

Daio Paper Group
Integrated Report

2020



Shaping an Abundant
and Affable Future
for the World

Consideration for the Environment

- Printed on FS Utrillo Gloss Matte N paper produced by Daio Paper.
- Printed using Waterless Printing, which does not use dampening solution that contains hazardous substances such as IPA (isopropyl alcohol), thus greatly reducing emissions of Volatile Organic Compounds (VOCs).
- Vegetable oil-based inks are used.



The Daio Paper Group pursues sustainable enhancement of corporate value by emphasizing environmental conservation and coexistence with local communities in the course of its business activities, with a view to realizing its management philosophy of “Shaping an abundant and affable future for the world.”

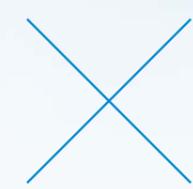
Since its establishment, Daio Paper has achieved growth as a full-range paper manufacturer by expanding its business, which includes paper, containerboard, household paper and absorbent products, in response to changes in the business environment and social demand. Going forward, the Daio Paper Group will continue to refine its unique strengths while coexisting with the environment and local communities, aiming for the sustainable enhancement of corporate value.

Management Philosophy

Shaping an Abundant and Affable Future for the World

While we inherited our founding spirit—“Passion with Sincerity”—as our corporate motto, our management philosophy, which forms the basis of our corporate activities, expresses our ambition to provide a richness of mind that goes beyond material wealth—in other words, “an abundant and affable future”—for everyone we engage with in our business activities as a global company.

Four Pillars of the Management Philosophy



Daio Paper is the only company in the papermaking industry with sales representatives situated all across Japan. We have grown our business through a marketing style embodied by the slogan: “what is made by Daio is sold only by Daio sales representatives.” We will continue to further refine our marketing style from the customer’s perspective as a manufacturing company that is the most familiar with our customers’ needs.

While Daio Paper started off manufacturing and selling newsprint and containerboard as our founding business, it has grown into a full-range paper manufacturer with a unique portfolio through entry into the paper business, the household paper business (which includes facial tissues) and the absorbent products business (which includes disposable diapers). We are working to strengthen the Elleair brand to support the enrichment of lives not only in Japan, but also around the world.

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Integrated Report 2020 presents information in four sections to help stakeholders understand Daio Paper's vision for the future.

Section 1 introduces the big picture of the Daio Paper Group's in the form of a value creation story. Section 2 presents the Group's current condition with a focus on the Third Medium-Term Business Plan, and Section 3 features the Group's initiatives for the Sustainable Development Goals (SDGs), which contribute to the sustainability of its business activities. Section 4 shows financial information and corporate data.

For details, please visit the website of the Daio Paper Group.

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

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Reporting Period
April 1, 2019–March 31, 2020
(Some information outside the reporting period is also included.)

Scope of Report
This report covers the 36 companies in the Daio Paper Group. However, environment-related data covers the production bases of the Daio Paper Corporation and the following 25 consolidated subsidiaries:
Iwaki Daio Paper Corporation, Dainichi Paper Corporation, Otsu Paper Board Co., Ltd., Harima Paper Tech. Corporation, Taisei Paper Corporation, Marubishi Paper Tec. Corporation, Elleair Paper Co., Ltd., Akabira Paper Corporation, Elleair Product Co., Ltd., Daio Mill Support Tokai Corporation, Daio Paper Products Corporation, Daio Printing Corporation, Miura Printing Corporation, Senmeisha Corporation, Daio Postal Chemical Corporation, Daiwa Shiko Co., Ltd., Daio Package Corporation, Daio Mill Support Co., Ltd.,

Elleair Texel Corporation, Forestal Anchile LTDA., Elleair International (Thailand) Co., Ltd., Elleair International China (Nantong) Co., Ltd., PT. Elleair International Manufacturing Indonesia, Elleair International Turkey Kişisel Bakım Ürünleri Üretim A.Ş., Santher – Fábrica de Papel Santa Therezinha S.A.

Guidelines Used as Reference
"Environmental Reporting Guidelines: Fiscal Year 2018" (Ministry of the Environment), ISO 26000, "International Integrated Reporting Framework Japanese Translation" (The IIRC), "Guidance for Collaborative Value Creation" (Ministry of Economy, Trade and Industry)

Publication Period
November 2020 (this report)
October 2021 (next issue)

Period Covered by Fiscal Year
FY2019 and FY2020/03 in this integrated report refer to the consolidated fiscal period from April 1, 2019 to March 31, 2020, and the same applies to other fiscal years.

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Descriptions 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.

External Evaluations



The first company in the pulp and paper industry selected as a brand of the Health & Productivity Stock Selection.



Recognized as a White 500 company under the large enterprise category for the third consecutive year in the Certified Health & Productivity Management Outstanding Organizations Recognition Program.



Obtained the highest ranking in the DBJ Employees' Health Management Rating for the fourth consecutive year.

Note:
"Health & Productivity Management" is a registered trademark of Nonprofit Organization KenkoKeiei



Signed the Re-Style partner company agreement.

At a Glance

Daio Paper is a full-range paper manufacturer engaged in the integrated production and sale of all types of paper from pulp produced in-house. The Group currently operates businesses in two segments: the business-to-business Paper and Paperboard Business and the business-to-consumer Home and Personal Care (H&PC) Business.

Number of Products

Approx.
20,000 specifications of paper



Market Share

No.1



Daio Paper manufactures and sells newsprint, printing and publication paper, communication paper, wrapping paper, containerboard and household paper products—a total of approximately 20,000 different specifications of paper made from pulp produced in-house.

Elleair is the signature Daio Paper brand. Daio Paper entered the facial tissue market in 1979 and captured the top market share in just seven years. Daio Paper has had No.1 market share in the facial tissue, toilet tissue and kitchen paper categories since 2018.

Source: INTAGE SRI, Facial Tissue, Toilet Tissue, and Kitchen Towel Market (based on value in FY2018 and FY2019)

Area of Company-Owned Forest

59,000 ha

Daio Paper owns 59,000 hectares of forested land in Chile, roughly the same area as Tokyo's 23 wards. Of this, Daio Paper has preserved 28,000 hectares as native forest and is working to maintain biodiversity.



Forests and plantations owned by Forestal Anchile in Chile, South America

Number of Employees

10,446

(As of March 31, 2020)



Number of Production and Group Company Business Sites

27 sites in Japan

9 sites in **8** countries overseas

(As of September 30, 2020)



Third Medium-Term Business Plan Performance

	(Billions of Yen)		
	FY2018	FY2019	FY2020 (Plans)
Net sales	533.9	546.4	565.0
Operating profit	12.1	30.6	32.0
Operating profit margin	2.3%	5.6%	5.7%
Profit attributable to owners of parent	4.7	19.2	14.5

Paper and Paperboard Business

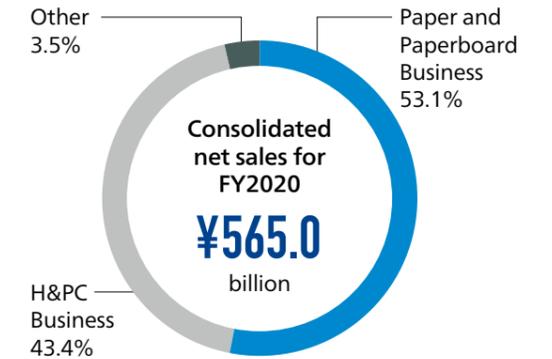
Description of Business

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

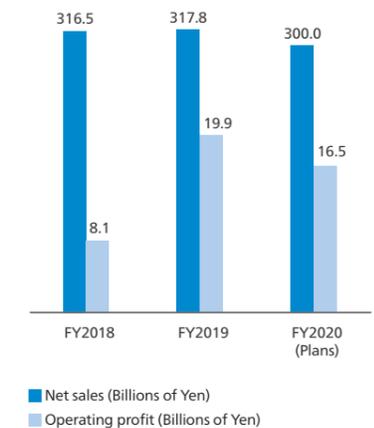
Overview of FY2019

During the fiscal year ended March 31, 2020 (FY2019), Daio Paper stopped the N7 paper machine at Mishima Mill in order to rebuild it into a containerboard machine (operational in April 2020). Daio Paper worked to maintain market conditions by decreasing its paper production volume and increasing the usage of hard-to-recycle recovered paper by leveraging our recovered paper processing technologies. Due to these efforts, both net sales and operating profit in the Paper and Paperboard Business increased from the previous fiscal year.

Net Sales Composition by Segment



Net Sales and Operating Profit



Home and Personal Care (H&PC) Business

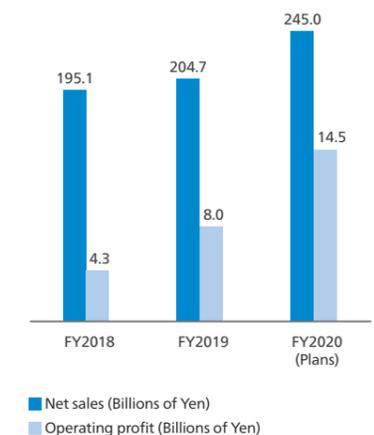
Description of Business

Production and sale of household paper (e.g. facial tissues), disposable baby and adult diapers, feminine care products, wet wipes, etc.

Overview of FY2019

In FY2019, the Home and Personal Care (H&PC) Business focused efforts on stabilizing supply by strengthening its production and logistics systems, mainly for household paper and wet wipes. In addition, Daio Paper identified profit improvement as a key issue at the beginning of the period, and it worked to revise prices, making use of its position as the leading household paper manufacturer in Japan. Due to these efforts, both net sales and operating profit in the H&PC Business increased from the previous fiscal year.

Net Sales and Operating Profit



History of the Daio Paper Group

Daio Paper was established in Shikokuchuo City, Ehime Prefecture in 1943 as a manufacturer of newsprint and containerboard. The Company subsequently expanded into the paper business and the household paper business, growing into a full-range paper manufacturer. By leveraging the brand power developed through its household paper business, Daio Paper entered the absorbent products market with products such as disposable baby diapers. In 2011, Daio Paper built a disposable baby diaper factory in Thailand, embarking on a full-scale expansion into overseas markets with the aim of further growth.

Leap Forward

1960-1980

Making a leap forward as a full-range paper manufacturer capturing changes in industrial and demand structure

Daio Paper commenced construction on the New Mishima Mill in 1970, and it has, over the years, also both modified existing and installed new paper machines, pulp facilities and in-house power generation facilities at the Mishima Mill. With the successive installation of the N1 to N4 paper machines, Daio Paper completed its foundation as a full-range paper manufacturer, stabilizing supply and improving productivity for a wide variety of papers, such as printing and wrapping paper in addition to newsprint and containerboard. In 1979, Daio Paper commenced production and sale of the Elleair brand of facial tissue and toilet tissue to respond to changes in both industrial and demand structures, building the foundation for Daio Paper's unique product portfolio of today.



1970: Built the New Mishima Mill



1979: Launched Elleair facial tissues



1980: Launched disposable baby diapers

Establishment

1943-1960

Became a newsprint manufacturer against a background of growing demand for paper

Daio Paper was established in 1943 through a merger of Shikoku Paper Corporation and 13 other paper companies for the purpose of manufacturing and selling *washi* (traditional Japanese paper).

In 1947, the founder Isekichi Ikawa decided to switch to manufacturing *yoshi* (paper made in the Western style) as he foresaw the downturn of *washi* and determined that *yoshi* is the only way forward. Subsequently, against a backdrop of growing demand for paper, in addition to newsprint, Daio Paper expanded its containerboard facilities, establishing the foundation of its business.



1952: The Mishima Mill



Diversification

1980-2010

Winning No.1 market share with product development and sales strategies that foresaw consumers' needs

Daio Paper made its full-scale entry into the household paper market, launching the production and sales of kitchen paper—following facial tissues and toilet tissues—and also disposable diapers. Daio Paper's Elleair brand facial tissue and toilet tissue won the No.1 market share with product development and sales strategies that foresaw consumers' needs.

In June 1989, Daio Paper established Forestal Anchile LTDA. in Chile and commenced its forestry business. In addition, Iwaki Daio Paper Corporation was established in 1996 in Iwaki City, Fukushima Prefecture, and it commenced the production and sale of Japan's first newsprint made from 100% recovered paper.



1983: Acquired Nagoya Pulp (now the Kani Mill)



1989: Established Forestal Anchile LTDA.



1996: Established Iwaki Daio Paper Corporation



2007: Acquired the Atteno brand disposable adult diaper business

To the Global Stage

2010-

Accelerating overseas expansion of the H&PC Business using know-how and technological capabilities developed in Japan

Daio Paper accelerated the expansion of the H&PC Business into overseas markets using the know-how and technological capabilities developed in Japan. The Company has worked to expand its business by increasing the areas in which it operates, establishing local production and sales subsidiaries in Thailand, China and Indonesia, and acquiring hygiene products manufacturers in Brazil and Turkey.



2011: Established Elleair International Thailand Co., Ltd.



2012: Established Elleair International China (Nantong) Co., Ltd.



2014: Established PT. Elleair International Manufacturing Indonesia

Strengths of the Daio Paper Group

The driving forces behind the growth of the Daio Paper Group are the competitive advantages cultivated in a wide range of businesses extending from materials such as newsprint, printing paper and containerboard, through to home and personal care products that support day-to-day lives, as well as the strengths that originate from the Group's competitive advantages.

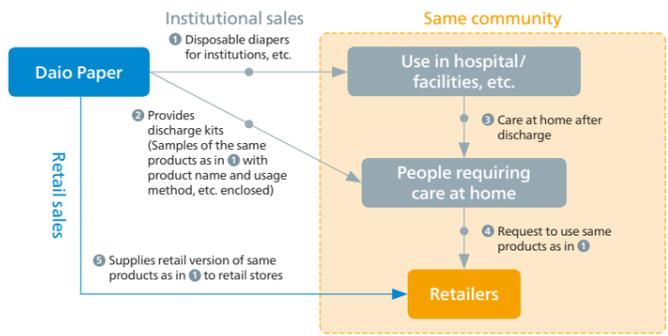
<p>Competitive Advantage 1</p> <p>Product Value Chain</p> 	<p>Daio Paper has built a product value chain capable of timely and efficient production in response to changes in paper demand trends in order to achieve sustainable growth.</p> <p>The Mishima Mill, Daio Paper's core paper mill, is one of the world's largest coastal paper mills and engages in integrated production of paper and paperboard from pulp produced in-house. Its annual production capacity is approximately 2.1 million tons, or some 8% of Japan's total paper and paperboard production.</p> <p>The Mishima Mill is located adjacent to an international trade port, putting it at an advantage in terms of logistics costs and procurement costs for raw materials and fuel. It also has softwood and hardwood pulp facilities with one of Japan's largest pulp production capacities and they supply pulp in slurry form directly to the paper machines through pipes. For these reasons, the paper and containerboard produced by Mishima Mill is highly cost-competitive.</p>
<p>Competitive Advantage 2</p> <p>Market-Driven Business Strategy</p> 	<p>With a basic stance of what is made by Daio is sold only by Daio sales representatives and as a manufacturer that aspires to know its customers best, we have put efforts into the expansion of our sales networks and the training of sales representatives. We have also applied the business-to-consumer marketing style of the H&PC Business to the Paper and Paperboard Business, creating a sales strategy that is unique in the business-to-business paper and paperboard industry.</p> <p>Each and every sales representative observes and anticipates market trends through their day-to-day marketing activities with customers, and relates that information to facilitate product development and proposal activities that respond quickly to customer needs. This market-driven business strategy is unique to Daio Paper and is one of our competitive advantages.</p>
<p>Competitive Advantage 3</p> <p>Environmentally Conscious Company</p> 	<p>Since its establishment, Daio Paper has been engaged in environmental conservation, with initiatives such as high utilization rate of recovered paper, energy conservation and recycling of industrial water. In 1989, we established a forestry company Forestal Anchile LTDA. in Chile, South America. The company owns 59,000 hectares of forested land, approximately the same area as Tokyo's 23 wards, and practices sustainable forest management. We have preserved 28,000 hectares, about half of the landholding, as native forest and are working on the conservation of biodiversity.</p> <p>Daio Paper is also actively conserving the environment through business development that is in harmony with the global environment, such as achieving a recovered paper usage rate that exceeds the industry average by increasing usage of hard-to-recycle recovered paper, a material that was previously disposed of as waste.</p>

The Mishima Mill accounts for some **8%** of Japan's total paper and paperboard production



- The coastal mill is one of the most cost competitive in Japan
- Produces a wide range of pulps, paper and containerboard products

Community-Based Integrated Care Systems Initiatives
(Integrated support and services involving Daio Paper, hospitals, elderly care facilities and retailers)



Forested land owned by Forestal Anchile LTDA. in Chile, South America: 59,000 ha



- Approximately same area as Tokyo's 23 wards
- Half of the area preserved as native forest

Core Competencies

Brand Power

- Full-range paper manufacturer that operates a Paper and Paperboard Business and a H&PC Business
- Elleair brand assets and brand-building capabilities

Cost Competitiveness

- Sharing of advanced technological capabilities and expertise through integrated Group operations
- High productivity in the procurement of materials, in production and in sales
- Intellectual property upheld by large numbers of patent applications filed and patents in force

Human Resource Capabilities

- Diverse human resources underpinning sustainable corporate growth
- Functional organizations for procurement of raw materials, production and sales
- Diverse management

Problem-Solving Capabilities

- Business development toward the realization of a sustainable society
- Co-existence with all stakeholders

Daio Paper Group's Vision

The Daio Paper Group has tackled diverse challenges and created new value as a full-range paper manufacturer engaged in the production and sale of paper and paperboard products and home and personal care products.

The source of this value creation is DAIO, the four pillars of Daio Paper's management philosophy, "Shaping an abundant and affable future for the world." Going forward, we will continue to provide value that exceeds the expectations of all stakeholders through the provision of high value-added, people-friendly products.

Daio Paper Group's Credo, Strengths and Strategies

Credo (Four Pillars of the Management Philosophy)

- D** : Dedicated Dedication to manufacturing
- A** : Attentive Bonds with local communities
- I** : Integrated Corporate culture providing safety and motivation to work
- O** : Organic Contribution to the global environment

Unique Strengths

(1) Brand Power

- Full-range paper manufacturer that operates a Paper and Paperboard Business and a H&PC Business
- Elleair brand assets and brand-building capabilities

(2) Cost Competitiveness

- Sharing of advanced technological capabilities and expertise through integrated Group operations
- High productivity in the procurement of materials, in production and in sales
- Intellectual property upheld by large numbers of patent applications filed and patents in force

(3) Human Resource Capabilities

- Diverse human resources underpinning sustainable corporate growth
- Functional organizations for procurement of raw materials, production and sales
- Diverse management

(4) Problem-Solving Capabilities

- Business development toward the realization of a sustainable society
- Co-existence with all stakeholders

Growth Strategies

Promote globalization to support long-term growth

Transform business structure in response to changes in the business environment

Deepen initiatives pertaining to the SDGs to contribute to a sustainable society

Social Issues

- Changes in the market environment due to the declining birthrate and aging population
- Changes in purchasing behavior and lifestyle patterns due to the digitization of the purchasing process and means of information gathering
- Decline in working population
- Growing needs due to increasing healthy life expectancy
- Increase in the number of people in need of nursing care in a society where longevity is the norm
- Responding to COVID-19
- Economic and population growth in emerging countries
- Improvement in living standards due to economic growth
- Increasing global awareness of environmental conservation
- Zero-carbon society
- Plastic-free movement (reduction of marine plastic)

Initiatives Aimed at Solving Social Issues

D Dedication to Manufacturing

(1) Sustainable innovation

- Provide products that meet consumers' needs through flexible production system
- Maintain stable supply system through development of product value chain



A Bonds with Local Communities

(1) Comfortable lifestyle (2) Harmonious growth with local communities

- Grow in harmony with local communities
- Create employment and develop communities



I Corporate Culture Providing Safety and Motivation to Work

(1) Provision of people-friendly services

- Provide support for stress-free nursing care activities with *Gambaranai Kaigo-seikatsu o Kangaeru Kai*
- Develop and provide products to respond to COVID-19 and large-scale disasters



(2) Abundant lifestyle

- Improve employee satisfaction
- Achieve accident-free workplaces

O Contribution to the Global Environment

(1) Provision of environment-friendly products

- Develop and sell products that reduce plastic waste
- Develop applications for cellulose nanofiber (CNF) and increase sales

(2) Passing on a healthy Earth to the next generation

- Reduce CO₂ emissions from fossil fuel energy sources
- Achieve zero emissions
- Increase use of hard-to-recycle recovered paper
- Forestry business



Customers



High-quality, high value-added products and services

Employees and their families



Safety-first workplace environment

Suppliers



Grow together

Local communities



Lifestyle, industrial and cultural development

Shareholders and investors



Stable dividend

Shaping an abundant and affable future for the world

Message from the President



ALWAYS
MOVING
FORWARD

Masayoshi Sako

President and
Representative Director

Toward Achievement of Our Long-Term Vision

Net sales of
¥800 billion
to **¥1 trillion**
in FY2026

Home and Personal
Care (H&PC) Business
net sales ratio of
50% or more

H&PC overseas
business net
sales ratio of
30% or more

Since its founding, the Daio Paper Group has grown as a full-range paper manufacturer while expanding its business operations by flexibly responding to changes in its business environment.

Moving forward, the Group will continue to pursue further growth strategies and the transformation of its business structure amid rapid changes in the business environment. Through this, the Group seeks to achieve sustainable growth so as to realize its management philosophy of “Shaping an abundant and affable future for the world” through initiatives that contribute to the Sustainable Development Goals (SDGs).

Flexibly Responding to Changes in the Business Environment and Pursuing Radical Structural Reform

In recent years, the papermaking industry has been undergoing a period of major structural transformation. For the Daio Paper Group to provide a variety of value to society and continue to be an attractive company for its stakeholders amid this trend of the times, it is essential to radically reform its business structure. As such, the Group has adopted the following as its long-term vision: “To strategically reform its business portfolio and become a sustainable corporate group capable of continuous growth.” For this reason, we are pursuing multifaceted initiatives to achieve our targets for FY2026: net sales of ¥800 billion to ¥1 trillion, 50% or more of which will be generated by the H&PC Business and 30% or more from H&PC overseas business.

The crux of our strategy is the Mishima Mill, the Group’s core paper mill, which is located in Shikokuchou City, Ehime Prefecture. Its strengths, such as its ability to manufacture kraft pulp with a competitive edge, its recovered paper processing technology that is top-tier in Japan, and its strategic location next to an international trade port, have enabled us to implement our key measures. We are making full use of these comparative advantages in infrastructure to respond to changes in demand trends and firmly pursue a radical cross-business structural reform of the Paper and Paperboard Business and the H&PC Business.

Review of FY2019: Achieved Increases in Sales and Income Amid Harsh Business Conditions

In the fiscal year ended March 31, 2020 (FY2019), uncertainty about the future of the global economy increased due to the prolonged U.S.-China trade friction and other factors. At the same time, in Japan, it was a year marked by major changes in the business environment, including the occurrence of a series of natural disasters and the change in consumer sentiment following the consumption tax rate hike, as well as the impact of the spread of COVID-19 from early 2020. Looking at the papermaking industry, domestic demand for paper and paperboard in 2019 was down 3.6% and 1.9%, respectively, from the previous year and totaled 25.36 million tons (down 2.8% compared with the previous year).

Under these circumstances, in FY2019—the second year of our Third Medium-Term Business Plan, “Move on: Reform and Soar Above”—we proactively implemented strategies with a view to medium- to long-term growth while responding to rapid changes in the external environment.

With regard to the Paper and Paperboard Business, we rebuilt the N7 paper machine at the Mishima Mill into a machine for containerboard, for which there is strong demand. The rebuilt machine has been in operation since April 2020. In addition, we worked on pushing through price revisions for paper and paperboard, and on reducing costs by increasing the ratio of hard-to-recycle recovered paper pulp used in containerboard manufacturing.

With regard to the H&PC Business in Japan,

Message from the President

our focus has been on stable supply as we strengthen the production and sales structure for household paper products, demand for which is increasing at a remarkable rate. The first household paper machine at the Kawano Mill, which is adjacent to the Mishima Mill, has been in operation since September 2018.

In H&PC overseas business, we laid the foundations for the future such as by pursuing a multi-category business expansion strategy as we started to sell premium toilet roll in China, by realigning our distributor structure in Indonesia and Thailand, by strengthening activities in Turkey and by opening a representative office in Russia.

As a result of these efforts, in FY2019, we achieved net sales and operating profit of ¥546.4 billion and ¥30.6 billion respectively, both exceeding the previous fiscal year, and profit of ¥19.2 billion, a record high. The structural reforms are progressing steadily, and it is evident that our ability to respond to changes in the environment has improved significantly. However, our focus is nonetheless on achieving the goals for the final year of our medium-term business plan, and my concern is on making steady progress, step by step, by means of corporate management that is mindful of continuity rather than singular events.

Responding to Changes in the Business Environment, Including COVID-19

The COVID-19 pandemic has had a tremendous impact on the economy as well as society, and the business environment surrounding the Group has undergone significant change. Amid declining demand for paper due to the advancement of digitalization and other factors, the impact of COVID-19 has been greater than expected, and we believe that the decline in demand is occurring at a pace several years faster than initial projections.

On the other hand, new business opportunities are emerging as the needs for H&PC-related products are diversifying due to changes in lifestyles and heightened hygiene consciousness stemming from the COVID-19 pandemic. Through flexible and prompt response, the Group aims to capture these business opportunities under its basic policy regarding structural reform: “to repurpose kraft

pulp with a competitive edge to manufacture paper grades with growing demand or high value-added paper grades.” Furthermore, as the leading manufacturer of household paper products in Japan, our flexible and prompt response holds great significance in terms of fulfilling our social responsibilities too.

To that end, we are implementing three measures.

The first involves strengthening the supply of paper towels. In response to the rapid increase in both demand from corporations, such as offices and commercial facilities, and demand from households, we decided to install a new dedicated papermaking machine and converting equipment for paper towels at our core mill, the Mishima Mill. Full operation is scheduled to begin in July 2021.

The second measure is to meet the needs for products for cleaning with wipes. We are working to expand and reinforce our facilities to meet the nationwide shortage of sanitizing wet tissues brought about by the switch from cloths to disposables and the demand to wipe and clean outside the home.

The third measure is the start of domestic production of disposable face masks. In April 2020, we installed and started operating a state-of-the-art mask production machine at Elleair Product’s Tochigi Mill (in Sakura City, Tochigi Prefecture), and in June, we installed and started operating a second unit. With a monthly production capacity of 26 million masks, we will contribute to stabilizing the supply of masks for retail and for institutions and corporations.

Review of the First and Second Medium-Term Business Plans and Progress with the Third Medium-Term Business Plan, “Move on: Reform and Soar Above”

Since 2012, the Group has been formulating a medium-term business plan every three years to flexibly respond to various management issues that arise from changes in its operating environment and to sustainably increase its corporate value. The Group’s long-term vision is “To strategically reform its business portfolio and become a sustainable corporate group capable of continuous growth” and we strive to achieve it by formulating and executing a

We will respond to the diversifying needs brought about by changes in lifestyles following the spread of COVID-19.



15-year growth strategy, spanning from the first to the fifth medium-term business plans. Each business plan is devised by envisioning our ideal form of business in the medium to long term, and conceiving what should be done at that point in time to realize that vision.

Under the First Medium-Term Business Plan, “Restart—Solid Reform and Further Growth” (FY2012 to FY2014), we declared the rebuilding of our management base as our priority issue and focused on strengthening governance and improving our financial position to, as its slogan suggests, start over as a newborn Daio Paper. Under the Second Medium-Term Business Plan, “Step-up—Leap and Expand” (FY2015 to FY2017), we worked to expand globally by broadening the foundation we built under the First Medium-Term Business Plan. By expanding the H&PC Business in Japan and overseas while accelerating changes in business structure through M&A and other means, we laid the groundwork for future growth.

Under the Third Medium-Term Business Plan, which is currently under way, we are aiming to bring the results of the past to fruition and to develop a strong corporate structure that can respond to sudden changes in the external environment. To that end, we are deploying the following key strategies.

The first is the structural reform of the Paper and Paperboard Business. In anticipation of changes in the demand structure for paper and newsprint, we have been steadily shifting from graphic paper to packaging paper by making full use of the advantages of the Mishima Mill. The containerboard produced by the N7 machine—the containerboard machine which was rebuilt from a paper machine and which started operating from April 2020—will mainly be exported to China and other Asian countries.

To facilitate that, we are developing a sales structure that regards Japan and Asia as one market. Meanwhile, in the paper business, we are expanding the scale of the business by acquiring printing companies to strengthen the business through the integration of our paper and printing operations.

The next key strategy involves the global expansion and the strengthening of the profitability of the H&PC Business. In the domestic H&PC Business, we will continue to strengthen our production capacity and structure, which we have been doing since the Second Medium-Term Business Plan. In addition, we are expanding our lineup of value-added products to establish our position as No.1 in terms of market share in all categories, such as facial tissue, toilet tissue and kitchen paper. In the H&PC overseas business, amid intensifying competition in each country, we are leveraging the brand equity established through our baby diaper business in those countries to speed up multi-category business expansion with the goal of turning the business into a growth driver. This will be achieved by diversifying our product offerings, such as by adding household paper and feminine care products.

We have also made progress with new businesses, which will lead on to the fourth and fifth medium-term business plans. In July 2020, we launched a biomass power generation business that utilizes the feed-in tariff (FIT) scheme. We are also planning to accelerate efforts toward commercializing cellulose nanofiber (CNF)*, a wood pulp-derived, highly functional material.

*Cellulose nanofiber (CNF): A wood pulp-derived, highly functional material that is only one-fifth the weight of steel but possesses five times its strength and that is expected to be used in diverse applications

The Keys to Achieving Our Long-Term Vision: Integrated Operations and Globalization

The keys to achieving our long-term vision are the deployment of integrated operations and the globalization of our business.

The term “integrated operations” carries many meanings. The first meaning involves the integrated operations of production and sales. We believe that in order to survive in the harsh business environment, it is essential for our workers at the mills and factories—our production sites—and those who are at the forefront of sales—our sales staff—to think from each other’s perspectives, detect the waves of change and proactively take action.

The second meaning involves integrated operations across businesses: the Paper and Paperboard Business and the H&PC Business, the overseas business and domestic business, and even across smaller divisions. To create new growth opportunities and avoid missing opportunities, we have to work to optimize our operations by doing away with organizational and hierarchal barriers so that we are free to utilize both vertical and horizontal connections within the organization to advance our business. The third and last meaning is integrated operations in terms of business matching. The integration of the paper and printing businesses is one example. Since the Second Medium-Term Business Plan, we have welcomed several printing companies into the Group through M&A and have been working to integrate operations of the paper and printing businesses. The main motive behind this strategy is to enable the Group to quickly detect changes in the market, such as demand trends,

like a radar. As a paper manufacturer, it is important for us to ascertain how paper is being used and grasp other factors, and I think that this will turn into an advantage that will help to set us further apart from our competitors.

Given that domestic demand is declining at a quicker pace than ever before, globalization is an indispensable strategy for the Group to continue growing sustainably. We have already achieved some results in Asia. Moving forward, we seek to expand our geographical coverage, such as to include Turkey and its neighboring countries, as well as South America with a focus on Brazil, and we shall deploy our unique, built-in-Asia business model there. To gain a foothold into the region, we acquired the Turkish hygiene products manufacturer, Özen A.S. in May 2020 and the Brazilian sanitary goods manufacturer, Santher S.A. in June. We plan to realize synergy effects with both businesses in their respective countries first by applying the know-how we have cultivated in the Japanese and Asian markets. At the same time, we plan to develop these businesses into regional bases with an eye to entering the markets of neighboring countries and regions, such as Russia, the Middle East and Africa.

In the years ahead, as we expand our geographical coverage in the area, we ultimately hope to eventually expand into Northern Africa from Turkey, and into Southern Africa from Brazil to cover the whole of Africa.

Initiatives toward SDGs Underlying the Group’s Sustainable Growth

The Group is implementing sustainable management to realize its management philosophy of “Shaping an abundant and

affable future for the world.” By working to solve a range of environmental and social issues through our business, we aim to co-create value with society and build relationships of trust with our stakeholders. We believe that the realization of our management philosophy is in line with the principles behind the SDGs, which aim to solve social issues.

One of our top priorities is to tackle climate change. Under a medium- to long-term plan, we are implementing four mainstay initiatives: (1) energy transition, (2) material transition, (3) energy saving and (4) forestry business.

Toward energy transition, we are using waste plastics and other waste materials as fuel, and we are promoting the conversion from coal to biomass fuel. By 2030, we will shut down one of the three coal-fired boilers at the Mishima Mill, and we aim to completely phase out the use of coal by 2050.

Next, we will work to reduce CO₂ emissions across product life cycles through material transition. We are working to take advantage of CNF’s lightweight and high-strength properties to reduce the weight of automobiles, which will improve fuel efficiency and therefore contribute to CO₂ emission reductions. In addition, as paper is suitable for recycling, we are also working to supply paper materials as alternatives to plastic materials, such as *EliPla+*, which is suitable for disposable cutlery, and heat-sealable, oil-resistant paper, which can replace laminated paper.

Concerning energy saving, the entire Group is working toward the goal of reducing energy consumption per unit by 1% every year. Also, as hard-to-recycle recovered paper is conventionally unused and has been disposed of as waste, we plan to increase its usage, with a goal of raising the ratio of hard-to-recycle recovered paper pulp in containerboard to 30% by FY2030.

Lastly, we are also working to increase CO₂ absorption and fixation through our forestry business in Chile.

As a priority on the social front, we are working on measures to improve quality of life (QOL) to realize a healthy and long-lived society. Amid advances being made toward an inclusive community-based society in Japan, we are operating a community site (“Long-term care circle created by everyone”), which provides a forum for people involved in long-term care to interact on the Internet, and we are also supporting child-rearing together with

Ehime Prefecture and Shikokuchuo City. Meanwhile, we are working to coexist with local communities in Japan and overseas. We contribute to communities overseas through initiatives such as the Heart Support Project, which gives support to empower women in Kenya, a market Daio Paper has yet to enter. We also support working mothers by offering highly absorbent baby diapers that require less frequent changing to suit the different living conditions in each country.

Internally, our priority issue is to create a safe and rewarding corporate culture, and to that end, we are focusing on diversity and inclusion (D&I) as well as health management initiatives.

Finally, we will continue to further develop and strengthen our governance. We have started evaluating the effectiveness of the Board of Directors, introduced a stock-based incentive system for officers and strengthened the supervisory function by establishing compliance, remuneration and nomination committees.

To All Our Stakeholders

The Company places top priority on the return of profit to shareholders. Its basic policy is to continue to pay stable dividends, while taking into consideration factors such as the status of business and the sufficiency of retained earnings.

With regard to our future finance and capital strategies, we will conduct a thorough review of our investment plans in light of the impact of the economic slowdown caused by the spread of COVID-19. We aim to limit investments to within the scope of depreciation expenses, and we will prioritize necessary investments that strengthen the Company’s profitability and for structural reform. We will also focus on strengthening our financial position with a goal of achieving A credit rating in FY2023, the final year of the Fourth Medium-Term Business Plan.

Although the goals of our long-term vision are set at high levels, we will strive to achieve those goals through integrated Group operations, embodying the Company’s founding spirit and our credo: “Passion with sincerity leads to greatness.”

On behalf of the Company, I would like to extend my thanks to all of our stakeholders and we sincerely look forward to your continued and unwavering support.

In response to changes in the environment, we are firmly pursuing the radical cross-business structural reform of the Paper and Paperboard Business and the H&PC Business.

Roadmap to Realizing the Long-Term Vision

In 2012, the Group made a fresh start as a restructured Daio Paper Group and set out its long-term vision with a target of the fiscal year ending March 31, 2027 (FY2026), 15 years into the future. The Group will realize the long-term vision by working on various growth strategies and structural reform measures under its medium-term business plans.

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

“Restart—Solid Reform and Further Growth”

(1) Rebuilding of Business Foundation and Growth Strategy

Revamping of governance structure, integrated management and operation of production and sales, achievement of higher efficiency through merger of organization and Group companies as well as improvement of financial strength.

(2) Improvement of Profitability of Paper Business through Cost Reduction and Structural Shift of Product Mix

Reduction of pulp costs by increasing kraft pulp production, structural shift of product mix, reduction of logistics costs, increase of profitability with the involvement of every member of the Company through a flag system (a bottom-up suggestion/feedback tool) and best practices.

(3) Strengthening of Containerboard and Corrugated Container Business

Merger and integrated operation of corrugated cardboard subsidiaries, relocation of paper machine from Kani Mill to Iwaki Daio Paper and rebuilding it into a containerboard machine.

(4) Expansion of Home and Personal Care (H&PC) Business

Improvement of profitability of household paper products (shift to high value-added products), strengthening of domestic absorbent products business and strengthening of absorbent products business in Asia (establishment of EIT [Thailand] in 2011, EICN [Nantong, China] in 2012 and EIMI [Indonesia] in 2014).

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

“Step-up—Leap and Expand”

(1) Structural Shifting of Paper Business

Shift of product mix to maximize profit, acquisition of Miura Printing and integration of its operations with Daio Printing Corporation.

(2) Strengthening of Containerboard and Corrugated Container Business

Start of operation of No. 3 paper machine at Iwaki Daio Paper, strengthening of proposal activities to regional users following merger of corrugated cardboard subsidiaries, joint proposals of corrugated containers and paper containers enabled by integrated operations with the acquired Daiwa Shiko.

(3) Further Growth and Acceleration of H&PC Business

Increase of market share for household paper products through the acquisition of Nisshinbo Holding's paper products business, increase of sales of high value-added products leveraging strength of Elleair brand and expansion of domestic supply capacity for absorbent products through start of operation of Elleair Product's Fukushima Mill.

(4) Development of New Businesses/ Cellulose Nanofiber (CNF)

Expansion of CNF product lineup through start of operation of pilot plant for production of dry powder type CNF.

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

“Move on: Reform and Soar Above”

(1) Radical Cross-Business Structural Reform of Paper and Paperboard Business and H&PC Business

Operation of KN1 sanitary paper machine in October 2018 in Kawanae Mill, rebuilding of N7 containerboard machine—which was repurposed from a machine for paper—to produce containerboard and its start of operation in April 2020, expansion in exports of containerboard and kraft paper to Asian markets as well as strengthening of cost competitiveness through use of hard-to-recycle recovered paper.

(2) Global Expansion and Strengthening of Profitability of H&PC Business

Expansion in sales of premium toilet tissue in China, expansion of overseas business through acquisitions in Brazil (Santher S.A.) and Turkey (Özen A.S.) and strengthening of domestic supply capacity for masks, wet wipes and paper towels.

(3) New Businesses

Commencement of biomass power generation business using feed-in tariff (FIT) scheme in July 2020 and efforts toward commercialization of CNF (as material for table tennis rackets by Tamasu Co., Ltd., as materials for electric vehicle [EV] racing cars, etc.).

Long-Term Vision

(FY2012–FY2026)

Management Philosophy

“Shaping an abundant and affable future for the world”

The Group set targets to be achieved in FY2026 as milestones aimed at achieving its management philosophy. The targets are net sales of ¥800 billion to ¥1 trillion, with 50% or more contributed from the H&PC Business and 30% or more from the H&PC overseas business. Moreover, by backcasting from these targets to identify the necessary actions that are then incorporated into three-year medium-term business plans, the Group has increased the likelihood of it achieving these targets.

The Group strives to increase its corporate value through sustainable growth by establishing a stable earnings base to enable a viable growth investment strategy. It seeks to do so by pursuing globalization in its business as well as structural reform to adapt to changes in the business environment.

		The First Medium-Term Business Plan		
		FY2012	FY2013	FY2014
Consolidated net sales	(Billions of Yen)	407.4	430.1	450.2
H&PC overseas business net sales	(Billions of Yen)	10.7	13.1	22.2
H&PC overseas business net sales ratio	(%)	2.6	3.0	4.9
Operating profit	(Billions of Yen)	11.6	16.0	21.8
Operating margin	(%)	2.8	3.7	4.8
Profit attributable to owners of parent	(Billions of Yen)	15.1	6.3	13.2
Equity	(Billions of Yen)	97.1	109.8	154.5
ROE	(%)	16.8	6.1	10.0
Net interest-bearing debt	(Billions of Yen)	363.5	331.8	292.5
Net debt to equity ratio	(Times)	3.7	3.0	1.9

			The Second Medium-Term Business Plan			The Third Medium-Term Business Plan			Long-Term Vision
			FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 (Plans)	FY2026 (Plans)
			474.1	477.1	531.3	533.9	546.4	565.0	¥800 billion–¥1 trillion
			25.1	31.8	41.1	34.5	34.5	65.0	—
			5.3	6.7	7.7	6.5	6.3	11.5	30% or more
			24.3	23.5	11.1	12.1	30.6	32.0	¥80 billion–¥100 billion
			5.1	4.9	2.1	2.3	5.6	5.7	10%
			14.6	12.1	4.0	4.7	19.2	14.5	—
			163.1	176.5	178.0	185.6	199.1	—	—
			9.2	7.1	2.2	2.6	10.0	6.5	12% or more
			281.5	255.1	280.0	301.9	285.4	320.0	—
			1.7	1.4	1.6	1.6	1.4	1.4	Less than 1.0x

Overview of the Third Medium-Term Business Plan (FY2018–FY2020)

Under the Third Medium-Term Business Plan “Move on: Reform and Soar Above,” the Daio Paper Group is strategically transforming its business portfolio and further globalizing its business to become a corporate group capable of continuous growth.

The Third Medium-Term Business Plan

“Move on: Reform and Soar Above”

1. Radical cross-business structural reform of Paper and Paperboard Business and Home and Personal Care (H&PC) Business

- Shift from graphic paper to packaging paper and household paper products
- Increase export of containerboard and kraft paper to Asia
- Operation of new household paper machine at Kawano Mill

2. Global expansion and strengthening of profitability of H&PC Business

- Household paper business expansion
 - Domestic: Strengthen supply structure and establish dominant No.1 position in market share
 - Overseas: Accelerate multi-category business expansion with household paper and absorbent product
- Absorbent products business expansion
 - Domestic: Develop products and implement initiatives to address social needs
 - Overseas: Expand sales area and channels and accelerate multi-category business expansion

3. New businesses and SDGs initiatives

- Early commercialization of cellulose nanofiber (CNF)
- Launch of biomass power generation under the feed-in tariff (FIT) scheme (launched in July 2020)

Focus

Acceleration of Export of Packaging Paper

April 2020: Start of operation of N7 containerboard machine at Mishima Mill



▶ Export and sell to China and Asian countries where there is strong demand

Export sales: Approx. **24,000** t/month

Further Globalization of Our Business

May 2020: Acquisition of Özen A.S. in Turkey
June 2020: Acquisition of Santher S.A. in Brazil

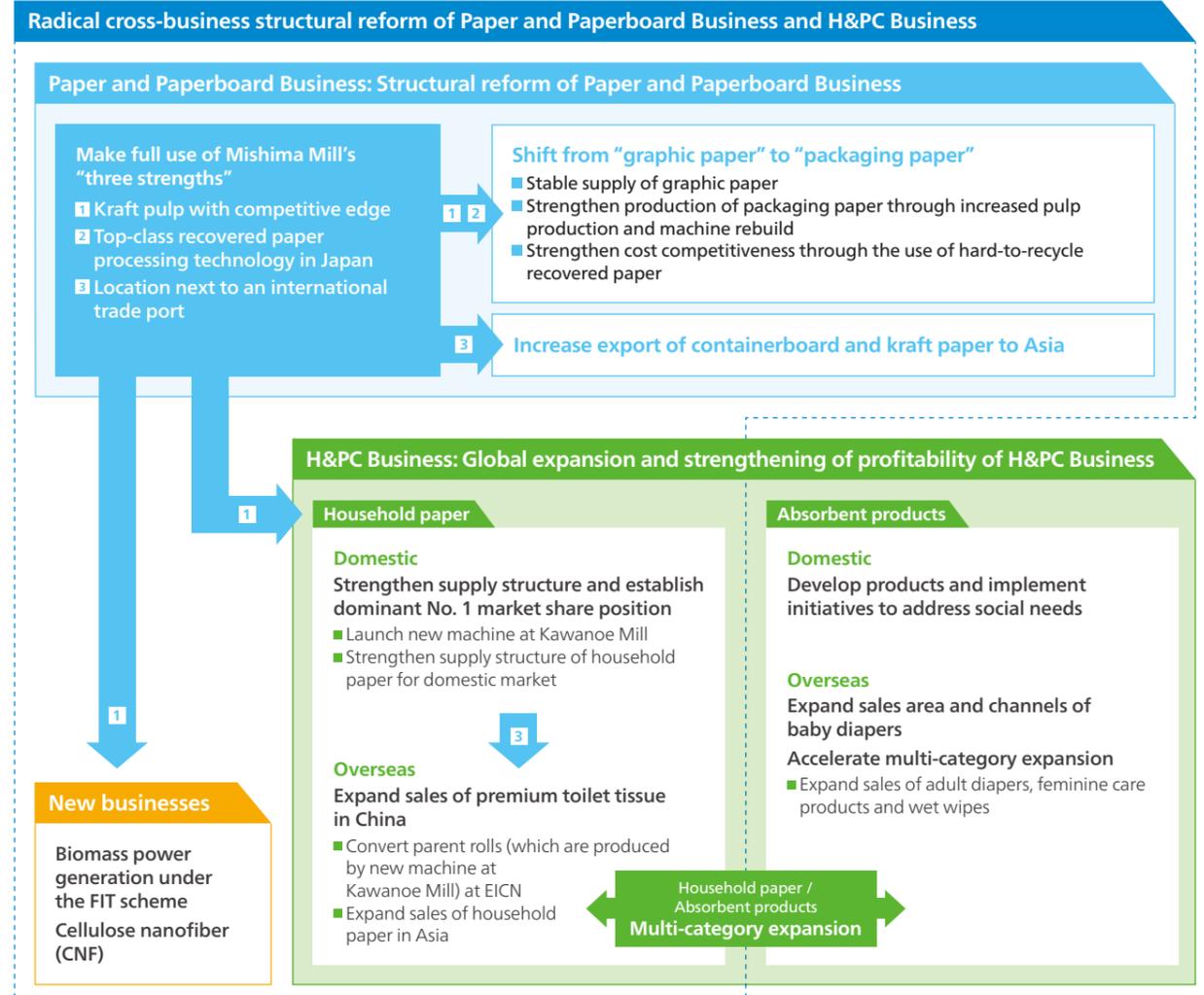


▶ Aim to expand business from Turkey and Brazil to their neighboring countries

Aim for overseas net sales composition of **30** % in FY2026

The Big Picture of the Key Strategies

The Daio Paper Group will make the shift from graphic paper to packaging paper and household paper through a radical cross-business structural reform of Paper and Paperboard Business and H&PC Business and strengthen its production and sales structures. In addition, Daio Paper will establish a resilient corporate structure by leveraging its unique business portfolio of both absorbent products and household paper to carry out a multi-category strategic expansion of the H&PC overseas business.



Net Sales and Operating Profit Results and Outlook by Segment

Paper and Paperboard Business



H&PC Business



Progress with the Third Medium-Term Business Plan

Paper and Paperboard Business

Newsprint and Paper Business



Opportunities and Risks

- Acceleration of a worldwide shift toward paperless solutions due to the impact of COVID-19
- Decrease in demand for office paper due to the increase of remote work
- Increase in quality requirements related to overall decrease in demand



Key Strategies

- Develop new products in response to changes in demand and establish new sales methods
- Further strengthen paper business by becoming a one-stop source
- Strengthen competitiveness through strategic collaboration between Group printing companies

Message from the General Manager of the Business Group

Executing market-driven sales strategies and firmly capturing demand while advancing structural reform in response to changes in the demand structure

Tetsuya Kawabata
Executive Officer
General Manager of Newsprint and Paper Business Group,
Paper & Paperboard Unit



As factors such as the progression of digitalization continue to drive changes in paper's demand structure, paper demand is shrinking at an even faster rate with the COVID-19 pandemic worsening the situation. In particular, the impact on graphic paper, such as newsprint and printing paper, was greater than expected, and among these, the demand for paper for magazines and catalogs was hit the hardest.

In light of such changes in the business environment, our policy is to move ahead with the shift from graphic paper to packaging paper, which is one of the main strategies of the Third Medium-Term Business Plan.

To go into further detail, the Mishima Mill—Daio Paper Group's core paper mill—is capable of producing a wide variety of paper grades. We will leverage that strength to repurpose machines and rationalize production according to market demand, while improving productivity by consolidating paper machines and product offerings. We will also follow through with our unique sales style, embodied by our slogan: "what is made by Daio is sold only by Daio sales representatives." Here at Daio Paper, we value a direct connection with our customers. By having each and every sales representative connect with and identify the real needs

of customers, we can develop products that meet demand. Furthermore, we will not stop at being a supplier of materials. We are reforming our sales proposals to also suggest additional applications and finished products incorporating our materials.

With regard to the paper business, where the environment is even more severe, we are strengthening the downstream printing business and enhancing profitability by integrating operations of the paper business and the printing business. By sharing know-how and doing joint proposals with solutions from each Group printing company's specialty fields, we will tap into and secure new demand, and work to strengthen our competitiveness by improving in-house production rate and consolidating facilities and organizations.

The demand trend for paper in the years ahead remains uncertain, but it is reasonable to think that we cannot expect a significant recovery even after the COVID-19 pandemic is over. However, even in a shrinking market, there are always opportunities. We will figure out how best to leverage our competitive advantage to make profits and survive in the face of declining demand, and put into effect a bold growth strategy that is in keeping with the trends of the times.

Industrial Paper and Containerboard Business



Opportunities and Risks

- Booming demand in China and Asia, where economic growth continues
- Further acceleration of structural reform through the integration of containerboard and corrugated container production
- Increasing demand for paper materials to replace plastics



Key Strategies

- Increase sales by functioning as a one-stop source for containerboard solutions
- Expand globally by leveraging the competitive advantages of Mishima Mill
- Focus on development and sale of environment-friendly paper materials and paper products, and expansion of lineups for such products

Message from the General Manager of the Business Group

Promoting the shift to packaging paper while focusing on the development and sale of paper materials that are in keeping with current trends

Atsushi Ishida
Senior Executive Officer
General Manager of Industrial Paper and Containerboard Business Group,
Paper & Paperboard Unit



The Group has long been promoting structural reforms in its Paper and Paperboard Business in anticipation of changes in the demand structure, such as for paper and newsprint, under the policy of maximizing utilization of the Mishima Mill's infrastructure.

In March 2020, we completed rebuilding the N7 paper machine into a containerboard machine, and operations started in April as planned. While we started sales under a harsh environment due to the impact of the COVID-19 pandemic, sales are going well as a result of our unique field activities. These include proposing "one-stop delivery" solutions that are possible because we can stably supply all types of containerboard from a single mill, as well as solutions that do not rely on pricing to set Daio Paper apart from other companies and meet changing needs. For export, we developed high-performance products (such as linerboards with high burst strength) by visiting foreign corrugated container companies to directly find out their needs. As a result, we achieved full production within three months of operation. In the years to come, we intend to strengthen our competitiveness, including in terms of quality and distribution costs, in order to meet the demand from Japan

and also the strong demand from China and other Asian countries, thus further expanding sales and improving profitability.

With regard to the wrapping and packaging paper business, we anticipated that more companies would make the switch to paper materials due to the current plastic-free movement and because Japan started requiring retailers to charge their customers for plastic bags in July 2020. Due to the COVID-19 pandemic, however, demand for shopping bags and other items has declined, stagnating current business performance. Nevertheless, I believe that Daio Paper has the weapons that will enable us to put up a good fight even under such difficult circumstances. One such weapon is that we are capable of providing a "total packaging" solution that offers an assortment of all kinds of wrapping and packaging paper. Furthermore, instead of selling paper merely as a material, we will focus on developing and selling paper as a product, adding value to paper by emphasizing its environment-friendly properties and converting it into finished products such as cutlery or clothes hangers. In the years to come, we would like to boost in-house production for such finished products.

Progress with the Third Medium-Term Business Plan

Home and Personal Care Business

Domestic Business



Opportunities and Risks

- Shrinking market for household paper/absorbent products due to the population decline (declining birthrate and aging population) in Japan
- Heightened hygiene consciousness during/after the COVID-19 pandemic
- Changes in social structure due to the COVID-19 pandemic



Key Strategies

- Evolve the Elleair brand, strengthen market share and maintain top market position in domestic household paper products (facial tissue, toilet tissue, paper towels, kitchen towels)
- Accelerate integrated operations (sales, production, development, marketing) in absorbent products business (baby care, feminine care, elder care)
- Develop and increase sales of products with increased added value and products that help mitigate COVID-19 transmissions

Message from the General Manager of the Business Group

Increasing value of the Elleair brand through high value-added products, while quickly and flexibly responding to a business environment transformed by COVID-19

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



The Home and Personal Care (H&PC) Business in Japan has two pillars of business: household paper (such as facial tissue, toilet tissue and kitchen paper) and absorbent products (such as disposable diapers and feminine care products). We are implementing our own sales strategies that value direct connections with the market and consumers.

In FY2019, we had strong sales and high profit. We made steady progress in initiatives in the household paper category: increasing sales of value-added products, price revision, and logistics reforms. Furthermore, factors such as the consumption tax rate hike in Japan, and the COVID-19 pandemic, which led to an increase in demand for hygiene-related products, also contributed to strong business performance.

The foundation for our business growth is our flagship Elleair brand, which celebrated its 40th anniversary last year. Since FY2018, we have maintained a dominant No.1 market share position in all categories of household paper, namely facial tissue, toilet tissue and kitchen paper. To consolidate this position, under the Third Medium-Term Business Plan we are focusing on "expanding the lineup of value-added products."

As the leading manufacturer of household paper, we are acutely aware of our mission to "help address social issues through our business," and thus we are also quickly responding to the diversifying needs caused by the COVID-19 pandemic. In April 2020, we started the domestic production of masks, the supply and demand of which had been tight. Initially, we prioritized the supply of masks to medical institutions and nursing care facilities, but we have now started to supply retail stores. We are also working to stabilize the supply of sanitizing wet tissue products and paper towels, the latter of which is in high demand as facilities are seeking alternatives to hand dryers, and we plan to install new machines at the Mishima Mill and the Kawano Mill in 2021.

For absorbent products, we are in the process of implementing a large number of measures to expand the business. We seek to increase sales of absorbent products by leveraging the brand equity we have established with household paper. We also intend to further strengthen profitability by developing and updating our products to better reflect the needs of our customers and by optimizing our production structure.

Overseas Business



Opportunities and Risks

- Exchange rate fluctuations and geopolitical risks in countries throughout the world
- Competition with global and local manufacturers
- Increasing demand for personal care products in regions with relatively high economic growth potential



Key Strategies

- Pursue multi-category business expansion and realignment of distributor networks in countries where Daio Paper already has a presence
- Establish foundation to further expand business of acquired companies
- Conduct research on potential new markets

Message from the General Manager of the Business Group

From Asia to the world, toward sales of ¥300 billion and operating margin of 10% in the Fifth Medium-Term Business Plan

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



In FY2019, we acquired a hygiene products manufacturer in Turkey and a paper and hygiene products manufacturer in Brazil, meaning we have production and sales bases in China, Southeast Asia, the Middle East and North Africa, and South America.

In China, we have established certain market positioning by enhancing our product lineup in the premium zone through local production for local consumption. Hereafter, we will review the product lineup to suit each business type and area to further enhance our presence. Hygiene awareness is also rising, so, compounding on toilet tissues that disintegrate well and can be safely flushed, we will add wet wipes and healthcare-related products to our lineup and advance our multi-category business expansion strategy.

In Thailand, we have realigned our distributor network, from using a single, main distributor to using multiple, regional distributors. Currently, we are working to strengthen our sales activities nationwide as the realignment has enabled detailed business negotiations and distribution activities with not only major retail chains headquartered in the capital city, but also with local general stores and shops that sell baby products. To advance the multi-category business expansion strategy, we aspire to expand our current lineup of baby diapers, wet wipes and other locally produced products with household paper

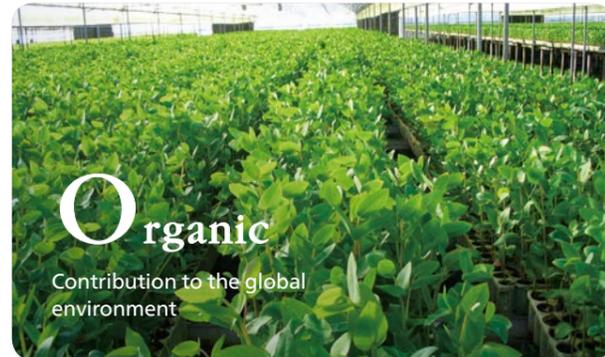
products such as toilet tissue, as well as to enhance the lineup of alcohol-based wet wipes since demand is expanding. We also aim to increase export sales from the Thai base to Myanmar, Cambodia and other under-tapped markets in the region, in addition to Vietnam, Malaysia and the Philippines.

In Indonesia, we are concentrating on sales on the Java and Sumatra islands, which account for 80% of local demand, and are fully utilizing our multiple distributor network to expand sales. This network allows us to tailor our product proposals and store follow-up activities to the demand structure of each region and channel, such as minimarkets, shops that sell baby products, traditional shops (*warung*) and e-commerce.

As noted, in 2020, we acquired two companies: Özen A.S. in Turkey and Santher S.A. in Brazil. First, our goal is to expand our business in Turkey and its neighboring countries, and in South America through the acquired companies. Hereafter, we are aiming to expand into Africa with Turkey and Brazil as footholds.

The Group respects the culture, religions and customs of each country, and we aspire to empower the local employees of our foreign subsidiaries to lead initiatives. We also dutifully contribute part of our profits back to the local community through local community initiatives.

SDG Initiatives



Realization of the Management Philosophy through Business Activities

The Daio Paper Group's management philosophy is "Shaping an abundant and affable future for the world." To achieve this philosophy, we established DAIO (Dedicated, Attentive, Integrated, Organic) as our four pillars as well as set out the Daio Paper Group's Code of Conduct to help us advance our initiatives. We will contribute to the SDGs by building trusting relationships with all stakeholders, in order to provide products that respond to changing demand trends, to grow in partnership with society as well as to conserve the global environment for the future.

Daio Paper Group's Principal Value Creation Activities

Four Pillars of the Management Philosophy	Daio Paper's Principal Value Creation Activities	Code of Conduct	SDGs
D Dedicated Dedication to manufacturing	<ul style="list-style-type: none"> Flexible production systems Thorough quality management Highly transparent procurement process Research and development that creates new value 	<ul style="list-style-type: none"> Sustainable Growth Environmental Awareness Trusted Manufacturing Integrity and Compliance 	
A Attentive Bonds with local communities	<ul style="list-style-type: none"> Responding to declining birthrate and aging society Enriching lifestyles of people around the world Sustainable growth in partnership with local communities 	<ul style="list-style-type: none"> Regional Awareness Sustainable Growth Contribution to the Global Society Environmental Awareness 	
I Integrated Corporate culture providing safety and motivation to work	<ul style="list-style-type: none"> Self-directed human resource development Promoting diversity Health and productivity management 	<ul style="list-style-type: none"> Regional Awareness Diverse Management Contribution to the Global Society Integrity and Compliance Trusted Manufacturing Safe Workplaces 	
O Organic Contribution to the global environment	<ul style="list-style-type: none"> Aiming for a low-carbon society Aiming for recycling-oriented society Aiming for a society that coexists in harmony with nature 	<ul style="list-style-type: none"> Sustainable Growth Integrity and Compliance Environmental Awareness Contribution to the Global Society 	

The Daio Paper Group's Code of Conduct



Trusted Manufacturing

Supply high-quality and value-added products and services. As a manufacturer, we are most familiar with our customers' needs around the world. So, what is made by Daio is sold only by Daio sales representatives, continuing in our founder's spirit and giving us a direct connection to our customers to serve their needs and build trust.



Regional Awareness

Be good corporate citizens and earn the trust of the world where we work. We will take part in activities that contribute to society, including volunteer work, sporting events and cultural activities, to grow together with the countries and regions and contribute to growth and development.



Integrity and Compliance

Act with integrity and comply with social norms and regulations along with laws and ordinances. We will strive to be a company trusted by society, and we consider ethical matters among our top priorities, always following our "Employee Code of Ethics."



Contribution to the Global Society

Respect the laws of each country and region as well as international standards. We will conduct all corporate activities with consideration for cultures and customs while championing the advancement of lifestyles, industries, and cultures around the world.



Sustainable Growth

Respond to all our stakeholders' needs, including customers, partners, shareholders, society and the global community. We will be agile and flexible to respond to sudden changes in the management environment, and we will work to grow our business in a way that is sustainable while strengthening our management foundations.



Safe Workplaces

Work safely and energetically. We will continue to maintain safe and vibrant workplace environments that offer employees challenges and growth potential.



Diverse Management

Respect diversity and personalities of employees and coworkers. We will strive to foster an environment that allows every employee to achieve their highest potential. We nurture employees who reflect our roots as a small company and understand the value of taking on responsibilities outside their sphere of work: The employees who act with consideration, good judgment and proactivity.



Environmental Awareness

Conserve biodiversity and contribute to the global environment. We will aim to reduce CO₂ emissions and promote energy savings and recycling as per the DAIO Global Environment Charter.



Mishima Mill, Daio Paper

Basic Approach

As a full-range paper manufacturer engaged in the production and sale of paper, paperboard and home and personal care products, the Daio Paper Group aims for people-friendly manufacturing in harmony with the environment while providing high value-added products. We will achieve Trusted Manufacturing by

promoting initiatives such as flexible production systems, rigorous quality management, highly transparent procurement processes and research and development that creates new value, in order to be responsive to changing social needs in a broad range of fields.

Flexible Production Systems

The Mishima Mill, the Daio Paper Group's core paper mill, engages in fully integrated production ranging from pulp to paper and containerboard. Its annual production is approximately 2.1 million tons, or some 8% of Japan's total paper and paperboard production. Through the combination of all types of pulp and a variety of paper machines, the Mishima Mill has developed a production and sales structure that can flexibly align to market needs.



Thorough Quality Management

The Daio Paper Group's quality assurance framework that is based on ISO 9001 covers processes ranging from the purchase of raw materials through to the delivery of products. It also has a Quality Assurance Policy that guides its rigorous quality management. In our production of household paper, we have automated systems that inspect all products sheet by sheet and container by container. We also have quality inspectors who examine individual processes and products.

Highly Transparent Procurement Process

The Group procures materials with forest certification, which are materials audited by a third party for their legality, etc. For materials without forest certification, such as thinned wood, the Group investigates the logging areas and distribution channels of all suppliers to confirm that wood has been legally felled.

Research and Development that Creates New Value

The Daio Paper Group works to launch high value-added products with a focus on developing and improving products that fit changing user needs. We also develop new business fields and conduct research and development of new materials. In FY2019, the Group's total research and development expenses were ¥3,043 million.

Please see our website for more details. <https://www.daio-paper.co.jp/en/csr/dedicated/>

PICK UP: 1

Applying Moisturizer Technology of Elleair Lotion Tissue to Disposable Diapers

In October 2020, we launched GOO.N Plus, a disposable baby diaper that focuses on skin sensitivity. Babies' skin tends to dehydrate more easily than adults' and is also more vulnerable to injury. We considered the question of what a diaper can do to help their sensitive skin and came to the answer of infusing diapers with moisturizing agents. To find the best balance for the perfect softness, we went through repeated experiments with different amounts of moisturizing agents and conducted consumer testing with 1,500 subjects. We also adopted a new evaluation method which uses a 3D skin model with academic advice from Professor Hitoshi Masaki of Tokyo University of Technology, who is an expert in skin science. More than two years after conceiving the idea, we finally succeeded in commercializing the product. We say with pride to babies around the world, "This is the gentlest diaper!"



New product: GOO.N Plus with a moisturizing agent

PICK UP: 2

Rebuilding the N7 Paper Machine to Produce Containerboard

We started rebuilding the N7 paper machine in October 2019 into a machine that produces containerboard, for which there is robust demand. The machine conversion was completed on schedule in March 2020, and operations commenced in April. By making use of the infrastructural advantages of the machine, which is one of the most productive in Japan, and the coastal location of the Mishima Mill, we aim to increase exports to markets in China and SE Asia, where steady market growth for containerboard is anticipated.

The N7 machine is one of the most competitive containerboard machines in Japan, and it makes use of the highly cost-competitive pulp and energy of the Mishima Mill. It can manufacture using a high percentage of recovered paper pulp in its raw material and we are applying our advanced production technology and management expertise in its operation. Furthermore, as it makes use of hard-to-recycle recovered paper, which was previously disposed of as waste, as a raw material, it will contribute to the development of a recycling-oriented society.



Mishima Mill N7 machine after being rebuilt into a containerboard machine

PICK UP: 3

EliPla Paper Wins Encouragement Prize (the 29th Global Environment Award)

The 29th Global Environment Award (organized by Fujisankei Communications Group) has given Daio Paper's *EliPla* Paper, a high-density heavyweight paper that is an alternative material for plastic, the Encouragement Prize. *EliPla* Paper draws on Daio Paper's production technology for specialty paperboard that it developed over many years. It possesses both the rigidity required for paper knives and stir sticks as well as outstanding biodegradability, making it an environment-friendly material that is suitable as an alternative to plastic. Marine plastic from illegal dumping has been increasingly recognized as a problem, and initiatives to eliminate plastics are underway in each country. The organizers of the Global Environment Award recognized Daio Paper's efforts to solve such environmental problems and awarded us the Encouragement Prize.

In June 2020, Daio Paper also launched sales of *EliPla+* that has additional water- and oil-resistant properties. Going forward, we will remain dedicated to manufacturing in environment-friendly ways and of environment-friendly products.



Paper knife for *Homare no Jindaiko* (a popular sweet made by Okashino Kobai Corporation in Kumamoto City)



Attentive
Bonds with Local Communities

Heart Support Project

Basic Approach

As a global corporation with sites in eight countries worldwide, the Daio Paper Group aims to be good corporate citizens and earn the trust of the world where we work. Through our business activities, we will coexist in harmony with local communities and actively support local initiatives in order to contribute to local

development. In Japan and overseas, we work to enhance understanding of our business activities and grow harmoniously with local communities by holding plant tours for local residents as well as students and by participating in local communities.

Harmonious Growth with Local Communities

Responding to Declining Birthrate and Aging Population



Improving Quality of Life (QOL)

The Daio Paper Group promotes diverse initiatives to support comfortable lifestyles.

In response to aging population, we are making efforts to support nursing care by providing eldercare products and by providing assistance to the *Gambaranai Kaigo-seikatsu o Kangaeru Kai*, a committee that promotes stress-free nursing care.

In response to declining birthrate, we are supporting child-rearing by establishing "GOO.N Sucusuku House," a facility for employer-provided childcare services, and by cooperating with local governments in their measures to address the declining birthrate.

Enriching Lifestyles of People around the World



For people around the world

It is argued that widespread use of disposable baby diapers and feminine care products could contribute to preventing infectious diseases as well as contribute to women's economic empowerment.

To that end, the Daio Paper Group launched the Heart Support Project, which seeks to create opportunities for people to think about the circumstances of women around the world and act on it.

Sustainable Growth in Partnership with Local Communities



For local communities

We work to enhance understanding of our business activities by holding plant tours for local residents as well as students and by participating in local communities.

In China, approximately 1,500 people per year take part in our plant tours. In Indonesia, we have continued to engage in business activities that are rooted in the community. In particular, to help resolve concerns that mothers have about child-rearing and to provide parenting support, we provided places for them to talk and also conducted visits to local communities.

Please see our website for more details. <https://www.daio-paper.co.jp/en/csr/attentive/>

PICK UP: 1

Responding to COVID-19

In light of the shortage of masks in Japan due to COVID-19, Daio Paper began domestic production of masks in April 2020. As elderly people, in particular, are at high risk of becoming critically ill, and it is difficult to ensure social distancing in environments such as nursing care facilities, we prioritized supply to institutions and facilities requiring large volumes of masks for infection control. We have also taken part in a research project by RIKEN and others that studies the effectiveness of masks using the Fugaku supercomputer, and we intend to apply the results of the research to the development of masks.

We have also boosted production of alcohol-based sanitizing wet tissues as well as paper towels in response to greater awareness of infectious diseases and heightened hygiene consciousness.



Hyper Block Mask



(Left) Non-alcohol-based sanitizing wet tissue (Right) Alcohol-based sanitizing wet towel

PICK UP: 2

Heart Support Project

The Heart Support Project consists of activities by our feminine care brand Elis to support women around the world. We launched the project on International Day of the Girl Child on October 11, 2018, as the following year was the 40th anniversary of the Elleair brand.

In FY2019, we put out a call for social media posts featuring photographs with a heart-shaped motif and the hashtag #ハートサポート2019 ("heart support 2019"). Each post would advocate one out of seven types of programs supporting women's autonomy in Kenya, Africa, and we would carry out all the programs when our goal of 5,000 posts was achieved. In 2019, we reached the upper limit of 5,000 posts (equaling 5,000 programs) within 28 days of the campaign's launch.

In FY2020, we changed the target country of our support to Zambia. While the commencement of the project was postponed from its usual start date of October 11 due to COVID-19, we intend to go forward with the project and support programs as we monitor the local COVID-19 situation.



Fashion show (one of the support programs for the 2019 project in Kenya)

PICK UP: 3

Taking on Challenges to Achieve Dreams

As part of its social contribution activities, which include community-based sports and cultural activities, Daio Paper has been sponsoring the Tokyo Schoolgirls' Rubber Baseball Tournament since the first tournament for the elementary school division in 2012, and the first tournament for the junior high school division in 2015 in order to provide opportunities for girls—who really love baseball—to pursue challenges enthusiastically. Once again this year, many elementary and junior high school students engaged in heated battles to win the tournament.

We also hold the Daio Paper Elleair Ladies Open every November and 2020 marks the 39th tournament. In 2019, Hinako Shibuno won the tournament with over 18,000 spectators in attendance.



Tokyo Schoolgirls' Rubber Baseball Tournament (Elementary School Division), September–October 2020

SDG Initiatives



Integrated

Corporate Culture Providing Safety and Motivation to Work

Diversity training

Basic Approach

Based on its corporate motto and founding spirit "Passion with Sincerity," the Daio Paper Group operates its business with a priority on safety and peace of mind and works to be a company where employees can play active roles in good health and with enthusiasm. We respect the diversity and personalities of each and every

employee, and we will continue to develop as a vibrant and robust corporate group by providing a comfortable work environment that allows every employee to achieve their highest potential and nurturing employees who think, decide and act for themselves.

Growth Spiral



Self-Directed Human Resource Development

Strengthening Education and Career Development Support

With globalization, employee diversity is increasing. We expect to employ approximately 8,000 international individuals by FY2026, and we are boosting language education.

Moreover, in order to encourage each and every employee to think about their own career path independently and grow continuously and ambitiously toward their own career goals, we have strengthened career design training for each age group.

Promoting Diversity

Incorporating New Work Styles

In conjunction with the COVID-19 pandemic, we are working to incorporate new styles of working and enhance the comfort of work environments to enable our employees to be productive regardless of work scheduling and work location.

We incorporated flextime as well as an hourly leave policy that allows employees to take their annual paid leave by the hour. We have also allowed employees to work remotely, such as from home or from shared office spaces.

Health and Productivity Management

Promoting Health

The Health Management Committee, chaired by the Executive Vice President and Representative Director, Toshihiro Adachi, who also serves as the Chief Health Officer (CHO), has a tripartite structure made up of the Company, the health insurance union and the labor union.

Here at Daio Paper, we do not employ a top-down approach to promote health management. Instead, we believe in instilling the essence of health management into employees through diligent, steadfast activities.

Please see our website for more details. <https://www.daio-paper.co.jp/en/csr/integrated/>

Concrete Numerical Targets for Diverse Management and Health Management

Target Percentage of managerial positions filled by women: **5.0%** (By March 31, 2025) Current percentage: **2.2%** (As of September 30, 2020)

Creating a Comfortable Workplace Environment				Improving Lifestyle Habits			
Reduce overtime work				Achieve 100% take-up rate for medical checkups			
2017 (Result)	2018 (Result)	2019 (Result)	2020 (Target)	2017 (Result)	2018 (Result)	2019 (Result)	2020 (Target)
21 hours/month	22 hours/month	23 hours/month	18 hours or less/month	100%	100%	100%	100%
Enhancing Mental Healthcare				Promoting Efforts to Quit Smoking			
Improve participation rate in stress level tests				Reduce smoking rate			
2017 (Result)	2018 (Result)	2019 (Result)	2020 (Target)	2017 (Result)	2018 (Result)	2019 (Result)	2020 (Target)
98.8%	99.9%	100%	100%	31.0%	31.2%	30.5%	25.0% or less

Message from Management

Creating a Work Environment that Nurtures and Enables the Full Potential of Our Employees—Our Corporate Asset—for the Generation of New Value

Toshihiro Adachi
Executive Vice President and Representative Director
Responsible for Corporate Unit and Compliance; General Manager of Business Administration Division, Corporate Unit; Chief Health Officer (CHO)



The Daio Paper Group has continually championed self-directed human resource development, promotion of diversity and health management as measures to achieve sustainable corporate development.

Self-Directed Human Resource Development

We believe that developing self-directed employees—those who can think for themselves, set out their own paths and progress along it—is essential for achieving global growth.

Daio Paper has introduced a diverse range of learning programs to support the growth of its employees, and has established a framework that enables those employees to receive the necessary training for self-growth at the appropriate career stage and also according to their preferred work style. Furthermore, to encourage each and every employee to construct their own career path independently and to continue to grow with ambition, we provide support from all angles for self-directed career development, including career design training for each age group and internal recruitment that allows employees to apply for open positions on their own initiative.

Diversity Promotion

We believe that active participation by employees from diverse backgrounds will facilitate sustainable corporate growth. The Diversity Committee, established in FY2019, leads the

promotion of diversity management at the Daio Paper Group.

In the area of women empowerment, which is a key issue, we facilitate career development that is not constrained by gender stereotypes. This includes putting an emphasis on increasing the number of women in managerial positions and assigning women to a greater variety of departments as well as encouraging male employees to take childcare leave.

In addition, we continue to promote employment of older generations and individuals with disabilities, and recognizing that the understanding of LGBT individuals is a pressing issue, we have commenced training on the issue in the Group's personnel departments.

Health Management

We believe that a company's lasting growth can only be achieved if its employees and their families are physically and mentally healthy and energetically and actively playing their part in society.

The Daio Paper Group announced the "Daio Paper Group Declaration of Health" in 2014. Based on that, we are working to maintain and promote health with the participation of all employees through four initiatives: "Creating a comfortable workplace environment," "Improving lifestyle habits," "Enhancing mental healthcare" and "Promoting efforts to quit smoking."

SDG Initiatives



Organic
Contribution to the Global Environment

Forestry property of Forestal Anchile LTDA.

Basic Approach

In accordance with the "Daio Global Environment Charter," we expand our business globally in harmony with the global environment while actively tackling environmental problems with the aim of realizing a sustainable society. We have established an environmental management promotion framework to

implement the initiatives in the Daio Global Environment Charter, and use PDCA cycles in our Groupwide efforts toward those initiatives. We will continue to engage in environment-friendly business activities aimed at realizing a low-carbon, recycling-oriented society that coexists in harmony with nature.

Daio Global Environment Charter

Basic Policy

- | | |
|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| 1 Mitigation of global warming | 5 Reduction and effective use of waste |
| 2 Effective use of resources and environmentally friendly procurement of raw materials | 6 Development and deployment of technologies and products with lower environmental impact |
| 3 Reduction of environmental loads together with supply chain partners | 7 Realization of sustainable partnership |
| 4 Forest conservation | 8 Active environmental communication and coexistence with local communities |

Aiming for a Low-Carbon Society



Prevent Global Warming

- Practice of sustainable forest management
- Effective utilization of hard-to-recycle recovered paper
- Promotion of use of biomass fuel
- Promotion of use of natural energy
- Modal shift initiatives

Aiming for a Recycling-Oriented Society



Recycle

- Practice of sustainable forest management
- Zero emissions initiatives
- Recycling of paper resources
- Initiatives to reuse waste as resources
- Initiatives to increase recovered paper utilization rate

Aiming for a Society that Coexists in Harmony with Nature



Conserve Forests

- Practice of sustainable forest management
- Consideration for biodiversity
- Effective utilization of wood resources
- Promotion of procurement of materials with forest certification
- Survey of soil and groundwater

Please see our website for more details. <https://www.daio-paper.co.jp/en/csr/organic/>

PICK UP: 1

Biomass Boiler at the Mishima Mill Commences Operation

The Mishima Mill has been generating biomass power with black liquor, a waste product of the kraft pulping process, as the energy source in recovery boilers for some time. A newly installed biomass boiler was put into operation in July 2020. We are operating the boiler with expertise that we have developed to date, and the electricity generated is sold to electric power companies through the feed-in tariff (FIT) scheme. Compared to existing facilities, this cutting-edge black liquor recovery boiler improves efficiency by 5%, reducing CO₂ emissions by 25,000 t/year.

Going forward, Daio Paper will continue working to reduce its environmental impact by installing facilities that lead to effective utilization of renewable energy.



Biomass boiler at the Mishima Mill that utilizes the FIT scheme

Message from Management

Continuously Striving to Conserve the Environment and Contribute to the Realization of a Sustainable Society

Takashi Ono

Director and Managing Executive Officer Responsible for Production Unit; General Manager of Production Division; President and Representative Director of Daio Engineering Co., Ltd.



The Daio Paper Group recognizes the reduction of fossil fuel energy use as a key issue. We will transform Iwaki Daio Paper into a mill that uses only in-house power generated from non-fossil fuels by installing its third waste boiler fueled by wood residue and waste plastic (scheduled for operation in January 2023). At the Mishima Mill, we put into operation a high-efficiency black liquor recovery boiler in July 2020 as well as an anaerobic treatment facility that extracts biogas from pulp wastewater in October of the same year. In 2021, we plan to partially switch our lime kilns' fuel source from heavy oil to liquefied natural gas (LNG), a low-carbon fuel. In addition, we are considering installing a waste boiler, similar to the one we installed at Iwaki Daio Paper, at the Mishima Mill to further reduce the use of fossil fuel energy. We plan to shut down the coal boilers at the Mishima Mill in stages and we seek to completely phase out coal usage by 2050. We are also preparing to conduct environmental assessments of these facilities.

Next, in terms of recycling initiatives, Daio Paper has worked to promote a high utilization rate of recovered paper and has achieved a utilization rate of recovered paper that exceeds the industry average. To further promote recycling, we are increasing our usage of hard-to-recycle recovered

paper, which is recovered paper that used to be left unused and incinerated due to high levels of prohibitive materials that inhibits recycling, such as the base paper for gypsum board, laminated recovered paper, etc. Using our proprietary technology, we can automatically sort out plastics from those recovered papers to make them suitable for use as papermaking raw materials. The remaining plastics are used as fuel in waste boilers as an alternative to fossil fuel energy to generate power.

Furthermore, we are working toward the early commercialization of the ELLEX cellulose nanofiber (CNF) by developing technologies for mass production and expanding our CNF product lineup to meet diverse needs. Our CNF molded sheet, ELLEX-M, was adopted as a material in Revoldia CNF, a high-performance table tennis racket manufactured by Tamasu Co., Ltd. that launched in April 2020. ELLEX-M was also used as a material for the hood, rear doors and rear spoilers of a race car in 2019, and in 2020, it was used for the whole body exterior and interior panels. In addition, our CNF composite resin was also used for the car door mirrors. Going forward, we will continue to champion the shift from fossil fuel-derived materials to natural materials by developing CNF into a viable new business area.

Corporate Governance

Directors, Audit & Supervisory Board Members and Executive Officers (As of the end of September 2020)

Representative Directors

President and
Representative Director
Masayoshi SakoExecutive Vice President and
Representative Director
Toshihiro Adachi
Responsible for Corporate Unit and
Compliance; General Manager of Business
Administration Division, Corporate UnitExecutive Vice President and
Representative Director
Kunihiro Okazaki
Responsible for Sales, Resources and
Materials Procurement Division and Global
Logistics Division

Directors

Director and Managing
Executive Officer
Takashi Ono
Responsible for Production Unit;
General Manager of Production
Division; President and
Representative Director of
Daio Engineering Co., Ltd.Director and Managing
Executive Officer
Yorifusa Wakabayashi
General Manager of
Domestic Business Group,
Home & Personal Care UnitDirector
Hiroshi Yamasaki
Deputy General Manager of
Production Division, Production
Unit; General Manager of Mishima
Mill, Production Division,
Production UnitDirector
Yoshiyuki Shinohara
General Manager of Kani Mill,
Production Division,
Production UnitDirector
Toshiki Yamagami
General Manager of
Overseas Business Group;
General Manager of Overseas
Business Promotion Division,
Home & Personal Care UnitDirector
Tetsuya Watanabe
General Manager of
Global Logistics Division;
Responsible for Intelligence
Technology Planning Division,
Corporate UnitDirector
Yukihiko Tanaka
General Manager of
Corporate Planning Division,
Corporate UnitDirector
Hiromitsu Fujii
General Manager of
General Affairs and
Personnel Division,
Corporate UnitDirector
Hiroshi Mizobuchi
General Manager of
Product Development Division,
Home & Personal Care Unit;
Responsible for Marketing Division,
Marketing and Development
Support Department,
Home & Personal Care UnitDirector
Hiroyuki Fujita
Chairman and Director of
Santher-Fábrica de Papel Santa
Terezinha S.A.Director (Outside)
Nobuhiko YoshidaDirector (Outside)
Tetsuo KitagawaDirector (Outside)
Yoichi Takei

Audit & Supervisory Board Members

Audit & Supervisory
Board Member
Masashi YanoAudit & Supervisory
Board Member
Tsutomu AriyasuAudit & Supervisory
Board Member (Outside)
Yoichiro YamakawaAudit & Supervisory
Board Member (Outside)
Takemi NagasakaAudit & Supervisory
Board Member (Outside)
Kyoko Okada

Executive Officers

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

Corporate Governance

Basic Policy on Corporate Governance

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

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

Key Measures Implemented to Strengthen Corporate Governance

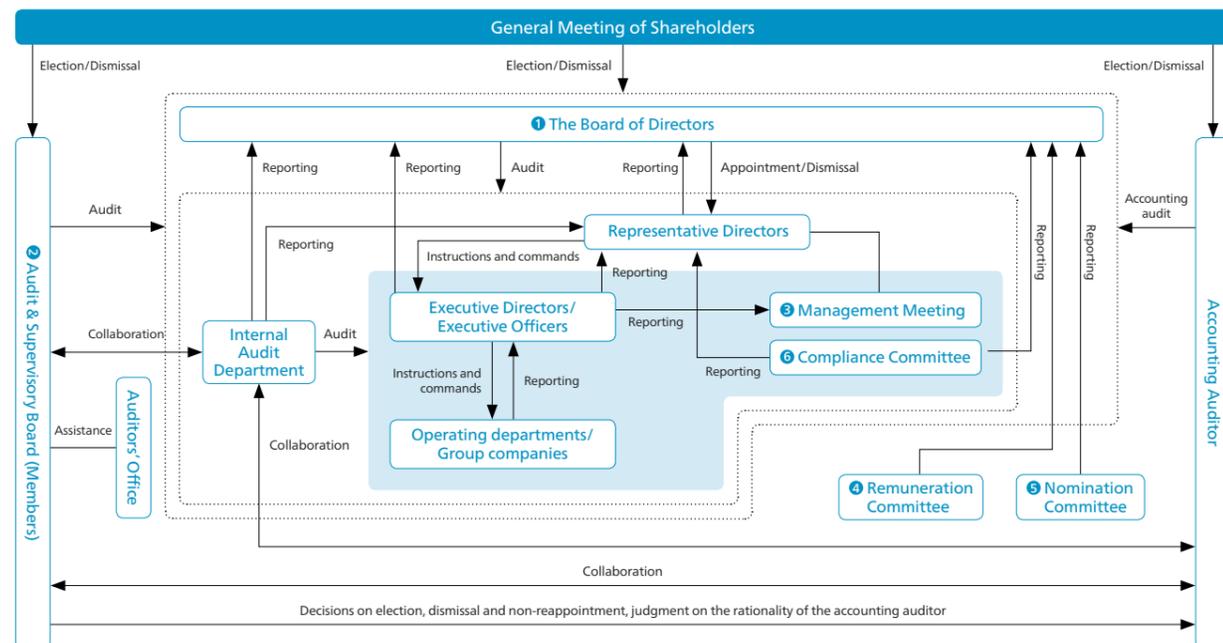
2011	Implemented a whistle-blowing system
2012	Appointed Outside Directors Established the Remuneration Committee
2015	Established the Daio Paper Corporate Governance Guidelines
2016	Started evaluation of the effectiveness of the Board of Directors Established the Daio Paper Group Management Philosophy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

Overview of the Corporate Governance Structure

Daio Paper (the "Company") is a company with an Audit & Supervisory Board. As such, the Board of Directors makes decisions on management policies and the execution of important business matters for the Daio Paper Group as a whole, while the Audit & Supervisory Board, which is independent from the Board of Directors, audits the Directors' performance of their duties.

The Company has also introduced an Executive Officer system with the objectives of speeding up business execution and clarifying responsibilities, as well as developing the next generation of management through participation in management as Executive Officers. The Board of Directors makes decisions on the election and dismissal of the Executive Officers as well as their duties. Correspondingly, the Executive Officers are responsible for performing their duties in accordance with the management policy determined by the Board of Directors.

Corporate Governance Structure



1 Board of Directors

The Board of Directors oversees the formulation of management strategy and supervises the performance of duties by the management, etc. to ensure the fairness and transparency of management. It also makes decisions on the execution of important business matters as stipulated in laws and regulations and the Articles of Incorporation. In addition, the Board of Directors delegates authority to lower-level meetings, such as the Management Meeting, and to the Directors and Officers in charge of each business operation. Accordingly, the Board of Directors oversees the status of such meetings and the performance of duties by the Directors and Officers, etc.

2 Audit & Supervisory Board

The Audit & Supervisory Board comprises five members, including three Outside Audit & Supervisory Board Members. Working in close cooperation with the internal audit division and Accounting Auditor, it investigates the condition of the internal control system through business audits and accounting audits based on an audit plan determined at the Audit & Supervisory Board Meeting, with the objectives of strengthening and enhancing its ability to exercise proper oversight of management.

3 Management Meeting

In order to speed up decision-making, the Management Meeting, which comprises the President and the General Managers of each business group and division, makes decisions on matters that have been delegated by the Board of Directors. Two full-time Audit & Supervisory Board Members attend the Management Meeting as observers to oversee the status of decision-making.

4 Remuneration Committee

The objective of the Remuneration Committee is to enhance the objectivity and transparency of decisions on Directors' remuneration. The committee, which reports back to the Board of Directors, determines the overall remuneration scheme for the full-time Directors of Daio Paper. It also evaluates the performance of and decides the amounts of remuneration for each individual Director. The Remuneration Committee is chaired by an independent Outside Director and independent Outside Directors make up a majority. Two Outside Audit & Supervisory Board Members attend as observers.

5 Nomination Committee

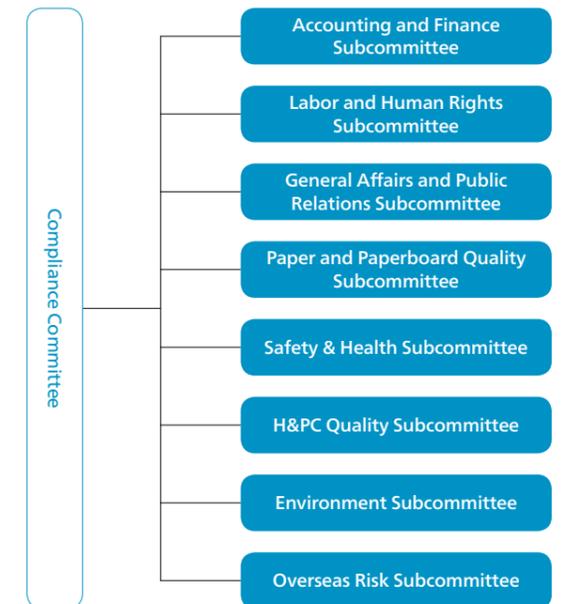
The objective of the Nomination Committee is to enhance objectivity and transparency in the nomination of candidates for Director and the election and dismissal of the Directors. As an advisory body to the Board of Directors, the Nomination Committee receives inquiries from the Board of Directors and reports back on the nomination of candidates for Director and the election and dismissal of Directors at Daio Paper in accordance with the nomination policy set out

in the Company's Corporate Governance Guidelines. The Nomination Committee is chaired by an independent Outside Director and independent Outside Directors make up a majority. Two Outside Audit & Supervisory Board Members attend as observers.

6 Compliance Committee

The objective of the Compliance Committee is to strengthen risk management and compliance at the Daio Paper Group. It audits the Group's risk management framework by comprehensively identifying and assessing risks of the Group and by implementing unified management of the Group's risk control measures. It is also in charge of deliberating and making decisions on those risk control measures in accordance with the severity of risks. The Compliance Committee is chaired by the Director responsible for compliance and comprises nine officers, including Outside Directors. One full-time Audit & Supervisory Board Member, one Outside Audit & Supervisory Board Member, and the General Manager of the Internal Audit Department attend as observers. The Compliance Committee has eight subcommittees under it. Each subcommittee deliberates, makes decisions and implements specific measures for each type of risk, forming a highly effective risk management system.

Organization Chart of the Compliance Framework



Reasons for Election of Each Outside Officer

Outside Directors

Name	Independent Officer	Reasons for election	No. of Board of Directors meetings attended (FY2019)	Important concurrent positions*1
Nobuhiko Yoshida	○	Having determined that Nobuhiko Yoshida would be able to perform his duties as an Outside Director appropriately from an independent perspective, utilizing his extensive experience and broad insight cultivated while serving as an officer at other companies, the Company elected him to that position.	17/17	Director and Advisor, Japan Metal Roofing Association
Tetsuo Kitagawa	○	Having determined that Tetsuo Kitagawa would be able to perform his duties as an Outside Director appropriately from an independent perspective, utilizing his expertise as a certified public accountant (CPA) and extensive experience and broad insight cultivated through his engagements in numerous accounting audits, internal control audits and compliance-related work at an audit firm, the Company elected him to that position.	14/17*2	Representative, Tetsuo Kitagawa Certified Public Accounting Firm Outside Auditor, T-Gaia Corporation CPA Examination Committee Member, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency
Yoichi Takei	○	Having determined that Yoichi Takei would be able to perform his duties as an Outside Director appropriately from an independent perspective, utilizing his expertise as an attorney-at-law and higher viewpoint and broad experience cultivated while serving as an officer at other companies, the Company elected him to that position.	—*3	Partner/attorney-at-law, Meitetsu Law Offices Outside Auditor, YAMAKIN (JAPAN) CO., LTD. Outside Director, NIPPON THOMPSON CO., LTD.

Outside Audit & Supervisory Board Members

Name	Independent Officer	Reasons for election	No. of Board of Directors meetings attended (FY2019)	Important concurrent positions*1
Yoichiro Yamakawa	○	Having determined that Yoichiro Yamakawa would be able to perform his duties as an Outside Audit & Supervisory Board Member appropriately from an independent perspective, utilizing his expertise as an attorney-at-law and extensive experience cultivated while serving as an officer at other companies, the Company elected him to that position.	17/17	Partner/attorney-at-law, KOGA & PARTNERS
Takemi Nagasaka	○	Takemi Nagasaka has experience of accounting audits and was subsequently in charge of the accounting and finance department at a company that operates business extensively in Japan and overseas. Having determined that he would be able to perform his duties as an Outside Audit & Supervisory Board Member appropriately from an independent perspective, utilizing his advanced knowledge of finance and accounting, the Company elected him to that position.	16/17	Audit & Supervisory Board Member (Independent), Nabtesco Corporation Audit & Supervisory Board Member (Outside), SOLIZE Corporation
Kyoko Okada	○	Having determined that Kyoko Okada would be able to perform her duties as an Outside Audit & Supervisory Board Member appropriately from an independent perspective, utilizing her broad knowledge of CSR and corporate culture and extensive experience cultivated while serving as an Audit & Supervisory Board Member at other companies, the Company elected her to that position.	—*3	Outside Audit & Supervisory Board Member, Subaru Corporation Outside Audit & Supervisory Board Member, NS Solutions Corporation

*1 As of June 26, 2020

*2 Assumed office on June 27, 2019

*3 Assumed office on June 26, 2020

Evaluation of the Effectiveness of the Board of Directors

Since 2016, the Company has been evaluating the effectiveness of the Board of Directors annually, with the aim of regularly examining whether the Board of Directors is functioning properly, and continuously identifying issues and implementing measures for improvement based on the results thereof.

In 2020, continuing from the previous year, with the

cooperation of an external organization, the Company conducted a self-evaluation targeted at all Directors and Audit & Supervisory Board Members regarding the composition and operation of the Board of Directors. Using the results of the questionnaire collected and tabulated by the external organization, it carried out an analysis and evaluation. The overview is shown below.

1. Overview of the Evaluation Results

The Company evaluated its Board of Directors from seven standpoints: composition; operation; strategy, execution, and business performance monitoring; support system for Directors and Audit & Supervisory Board Members; training for officers; dialogue with stakeholders (investors); and Directors' self-initiated execution of business. In conclusion, it confirmed that the Board of Directors is largely functioning properly, and that its effectiveness is confirmed and sufficiently ensured.

2. Efforts to Address Issues Identified in the Previous Year's Effectiveness Evaluation of the Board of Directors

The effectiveness evaluation of the Board of Directors for FY2019 identified a need to review the detailed rules for matters submitted to the Board of Directors. To address this issue, a revision proposal with the objectives of further enhancing discussions on the Company's direction, including medium- and long-term strategy, at Board of Directors meetings and implementing more effective oversight of the management team was drawn up. The proposal was resolved at the Board of Directors meeting in May 2020 and went into effect starting from the Board of Directors meeting held in June 2020.

3. Points Evaluated as Requiring Further Improvement

The Company will continue working to enhance the effectiveness of the Board of Directors, such as by reviewing its composition, in order to further improve the discussion of management strategy and other areas at Board of Directors meetings.

Policy and Framework of IR Activities

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

The Company established the IR team in July 2016 to

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

Principal IR Activities Conducted in FY2019 (From April 2019 to March 2020)

Activities	Number of events	Details
One-on-one meetings with institutional investors	81 times	IR interviews and teleconferences with domestic and overseas analysts and institutional investors
Earnings and strategy briefing for analysts and institutional investors	2 times	Briefings with the President and Director-in-charge as the main speakers held after the second and fourth quarters
Overseas IR roadshows	0 times	Meetings with overseas investors by persons in charge of IR and Corporate Planning
Events organized by securities companies	3 times	Small meetings and one-on-one meetings with analysts and institutional investors at domestic and overseas investment conferences
Events for institutional investors	3 times	Briefings and mill tours for institutional investors by persons in charge of IR
Company briefings for individual investors	1 time	Briefings for individual investors by persons in charge of IR

Message from the Outside Director



Nobuhiko Yoshida

Outside Director

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

Deepening discussions on sustainable growth across the Company to increase our corporate value

“Corporate governance” is a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of shareholders and also customers, employees and local communities. This is the definition of “corporate governance” that appears at the beginning of Japan’s Corporate Governance Code released by the Tokyo Stock Exchange.

I would like to supplement the above definition with the following: “mechanisms and activities to further reinforce the strengths and complement the weaknesses of those companies, enabling them to pull themselves together, while enhancing their corporate value and helping them to achieve sustainable growth.” I believe that the strength and

splendor of Daio Paper arise from its ways of thinking and vitality, which are based on the Company’s underlying DNA trait of “Passion with Sincerity” and the “three *gen*” principle: solving problems by going to the actual location (*genba*); inspecting the actual situation (*genbutsu*); and ascertaining the actual facts (*genjitsu*).

The main pillars of the Company’s current corporate governance framework were rebuilt during the course of implementing the First Medium-Term Business Plan “Restart—Solid Reform and Further Growth,” which spanned from FY2012 to FY2014. Since then, and to this day, Daio Paper has been reinforcing it further with a variety of additional measures and new initiatives. At the same time,

Daio Paper has continued tackling challenges, responding to changes in its business environment, and growing significantly. Its business has expanded from net sales of ¥407.3 billion in FY2012 to ¥546.4 billion in FY2019. I believe this was the result of the proper manifestation of the spirit of “Passion with Sincerity,” made possible through the improvements the Company has made up to now in its corporate governance.

The Company’s corporate governance system is designed around the Board of Directors and the Audit & Supervisory Board, which have three Outside Directors and three Outside Audit & Supervisory Board Members, respectively, as members. The Board of Directors is responsible for formulating management strategies, making important business execution decisions and overseeing their execution, and the Audit & Supervisory Board Members attend major meetings, such as Board of Directors meetings, and audit the business performance and financial status as well as supervise the directors in the execution of their duties. Prior to each Board of Directors meeting, Outside Directors and Outside Audit & Supervisory Board Members hold a preliminary briefing and review meeting so that they can thoroughly examine proposals, and conduct advanced, lively discussions based on their deep insights. The purpose of the briefing and review is to raise the level, productivity and effectiveness of Board of Directors meetings through suggestions and constructive advice based on proper understanding of the essence and rationality of projects, the soundness of numerical values and other factors.

At the beginning of this message, I mentioned that corporate governance is “[a system of] mechanisms and activities to further enhance corporate value and help companies achieve sustainable growth.” This means that Daio Paper’s corporate governance is nothing less than something that must be achieved through the commitment of all of its employees and is built up by all of us. The following are some examples of the initiatives we have taken.

First, at the monthly meeting of the Compliance Committee, we deliberate on various issues regarding the risk management and compliance of the entire Group as well as decide on countermeasures. By implementing these measures, we are focusing on cultivating a sound corporate culture to ultimately achieve the future vision of the Group. The Compliance Committee receives raw information from its eight subcommittees, which are frontline organizations.

The enhancement of the whistle-blowing system, which was established before the implementation of the First Medium-Term Business Plan, also

fundamentally underpins the sustainable growth of Daio Paper through its contribution to the creation of safe and secure workplaces.

In addition, as one of the basic principles of the Tokyo Stock Exchange’s Corporate Governance Code is “ensuring appropriate information disclosure and transparency,” similarly, here at Daio Paper, we recognize that it is extremely important for the departments in charge, such as the Timely Disclosure Committee and the Corporate Planning Department, to uphold transparency through the disclosure of corporate information to stakeholders.

Also, the newly established Sustainability Committee has three subcommittees—the Climate Change Response Subcommittee, the Environmental Impact Reduction Subcommittee and the QOL Improvement Subcommittee—to deepen discussions on the Company’s concrete initiatives toward achieving the SDGs. This is also a specific action toward achieving our management philosophy of “Shaping an abundant and affable future for the world.”

Currently, I serve as the Chairman of the Remuneration Committee and the Nomination Committee. The Remuneration Committee deliberates and decides the officers’ remuneration structure and the actual amounts of remuneration of individual officers. At the General Meeting of Shareholders held in 2018, a resolution to introduce a stock-based remuneration system as a long-term incentive for full-time directors and executive officers was passed. The Nomination Committee deliberates and makes decision regarding proposals on the selection and appointment of full-time directors to be submitted to the Board of Directors.

We are now in the middle of the final year of the Third Medium-Term Business Plan, “Move on: Reform and Soar Above,” and the consolidated results forecast calls for net sales of ¥565.0 billion. Even as the COVID-19 outbreak continues to take hold, delaying a return to normal and slowing the recovery of both the global and Japanese economies, we are expecting an increase in net sales compared with the previous year, which, while modest at 3.4%, is an increase nonetheless.

Underpinned by the system of governance that the Company has built up so far, I would like Daio Paper to boldly overcome the COVID-19 crisis and take on the challenge of reaching new heights.

Financial and Non-Financial Highlights

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

Financial Data

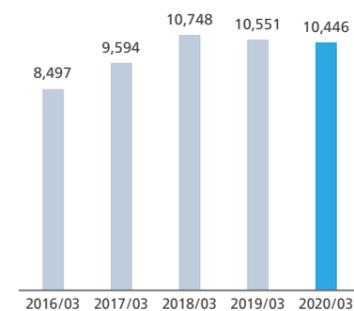
(Millions of Yen)

Fiscal year	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
For the Fiscal Year:											
Net sales	423,105	410,159	408,985	407,362	430,054	450,239	474,077	477,140	531,311	533,890	546,433
Selling, general and administrative expenses	69,831	69,406	64,261	70,445	79,892	84,206	89,821	95,600	110,312	104,255	109,677
Operating profit	23,165	13,377	10,483	11,577	16,049	21,796	24,323	23,535	11,062	12,122	30,629
Ordinary profit	14,248	5,665	4,748	6,637	11,257	21,784	21,259	21,347	12,779	9,842	28,112
Profit (loss) attributable to owners of parent	2,381	(18,234)	(5,321)	15,109	6,293	13,209	14,594	12,136	3,971	4,697	19,199
Comprehensive income (loss)	—	(16,506)	(3,247)	22,075	11,826	27,943	9,599	14,905	2,735	1,583	13,477
EBITDA	56,965	47,548	42,622	43,637	47,180	59,139	57,726	58,251	51,177	49,869	66,716
Capital expenditures	18,678	22,057	18,200	21,726	24,948	31,587	37,310	32,453	39,523	59,590	61,934
Depreciation and amortization	32,993	32,850	29,584	26,409	26,403	27,203	26,988	29,017	31,171	33,331	31,843
Research and development cost	2,217	2,079	1,399	2,149	2,836	2,683	2,791	2,902	3,280	2,809	3,043
Net cash provided by operating activities	73,995	41,153	23,775	50,805	58,091	44,740	47,011	62,932	28,285	40,287	68,013
Net cash used in investing activities	(21,531)	(25,496)	(32,171)	(41,455)	(26,826)	(28,581)	(26,073)	(31,394)	(51,485)	(62,110)	(47,870)
Net cash provided by (used in) financing activities	(17,987)	(20,747)	(7,379)	(13,441)	(37,242)	(29,429)	(17,475)	(22,037)	386	65,898	(14,050)
Free cash flow	52,464	15,657	(8,395)	9,350	31,265	16,160	20,938	31,538	(23,200)	(21,823)	20,143
At Fiscal Year-End:											
Total assets	703,549	672,386	596,425	659,112	646,112	652,745	656,310	657,747	686,141	745,866	763,060
Net assets	132,689	115,191	97,313	107,969	119,252	164,495	174,820	191,079	193,065	199,339	209,536
Current assets	293,910	290,159	269,483	246,258	243,871	252,490	257,154	257,048	256,965	299,650	299,019
Net interest-bearing debts	336,500	329,296	308,948	363,533	331,825	292,466	281,456	255,077	279,994	301,906	285,426
Cash and cash equivalents	129,497	124,251	86,332	82,457	79,046	69,073	72,169	82,733	60,086	103,407	109,385
Number of shares issued (shares)	129,018,785	129,018,785	129,018,785	129,018,785	129,018,785	149,348,785	149,348,785	149,348,785	149,348,785	153,713,191	154,531,953
Per Share Data (Yen):											
Basic earnings per share	19.22	(147.27)	(43.13)	126.51	51.52	93.48	100.15	83.28	27.25	31.70	127.91
Net assets per share	857.38	691.96	680.29	821.21	875.39	1,059.78	1,119.24	1,211.33	1,221.65	1,236.58	1,319.57
Cash dividends per share	8.50	8.50	8.50	8.50	8.50	8.50	10.50	10.50	10.50	10.50	13.50
Financial Ratios:											
ROE (%)	2.3	(19.0)	(6.3)	16.8	6.1	10.0	9.2	7.1	2.2	2.6	10.0
ROA (%)	0.3	(2.7)	(0.9)	2.3	1.0	2.0	2.2	1.8	0.6	0.6	2.5
Equity ratio (%)	15.1	12.7	14.0	14.7	17.0	23.7	24.9	26.8	25.9	24.9	26.1
Net debt to equity ratio (times)	3.2	3.8	3.7	3.7	3.0	1.9	1.7	1.4	1.6	1.6	1.4

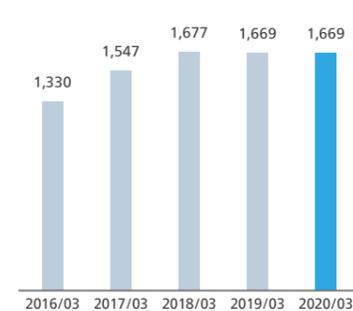
Notes: 1. Amounts are rounded down to the nearest million yen through the fiscal year ended March 31, 2011, and rounded off to the nearest million yen from the fiscal year ended March 31, 2012.
2. Whereas corporate expenses were included in "Adjustments" through the fiscal year ended March 31, 2014, corporate expenses are allocated to each business segment from the fiscal year ended March 31, 2015, in order to more accurately grasp the results of each business segment.
3. Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income" has been adopted.
4. EBITDA = Ordinary profit + interest expenses + depreciation and amortization + amortization of goodwill + amortization of negative goodwill + equity in earnings of affiliate

5. Effective from the fiscal year ended March 31, 2019, the "Partial Amendments to Accounting Standard for Tax Effect Accounting" has 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.
6. Effective from the fiscal year ended March 31, 2019, interest and dividend income received and interest expenses 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.

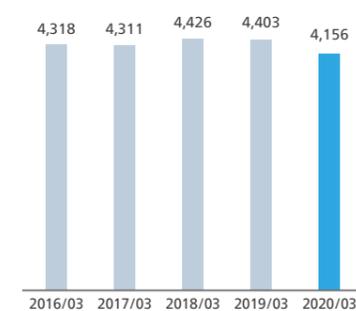
Employees (Consolidated)
(Persons)



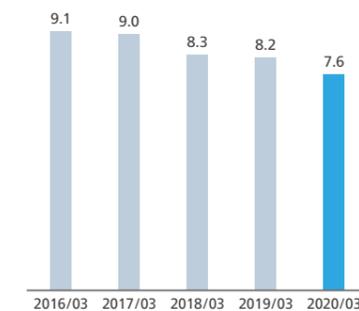
Foreign Employees
(Persons)



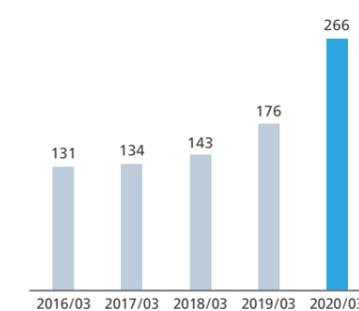
Greenhouse Gas (GHG) Emissions
(1,000 t)



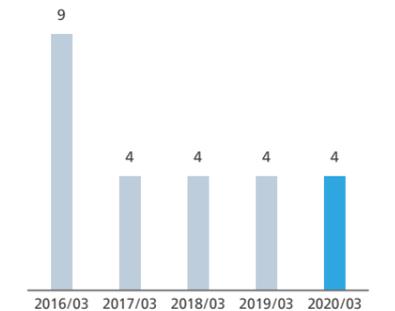
GHG Emissions per Unit of Net Sales
(t/million yen)



Hard-to-Recycle Recovered Paper Usage
(1,000 t)



Final Disposal Amount of Industrial Waste
(1,000 t)



Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows

The overview of the financial condition, operating results and cash flows (the "operating results, etc.") of the Daio Paper Group (Daio Paper Corporation and its consolidated subsidiaries) for the fiscal year under review (the "fiscal year ended March 31, 2020"), and the impression, analysis and review of the Daio Paper Group's operating results, etc. from the viewpoint of the management are as follows.

Please note that forward-looking statements included in the following are based on the judgment of the Company as of the date of submission of the annual securities report (June 26, 2020). The outlook for the fiscal year ending March 31, 2021 involves uncertainties or risks and may differ from actual results in the future.

1. Overview

The Japanese economy showed a moderate recovery trend in the fiscal year ended March 31, 2020 thanks to improvement in the employment and personal income environment and firm domestic demand, including personal consumption and public investment. Nevertheless, Japan's future economic outlook is uncertain because of a slump in consumer confidence due to the consumption tax rate hike in October 2019, a series of natural disasters as well as the impact from the COVID-19 pandemic.

In these circumstances, the Daio Paper Group has been working to achieve its management targets for the fiscal year ending March 31, 2021 under the Third Medium-Term Business Plan "Move on: Reform and Soar Above," announced on May 31, 2018, through reforms with a view to establishing a resilient corporate structure capable of coping with rapid changes in the external environment. It is also mounting a united Groupwide effort to implement growth strategies in order to accomplish its long-term vision.

In the Paper and Paperboard Business, domestic demand for graphic paper such as paper for newspapers, advertising and other publications declined further, affected by the consumption tax rate hike in Japan and the COVID-19 pandemic. For some time, the Company has been pursuing a structural shift from graphic paper to packaging paper, such as containerboard, for which domestic and overseas demand is relatively strong. In the fiscal year ended March 31, 2020, as a measure aimed at this structural shift, we rebuilt the N7 paper machine at Mishima Mill to produce containerboard, making full use of Mishima Mill's ability to flexibly change its product mix. The machine commenced operation in April 2020. As a result of reducing the number of paper machines to match the market conditions and working to increase the use of hard-to-recycle recovered paper by leveraging our recovered paper processing technologies, both net sales and operating profit in the Paper and Paperboard Business increased from the previous fiscal year.

In the Home and Personal Care (H&PC) Business, the Company faced a significantly changing demand structure, brought about by the consumption tax rate hike in October 2019 as well as large-scale natural disasters in Japan, and the COVID-19 pandemic. Based on these

circumstances, the Company focused efforts on strengthening its production and logistics systems, primarily for household paper and wet wipes. In addition, at the beginning of the period, the early implementation of profit improvement measures was an issue as the Company continued to face sharp increases in raw material prices and logistics costs, which have been persisting since the previous fiscal year. As the leading household paper manufacturer in Japan, the Company worked to revise prices, and the results came into effect from the second quarter. Due to these efforts, both net sales and operating profit in the H&PC Business increased from the previous fiscal year.

As a result of the above, both consolidated net sales and consolidated operating profit increased from the previous fiscal year while the Company achieved record high profit attributable to owners of parent.

2. Analysis of Operating Results

Consolidated results for the fiscal year ended March 31, 2020 are as follows.

(1) Net Sales

Net sales increased by ¥12,543 million, or 2.3%, from the previous fiscal year, to ¥546,433 million, mainly reflecting such factors as efforts on stabilizing supply by strengthening production and logistics systems, primarily for household paper products and wet wipes, as well as the shift toward high value-added household paper products and the effect of price revisions in the H&PC Business.

(2) Operating Profit

Operating profit rose by ¥18,507 million, or 152.7%, from the previous fiscal year to ¥30,629 million, mainly reflecting efforts to maintain market conditions by reducing the number of paper production machines as well as efforts to increase usage of hard-to-recycle recovered paper by leveraging recovered paper processing technologies in the Paper and Paperboard Business, despite the impact of rises in raw material prices and logistics costs. As a result, operating margin increased by 3.3 percentage points from the previous fiscal year to 5.6%.

(3) Ordinary Profit

Ordinary profit increased by ¥18,270 million, or 185.6%, from the previous fiscal year to ¥28,112 million, mainly owing to the increase in operating profit.

(4) Extraordinary Income and Losses

Extraordinary income increased by ¥5,168 million from the previous fiscal year to ¥7,568 million, mainly owing to an increase in gain on sales of investment securities. Extraordinary losses decreased by ¥843 million from the previous fiscal year to ¥4,429 million, mainly owing to a decrease in impairment loss.

(5) Profit Attributable to Owners of Parent

Profit attributable to owners of parent increased by ¥14,502 million, or 308.8%, from the previous fiscal year to ¥19,199 million. As a result, basic earnings per share increased by ¥96.21 to ¥127.91.

3. Analysis of Financial Condition

Total assets as of March 31, 2020 increased by ¥17,194 million from the previous fiscal year end, to ¥763,060 million, primarily reflecting an increase in non-current assets as a result of the installation of a power generation facility fueled by black liquor and the rebuilding of the N7 paper machine at Mishima Mill to produce containerboard.

Total liabilities rose by ¥6,997 million from the previous fiscal year end to ¥553,524 million, mainly owing to the increase in income taxes payable due to higher profit before income taxes.

Total net assets increased by ¥10,197 million from the previous fiscal year end to ¥209,536 million, mainly owing to an increase in retained earnings.

As a result, the equity ratio as of March 31, 2020 was 26.1%, a 1.2 percentage point increase from the previous fiscal year end.

4. Analysis of Cash Flows

Net cash provided by operating activities totaled ¥68,013 million, having increased ¥27,726 million year on year. The main components are profit before income taxes amounting to ¥31,251 million, depreciation and amortization amounting to ¥31,843 million, and a ¥5,448 million increase in notes and accounts receivable—trade. Net cash used in investing activities amounted to ¥47,870 million, having decreased ¥14,240 million year on year. The main components are cash outflows of ¥49,096 million in payments for the purchase of property, plant and equipment and ¥6,723 million in payment for the purchase of intangible assets and cash inflow of ¥8,142 million in proceeds from sales of investment securities. Free cash flow, which is derived by subtracting the net cash used in investing activities from the net cash provided by operating activities, increased by ¥20,143 million. Net cash used in financing activities amounted to ¥14,050 million, having increased ¥79,948 year on year. The main components are proceeds from long-term loans payable amounting to ¥45,110 million, ¥49,879 million in repayments of long-term loans payable and net decrease in short-term loans payable amounting to ¥3,769 million.

As a result, cash and cash equivalents as of March 31, 2020 amounted to ¥109,385 million, up ¥5,978 million from the previous fiscal year end.

5. Dividend Policy

The Company places top priority on the return of profit to shareholders and sets a basic policy to continue to pay stable dividends, while taking into consideration factors such as the status of business and the sufficiency of retained earnings. It is also the Company's basic policy to pay dividends twice a year, an interim dividend and a year-end dividend. The decision-making bodies for the distribution of retained earnings are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

For the fiscal year ended March 31, 2020, the Company paid an

annual dividend of ¥13.50 per share, which includes an interim dividend of ¥5.00, in line with the policy described previously.

Retained earnings are used effectively to further strengthen its corporate foundation, such as for upfront investments in growth areas, capital expenditures to enhance future corporate competitiveness, and the improvement of the Company's financial position.

6. Outlook for the Fiscal Year Ending March 31, 2021

Amid increasing uncertainty in the international situation, brought about by factors such as the trade friction between the U.S. and China, the COVID-19 pandemic has had a negative impact on the entire global economy. The uncertain outlook for the Japanese economy is also expected to continue. Moreover, business conditions for the pulp and paper industry are expected to remain difficult because of declining demand for paper and other factors.

In these circumstances, in the Paper and Paperboard Business, the Daio Paper Group will continue with structural reforms to adapt to changes in the demand structure, exemplified by the rebuilding of the N7 paper machine at Mishima Mill to produce containerboard and the expansion of sales of paper as a plastic alternative and packaging paper, which see mounting demand due to the plastic-free movement. The Group will also increase its profitability by implementing further structural reform to shift to production of higher value-added paper products, making full use of the pulp with a competitive edge that the Mishima Mill produces. In addition, we will boost our competitive advantage by promoting effective use of hard-to-recycle recovered paper through the utilization of industry-leading recovered paper processing technology.

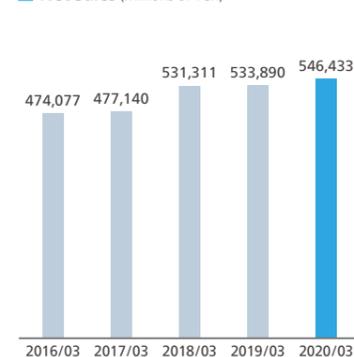
In the domestic operations of the H&PC Business, the Group will build a stable supply structure that can cope with the expansion in demand for high value-added products by installing an additional state-of-the-art sanitary paper production facility at the Kawano Mill in the fiscal year ending March 31, 2022. In the overseas operations, we will pursue our multi-category business expansion strategy by increasing sales of adult diapers, feminine care products and wet wipes in addition to our mainstay baby diapers, by increasing the number of new production bases. In February 2020, Daio Paper announced the acquisition of new production bases: Santher S.A. in Brazil and Özen A.S. in Turkey. At present, profit at both companies are stronger than initially expected, given increased awareness of hygiene due to the COVID-19 pandemic.

7. Risks Associated with Business, etc.

Among matters relating to the status of business and the status of accounting, etc. described in the financial statements, etc., the following matters may have significant impacts on the decision-making of investors.

Please note that forward-looking statements included in the

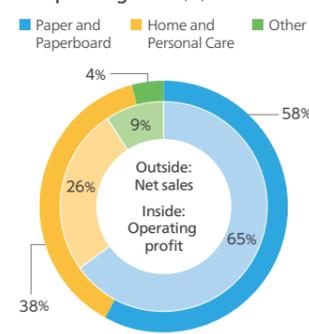
■ Net Sales (Millions of Yen)



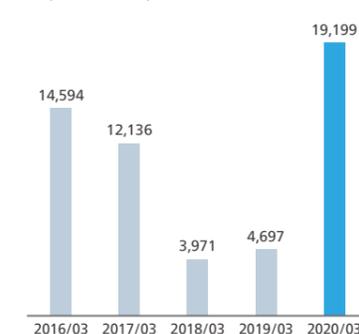
■ Operating Profit (Millions of Yen)
● Operating Margin (%)



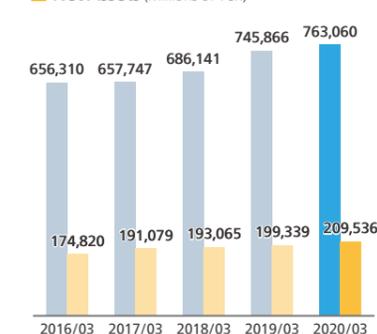
■ Composition of Net Sales and Operating Profit (%)



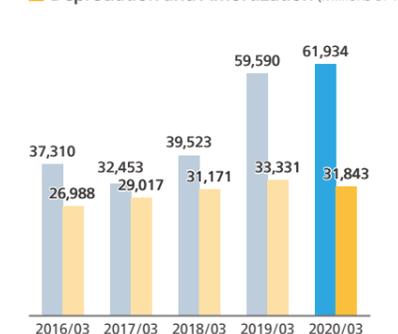
■ Profit Attributable to Owners of Parent (Millions of Yen)



■ Total Assets (Millions of Yen)
■ Net Assets (Millions of Yen)



■ Capital Expenditures (Millions of Yen)
■ Depreciation and Amortization (Millions of Yen)



Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows

following are based on the judgment of the Company as of the date of submission of the annual securities report.

(1) Impacts of Changes in Demand and Market Conditions

The Daio Paper Group is engaged in the Paper and Paperboard Business, H&PC Business, and other businesses. A significant decline in demand for our mainstay products (paper and containerboard products, and household paper products), or a downturn in market conditions for such products may affect the Group's financial position and operating results.

(2) Impacts of Changes in Raw Material and Fuel Prices and Fluctuations in Foreign Exchange Rates

The Daio Paper Group purchases raw materials and fuels, such as woodchips, recovered paper, chemicals, heavy oil and coal, both domestically and from overseas. Therefore, changes in the prices of raw materials and fuels, as well as fluctuations in foreign exchange rates for procurements of raw materials and fuels paid for in foreign currencies, may affect the Group's financial position and operating results. In order to reduce the impact of fluctuations in foreign exchange rates on operating results, the Group uses forward exchange contracts to hedge certain transactions.

Fluctuations in foreign exchange rates may also affect the Group's overseas sales activities.

(3) Impacts of Overseas Businesses

The Daio Paper Group is making efforts, led by the H&PC Overseas Business Group, to develop business mainly in China, South Korea, Southeast Asia, Russia, Turkey, Brazil and other countries as one of its growth strategies. Overseas business expansion activities may be exposed to risks from fluctuations in foreign exchange rates, and changes in the economic environment due to regulations implemented by the government of each country, deterioration in diplomatic relations and public sentiment or political instability, etc., which may affect the Group's financial position and operating results.

(4) Impact of Interest Rate Changes

The Daio Paper Group has been working on reducing interest-bearing debts. However, if there is a significant increase in interest rates, it may affect the Group's financial position and operating results. In order to reduce the impact of interest rate changes on operating results, the Daio Paper Group raises funds mainly through long-term borrowing with fixed interest rates to minimize the risk of short-term interest rate increases.

(5) Impacts of Price Changes of Investment Securities

Available-for-sale securities with market value are stated by the market value method based on the market price on the closing date, etc. Depending on the share prices of investment securities on the closing date, their price changes may affect the Group's financial position and operating results. The Daio Paper Group has been reducing strategic cross-shareholdings. It also aims to reduce the total amount of shareholdings to reduce the potential impact of price fluctuations.

(6) Impacts of Disaster

In the event of a disaster in areas where the Group's production and logistics bases are located, the Group's financial position and operating results may be affected due to damage to production facilities, disruption and delay in operation, incurrance of restoration costs, suspension of logistics functions, loss of products and merchandise, etc.

(7) Impacts of Lawsuits and Laws and Regulations

The Daio Paper Group works to comply with various laws and regulations, environmental regulations (including those on CO₂ emissions related to preventing global warming), social norms, etc., and is making efforts to strengthen its compliance framework. However, the Group is exposed to the risk of lawsuits, etc. regarding such laws and regulations in its domestic and overseas business activities. Changes in legal regulations and the results of such lawsuits, etc. may affect the Group's financial position and operating results.

(8) Impacts of Loan Agreements with Financial Covenants

The Company has signed syndicated term loan agreements, and those agreements contain financial covenants that set financial standards it is required to maintain, such as the amount of net assets reported in the consolidated balance sheet at the end of each fiscal year and ordinary profit/loss reported in the consolidated statement of income of each fiscal year. If the Company fails to comply with the financial covenants, it will be required to repay borrowings, which may affect the Company's financial position and operating results.

(9) Impacts of Impairment Accounting on Non-Current Assets

The Daio Paper Group owns non-current assets such as property, plant and equipment and goodwill. We apply impairment accounting to these non-current assets and verify if the carrying amount of assets can be recovered through future cash flows generated from the assets, and we apply the appropriate accounting treatment for assets that require the recognition of an impairment loss. If there is a decrease in estimated future cash flows due to changes in the future business environment, we will be required to recognize an additional impairment loss, which may affect the Group's financial position and operating results.

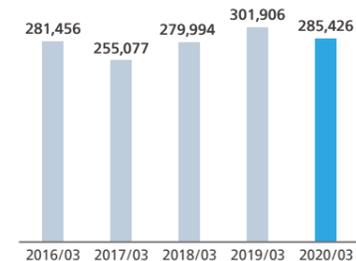
(10) Impact of the COVID-19 Pandemic

With the safety of customers, suppliers and employees as its priority, each division in the Daio Paper Group has taken action to prevent further transmission of the disease, which includes thorough infection control measures in accordance with the guidelines of the World Health Organization (WHO) and the public health administration in each country, employee health management, introduction of remote work and restrictions on business trips and meetings. A continuation of the pandemic going forward will lead to a reduction in sales volume due to deterioration in the global economy, hikes in raw material prices and difficulties in securing raw materials, decline in logistics functions, etc. which may affect the Group's financial position and operating results.

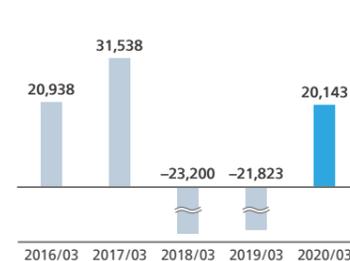
○ Net Debt to Equity Ratio (Times)



■ Net Interest-Bearing Debts (Millions of Yen)



■ Free Cash Flow (Millions of Yen)



Consolidated Financial Statements

Consolidated Balance Sheet

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

	(Millions of Yen)	
	2019	2020
Assets		
Current assets		
Cash and deposits	106,548	113,054
Notes and accounts receivable—trade	96,915	92,742
Electronically recorded monetary claims—operating	12,174	10,982
Merchandise and finished goods	41,557	42,667
Work in process	6,337	6,767
Raw materials and supplies	28,801	27,864
Other	7,380	4,945
Allowance for doubtful accounts	(62)	(2)
Total current assets	299,650	299,019
Non-current assets		
Property, plant and equipment		
Buildings and structures	226,249	227,571
Accumulated depreciation	(144,536)	(148,743)
Buildings and structures, net	81,713	78,828
Machinery, equipment and vehicles	874,571	887,255
Accumulated depreciation	(738,986)	(747,628)
Machinery, equipment and vehicles, net	135,585	139,627
Land	80,468	81,890
Construction in progress	29,750	49,900
Other	22,453	25,040
Accumulated depreciation	(12,263)	(13,161)
Other, net	10,190	11,879
Total property, plant and equipment	337,706	362,124
Intangible assets		
Goodwill	43,553	39,941
Other	11,685	16,936
Total intangible assets	55,238	56,877
Investments and other assets		
Investment securities	32,861	23,182
Long-term loans receivable	3,840	3,824
Deferred tax assets	5,420	8,126
Retirement benefit asset	—	845
Other	11,930	9,922
Allowance for doubtful accounts	(1,031)	(1,040)
Total investments and other assets	53,020	44,859
Total non-current assets	445,964	463,860
Deferred assets	252	181
Total assets	745,866	763,060

	(Millions of Yen)	
	2019	2020
Liabilities		
Current liabilities		
Notes and accounts payable—trade	58,774	53,135
Short-term borrowings	19,222	15,453
Current portion of bonds with share acquisition rights	—	22,541
Current portion of long-term borrowings	49,839	53,724
Accounts payable—other	29,312	39,216
Current portion of long-term accounts payable—facilities	811	538
Income taxes payable	2,250	10,947
Provision for bonuses	4,893	5,217
Provision for bonuses for directors (and other officers)	98	129
Other	12,618	14,534
Total current liabilities	177,817	215,434
Non-current liabilities		
Bonds payable	60,300	60,300
Convertible bonds with share acquisition rights	23,745	—
Long-term borrowings	250,755	242,101
Long-term accounts payable—facilities	1,094	568
Retirement benefit liability	22,060	23,255
Provision for retirement benefits for directors (and other officers)	311	194
Provision for share-based remuneration	—	47
Provision for environmental measures	27	25
Provision for loss on business of subsidiaries and associates	68	32
Other	10,350	11,568
Total non-current liabilities	368,710	338,090
Total liabilities	546,527	553,524
Net assets		
Shareholders' equity		
Share capital	42,859	43,449
Capital surplus	42,968	44,095
Retained earnings	99,189	116,818
Treasury shares	(2,910)	(3,065)
Total shareholders' equity	182,106	201,297
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,051	2,799
Deferred gains or losses on hedges	(20)	10
Foreign currency translation adjustment	(6,089)	(5,443)
Remeasurements of defined benefit plans	554	470
Total accumulated other comprehensive income	3,496	(2,164)
Non-controlling interests	13,737	10,403
Total net assets	199,339	209,536
Total liabilities and net assets	745,866	763,060

Consolidated Financial Statements

Consolidated Statement of Income

Daio Paper Corporation and its Consolidated Subsidiaries
Years ended March 31, 2019 and 2020

	(Millions of Yen)	
	2019	2020
Net sales	533,890	546,433
Cost of sales	417,513	406,127
Gross profit	116,377	140,306
Selling, general and administrative expenses	104,255	109,677
Operating profit	12,122	30,629
Non-operating income		
Interest income	195	166
Dividend income	578	592
Rental income from non-current assets	361	393
Insurance claim income	214	436
Subsidy income	568	411
Ship lease income	—	418
Other	1,417	1,523
Total non-operating income	3,333	3,939
Non-operating expenses		
Interest expenses	3,113	3,202
Foreign exchange losses	377	1,028
Other	2,123	2,226
Total non-operating expenses	5,613	6,456
Ordinary profit	9,842	28,112
Extraordinary income		
Gain on exchange from business combination	1,438	—
Gain on sales of investment securities	71	6,778
Other	891	790
Total extraordinary income	2,400	7,568
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,070	1,499
Loss on disaster	998	463
Impairment loss	3,019	1,742
Other	185	725
Total extraordinary losses	5,272	4,429
Profit before income taxes	6,970	31,251
Income taxes—current	5,159	12,633
Refund of income taxes	(454)	(344)
Income taxes—deferred	(1,069)	(224)
Total income taxes	3,636	12,065
Profit	3,334	19,186
Loss attributable to non-controlling interests	(1,363)	(13)
Profit attributable to owners of parent	4,697	19,199

Consolidated Statement of Comprehensive Income

Daio Paper Corporation and its Consolidated Subsidiaries
Years ended March 31, 2019 and 2020

	(Millions of Yen)	
	2019	2020
Profit	3,334	19,186
Other comprehensive income:		
Valuation difference on available-for-sale securities	(855)	(6,341)
Deferred gains or losses on hedges	(20)	30
Foreign currency translation adjustment	(2,116)	685
Remeasurements of defined benefit plans, net of tax	1,240	(83)
Total other comprehensive income	(1,751)	(5,709)
Comprehensive income	1,583	13,477
Comprehensive income attributable to:		
Owners of parent	3,291	13,539
Non-controlling interests	(1,708)	(62)

Consolidated Statement of Cash Flows

Daio Paper Corporation and its Consolidated Subsidiaries
Years ended March 31, 2019 and 2020

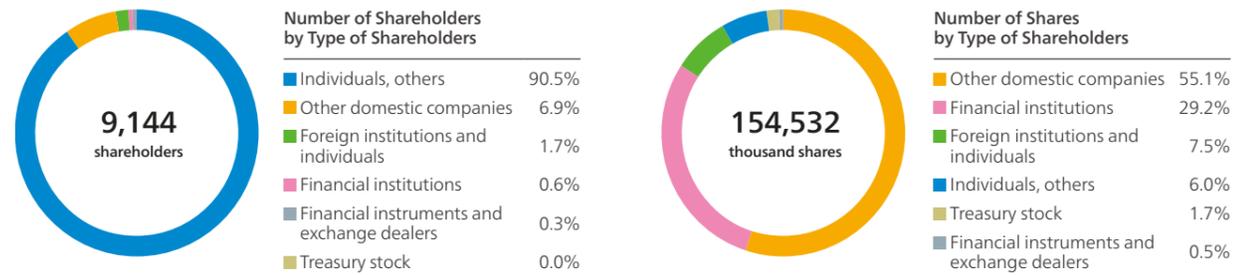
	(Millions of Yen)	
	2019	2020
Cash flows from operating activities		
Profit before income taxes	6,970	31,251
Depreciation	33,331	31,843
Impairment loss	3,019	1,742
Amortization of goodwill	3,583	3,559
Gain on exchange from business combination	(1,438)	—
Increase (decrease) in allowance for doubtful accounts	93	(51)
Loss (gain) on sales of investment securities	(44)	(6,778)
Increase (decrease) in retirement benefit liability	1,028	220
Interest and dividend income	(773)	(757)
Interest expenses	3,113	3,202
Foreign exchange losses (gains)	377	776
Subsidy income	(568)	(411)
Insurance claim income	(926)	(604)
Loss (gain) on sales of property, plant and equipment	13	23
Loss on retirement of property, plant and equipment	1,045	1,464
Decrease (increase) in notes and accounts receivable—trade	330	5,448
Decrease (increase) in inventories	(4,880)	3
Increase (decrease) in notes and accounts payable—trade	335	(5,653)
Increase (decrease) in other assets/liabilities	(19)	5,235
Increase (decrease) in accrued consumption taxes	(283)	2,193
Other, net	(1)	(57)
Subtotal	44,305	72,648
Interest and dividends received	1,072	940
Interest paid	(3,335)	(3,638)
Proceeds from subsidy income	970	918
Proceeds from insurance income	872	579
Income taxes paid	(4,726)	(4,134)
Income taxes refunded	1,129	700
Net cash provided by (used in) operating activities	40,287	68,013
Cash flows from investing activities		
Net decrease (increase) in time deposits	3,333	(544)
Purchase of property, plant and equipment	(64,380)	(49,096)
Proceeds from sales of property, plant and equipment	2,434	514
Purchase of investment securities	(228)	(209)
Proceeds from sales of investment securities	324	8,142
Purchase of intangible assets	(3,560)	(6,723)
Loans receivable granted	(644)	(474)
Collection of loans receivable	575	474
Payments of leasehold deposits	(596)	(20)
Proceeds from exchange of subsidiary shares resulting in change in scope of consolidation	1,581	—
Other, net	(949)	66
Net cash provided by (used in) investing activities	(62,110)	(47,870)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6,616)	(3,769)
Proceeds from long-term borrowings	105,000	45,110
Repayments of long-term borrowings	(50,646)	(49,879)
Proceeds from issuance of bonds	19,909	—
Proceeds from issuance of common shares assigned to non-controlling interests	410	—
Cash dividends paid	(1,545)	(1,570)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(2,888)
Other, net	(614)	(1,054)
Net cash provided by (used in) financing activities	65,898	(14,050)
Effect of exchange rate change on cash and cash equivalents	(731)	(115)
Net increase (decrease) in cash and cash equivalents	43,344	5,978
Cash and cash equivalents at beginning of period	60,086	103,407
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(23)	—
Cash and cash equivalents at end of period	103,407	109,385

Investor Information

Status of Shares (As of March 31, 2020)

Authorized Shares	300,000,000 shares
Number of Shares Issued	154,531,953 shares
Number of Shareholders	9,144

Shareholder Distribution

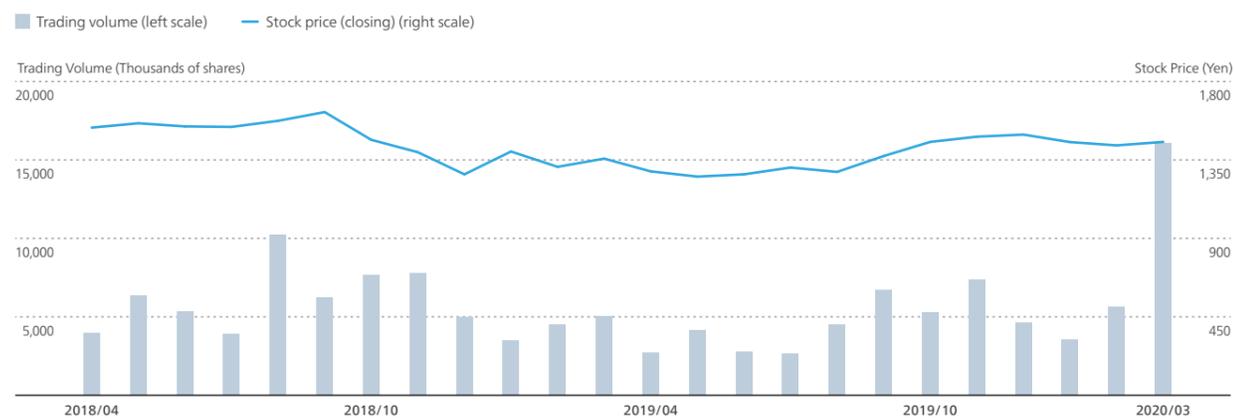


Major Shareholders

Name	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Hokuetsu Corporation	36,447	24.0
Daio Kaiun Co., Ltd.	7,112	4.7
The Iyo Bank, Ltd.	7,072	4.7
The Ehime Bank, Ltd.	6,920	4.6
Ehime Paper Manufacturing Co. Ltd.	5,331	3.5
Kami Shoji Co. Ltd.	4,700	3.1
Japan Trustee Services Bank, Ltd. (Trust Account)	4,136	2.7
The Norinchukin Bank	4,110	2.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,027	2.7
Tokushu Tokai Paper Co., Ltd.	3,871	2.5

Notes: 1. The shares held by Japan Trustee Services Bank, Ltd. (Trust Account) and The Master Trust Bank of Japan, Ltd. (Trust Account) are related to trust service.
2. Shareholding ratio does not include treasury stock (excluding the shares held by trust bank as Board Benefit Trust).

Stock Price and Trading Volume



Corporate Data / Network

Corporate Information (As of March 31, 2020)

Established	May 5, 1943
Capital	¥43.4 billion
Number of Employees	2,619 (Unconsolidated), 10,446 (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 City)
Website	https://www.daio-paper.co.jp/en/
Main Products	Newsprint, coated paper, woodfree paper, printing paper for publication, PPC paper, carbonless paper, adhesive printing paper, wrapping paper, functional specialty paper, paperboard, various types of pulp, household paper (facial tissue, toilet tissue, paper towels), disposable baby and adult diapers, sanitary napkins, masks, etc.

Production Bases (As of September 30, 2020)

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

Business Bases of the Group Companies (Headquarters Location)

- | Paper Manufacturing | Printing | Paper Converting |
|--------------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| 1 Iwaki Daio Paper Corporation
Iwaki City, Fukushima Prefecture | 11 Daio Printing Corporation
Toshima Ward, Tokyo | 20 Daio Mill Support Co., Ltd.
Shikokuchuo City, Ehime Prefecture |
| 2 Dainichi Paper Corporation
Fuji City, Shizuoka Prefecture | 12 Miura Printing Corporation
Sumida Ward, Tokyo | 21 Daio Mill Support Tokai Corporation
Kawabe-cho, Kamo Distict, Gifu Prefecture |
| 3 Otsu Paper Board Co., Ltd.
Otsu City, Shiga Prefecture | 13 Daio Postal Chemical Corporation
Toshima Ward, Tokyo | 22 Elleair Texel Corporation
Kani City, Gifu Prefecture |
| 4 Harima Paper Tech. Corporation
Kakogawa City, Hyogo Prefecture | 14 Daiwa Shiko Co., Ltd.
Chuo Ward, Tokyo | Engineering |
| 5 Taisei Paper Corporation
Tsuyama City, Okayama Prefecture | 15 Senmeisha Corporation
Sumida Ward, Tokyo | 23 Daio Engineering Co., Ltd.
Shikokuchuo City, Ehime Prefecture |
| 6 Marubishi Paper Tec. Corporation
Shikokuchuo City, Ehime Prefecture | Corrugated Container | Transportation |
| H&PC Manufacturing | 16 Daio Package Corporation
Chiyoda Ward, Tokyo | 24 Daio Logistics Co., Ltd.
Shikokuchuo City, Ehime Prefecture |
| 7 Elleair Paper Co., Ltd.
Fujinomiya City, Shizuoka Prefecture | Distribution | 25 KG LOGISTICS LTD.
Chiba City, Chiba Prefecture |
| 8 Akabira Paper Corporation
Akabira City, Hokkaido | 17 Tokyo Pulp & Paper International Co., Ltd.
Chuo Ward, Tokyo | Other Businesses |
| 9 Elleair Product Co., Ltd.
Shikokuchuo City, Ehime Prefecture | 18 Daio Pulp & Paper Co., Ltd.
Chuo Ward, Tokyo | 26 Elleair Resorts Golf Club Co., Ltd.
Matsuyama City, Ehime Prefecture |
| 10 Daio Paper Products Corporation
Fuji City, Shizuoka Prefecture | 19 Elleair Business Support Co., Ltd.
Toshima Ward, Tokyo | |

Overseas Business Bases

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

