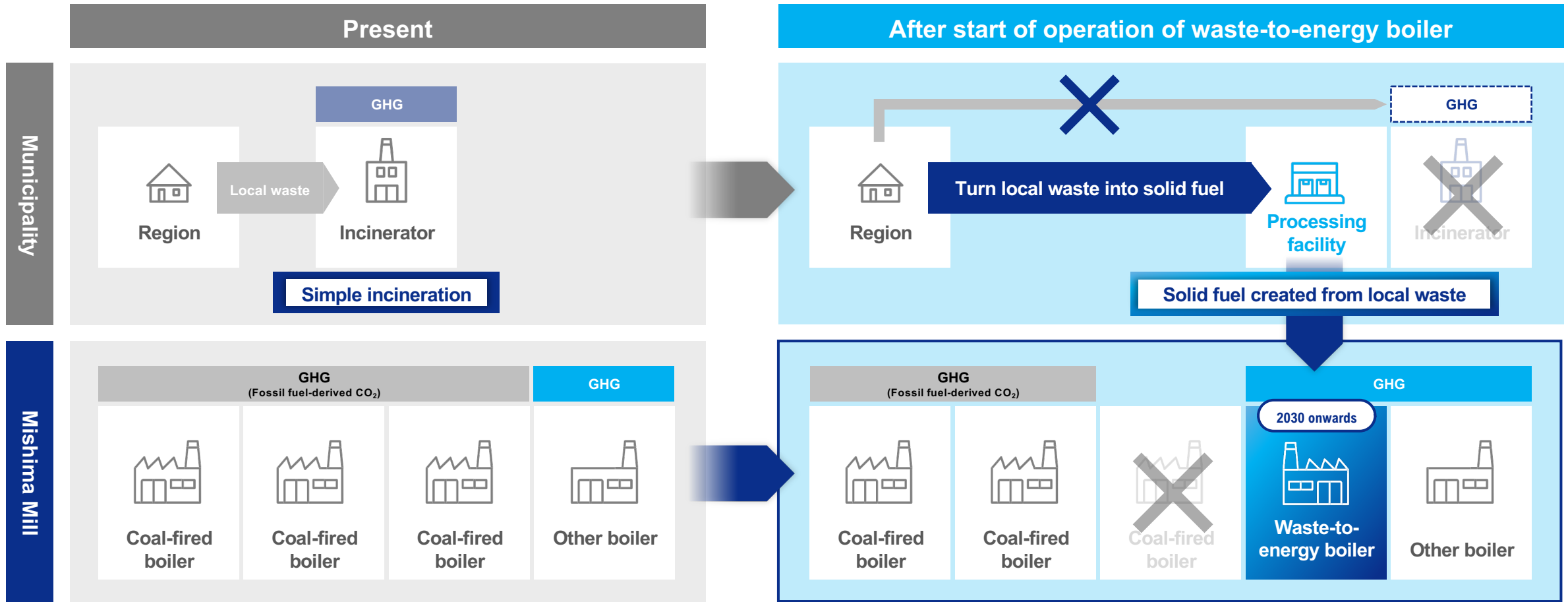
**The Daio Group will reduce fossil fuel-derived CO<sub>2</sub> emissions during our transitional period towards achieving carbon neutrality**

**Aim to reduce fossil fuel-derived CO<sub>2</sub> emissions by 46% or more compared to 2013 by 2035.**



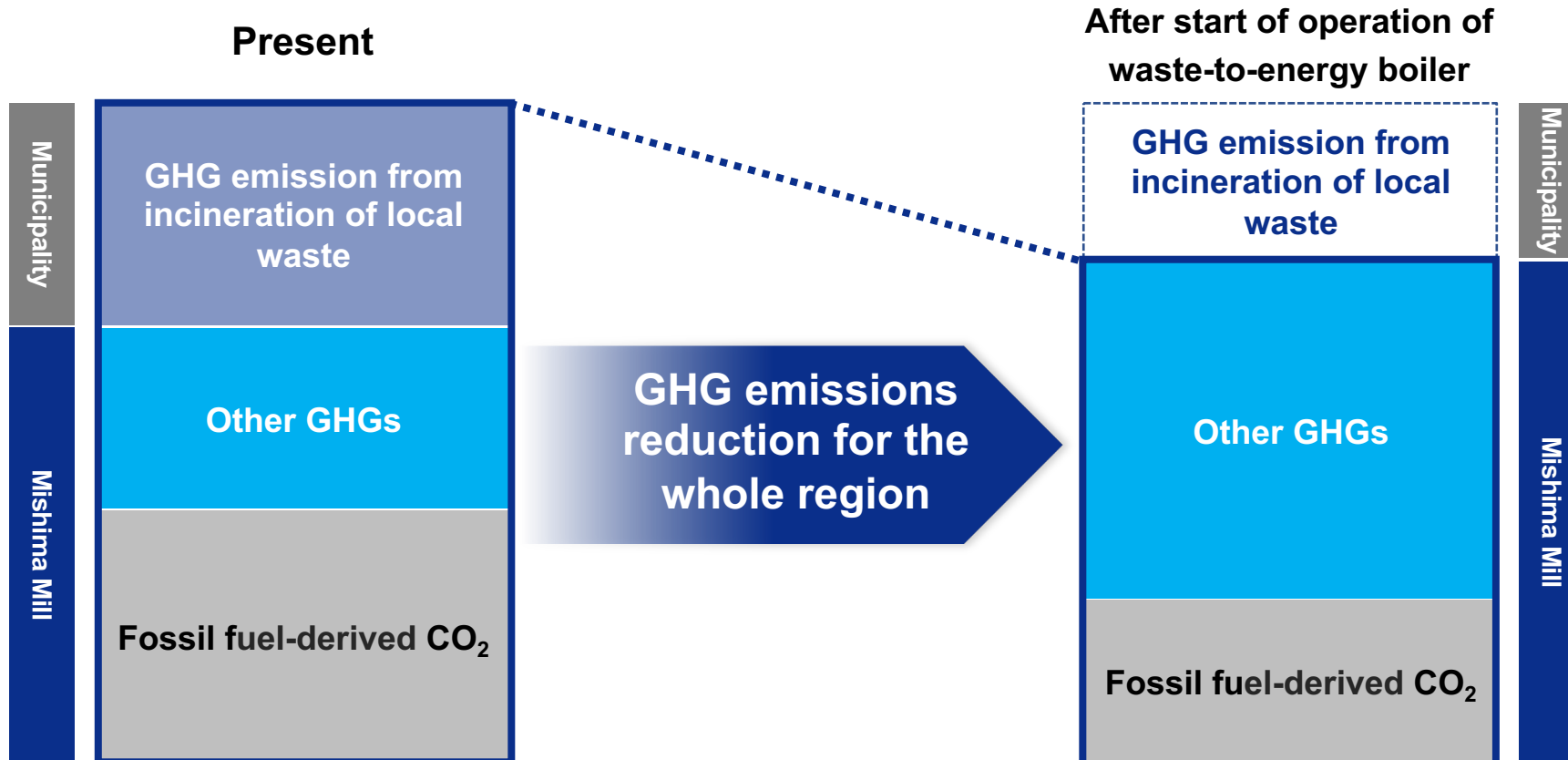
# Introduce waste-to-energy boiler in FY2030 to utilize local waste as an alternative fuel to coal.

## Planned Scheme Diagram

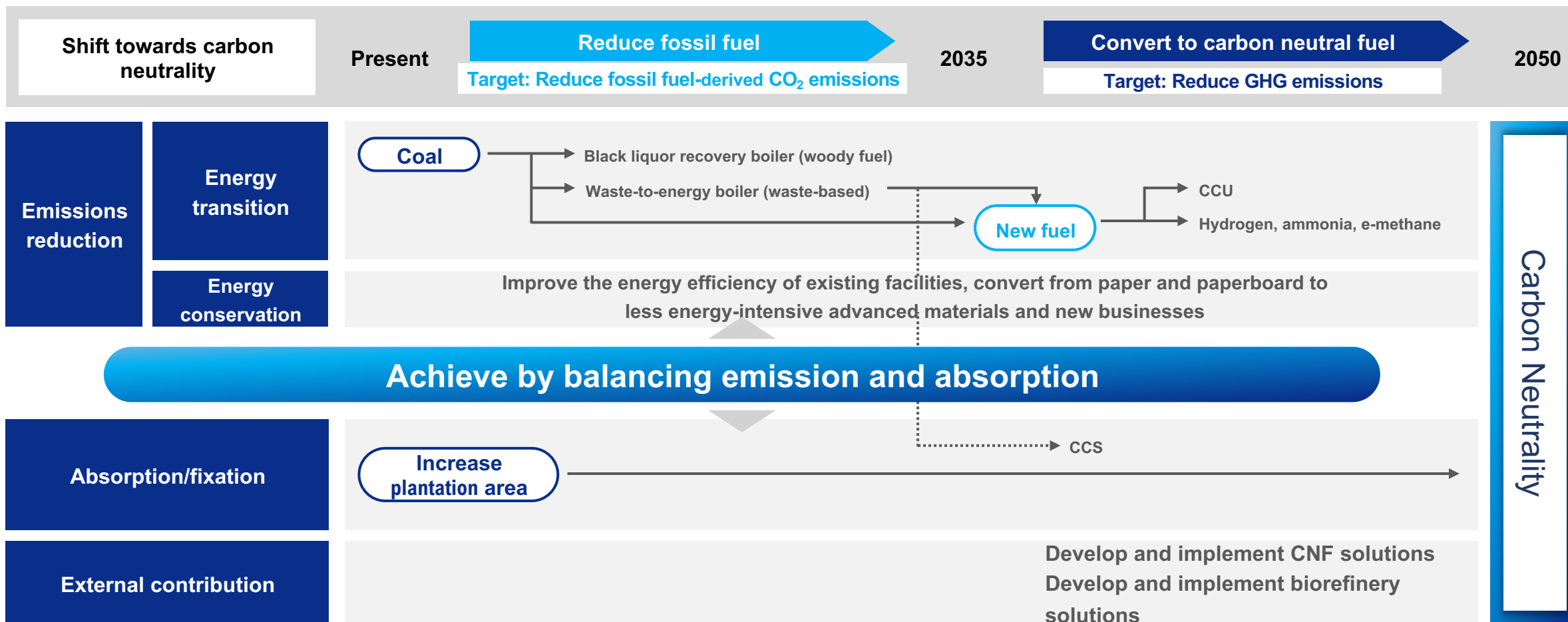


# Aim to reduce GHG emissions not only for the Company but for the whole region.

Image after the introduction of the waste-to-energy boiler



# Target full life-cycle GHG emissions reduction from 2035 onwards to achieve carbon neutrality by 2050.





**Each employee is a key driver of  
our Transformation**



**Appropriate human resources, a supportive corporate culture, and a conducive organizational structure to achieve Transformation.**

### Desired personnel profile

- Those who are open to change and difference
- Those who are willing to take on challenges

### Required organizational culture

- Culture that embraces change and differing opinions
- Culture that can generate innovation from diversity

### Necessary organization structure

- Structure that supports individual initiatives
- Securing and allocating the right human resources in key areas

***Achieve Daio Group Transformation 2035***

## Review career development and performance evaluation systems and enhance training and recruitment to drive Transformation of people and corporate culture.

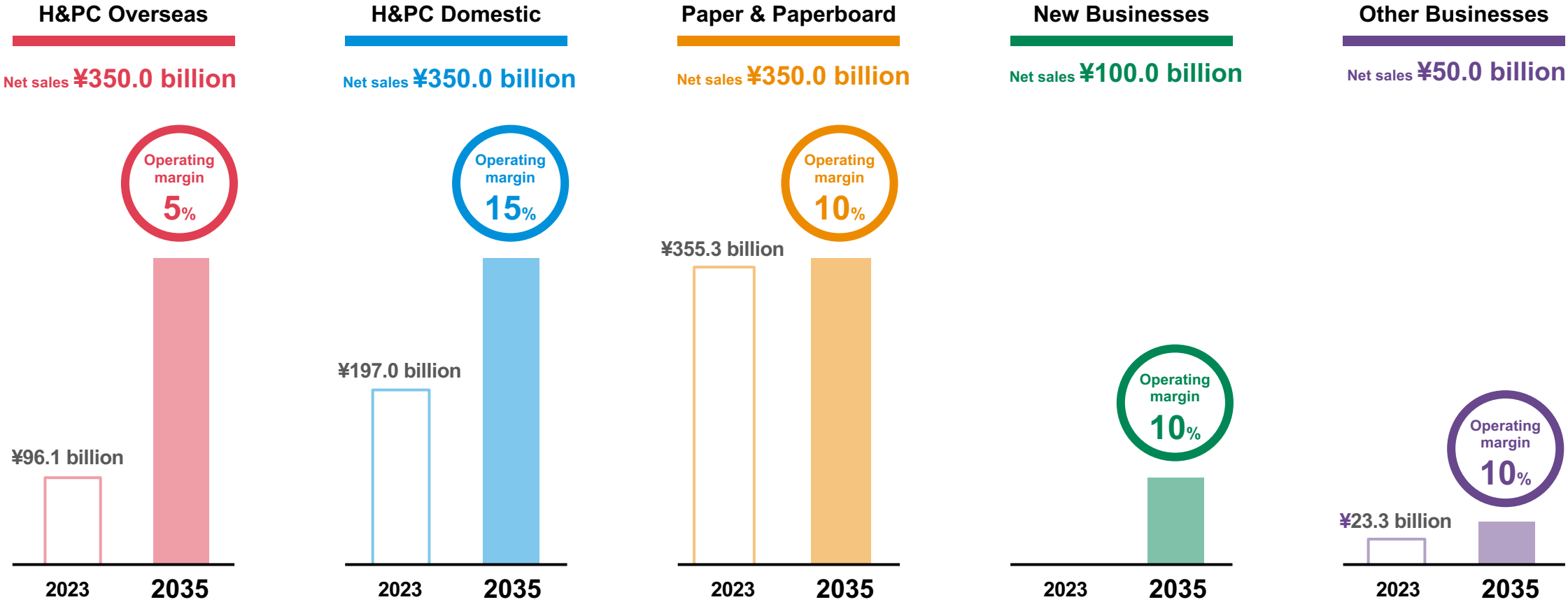


**We will set human capital management-related KPIs and shift to a system that links such KPIs to the remuneration of officers from FY2025 onwards**

# ***TARGET***

**Target figures**

# Aim to maximize profit in Japan, and to expand sales overseas while securing profitability.



## ***Daio Group Transformation 2035***

**Achieve ¥1,200 billion net sales  
and operating margin of 10%**



# *Daio Group Transformation 2035*

**Taking the first step now towards a new future.**