



Daio Paper Group Integrated Report 2021

 **DAIO PAPER CORPORATION**

Shaping an Abundant and
Affable Future for the World

Daio Paper Group
Integrated Report
2021



 **DAIO PAPER CORPORATION**

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POINT

Section 01 describes the history, strengths, and material issues of the Daio Paper Group, shares messages from the top management, and tells the story of how the Group creates value to fulfill its purpose (raison d'être).

POINT

This section provides a review of the past medium-term business plans, an overview of the Fourth Medium-Term Business Plan, an explanation about support from the financial aspect, and information on the specific policies of each business, the feasibility of plans and the outlook for sustainable growth.

POINT

This section presents our initiatives to contribute to achieving the SDGs by solving social issues through business operations for sustainable growth, compiles such initiatives according to the four pillars of our management philosophy, and explains our governance structure and approach that underpin them in terms of management.

POINT

Presented here are various data, including analysis of results of operations and financial condition, financial statements, and other financial data as well as information on business bases.

Reporting Period

April 1, 2020 to March 31, 2021
(Some information from outside the reporting period is also included.)

Scope of Report

This report covers the 39 Daio Paper Group companies. However, the environmental data covers the production bases of Daio Paper Corporation and the following 27 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 Paper Products Corporation; Daio Printing Corporation; Miura Printing Corporation; Daio Postal Chemical Corporation; Daiwa Shiko Co., Ltd.; Senmeisha Corporation; Daio Package Corporation; Yorii Insatsu Shiki Co., Ltd.; Uemura Shiko Corporation; Daio Mill Support Co., Ltd.; Daio Mill Support Tokai Corporation; 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.S.; Santher – Fábrica de Papel Santa Therezinha S/A

Guidelines Used as Reference

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

Publication Period

October 2021 (Publication of the next report is scheduled for October 2022.)

Period Covered by Fiscal Year

In this report, FY2020 denotes the consolidated fiscal year ended March 31, 2021. The same applies to other fiscal years.

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Description of Future Outlook

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

External Evaluations



2019
健康経営銘柄
Health and Productivity

Selected as a brand in the Health & Productivity Stock Selection, a first in the pulp and paper industry
* "健康経営" (lit. "Health Management") is a registered trademark of Nonprofit Organization Kenkokeiei.



2021
健康経営優良法人
Health and Productivity
ホワイト500

Recognized as one of the White 500 enterprises in the large enterprise category under the Certified Health & Productivity Management Outstanding Organizations Recognition Program for the fourth consecutive year



DBJ健康格付
2020
WWW

Rated highest in the DBJ Employees' Health Management Rating for the fifth consecutive year

Shaping an Abundant and Affable Future for the World

Management Philosophy

Under our corporate motto of *Passion with Sincerity* (our value), we will achieve *Three Well-beings* (our vision) and realize an abundant and affable future (our mission).

This is our management philosophy— “Shaping an abundant and affable future for the world”—embodied.

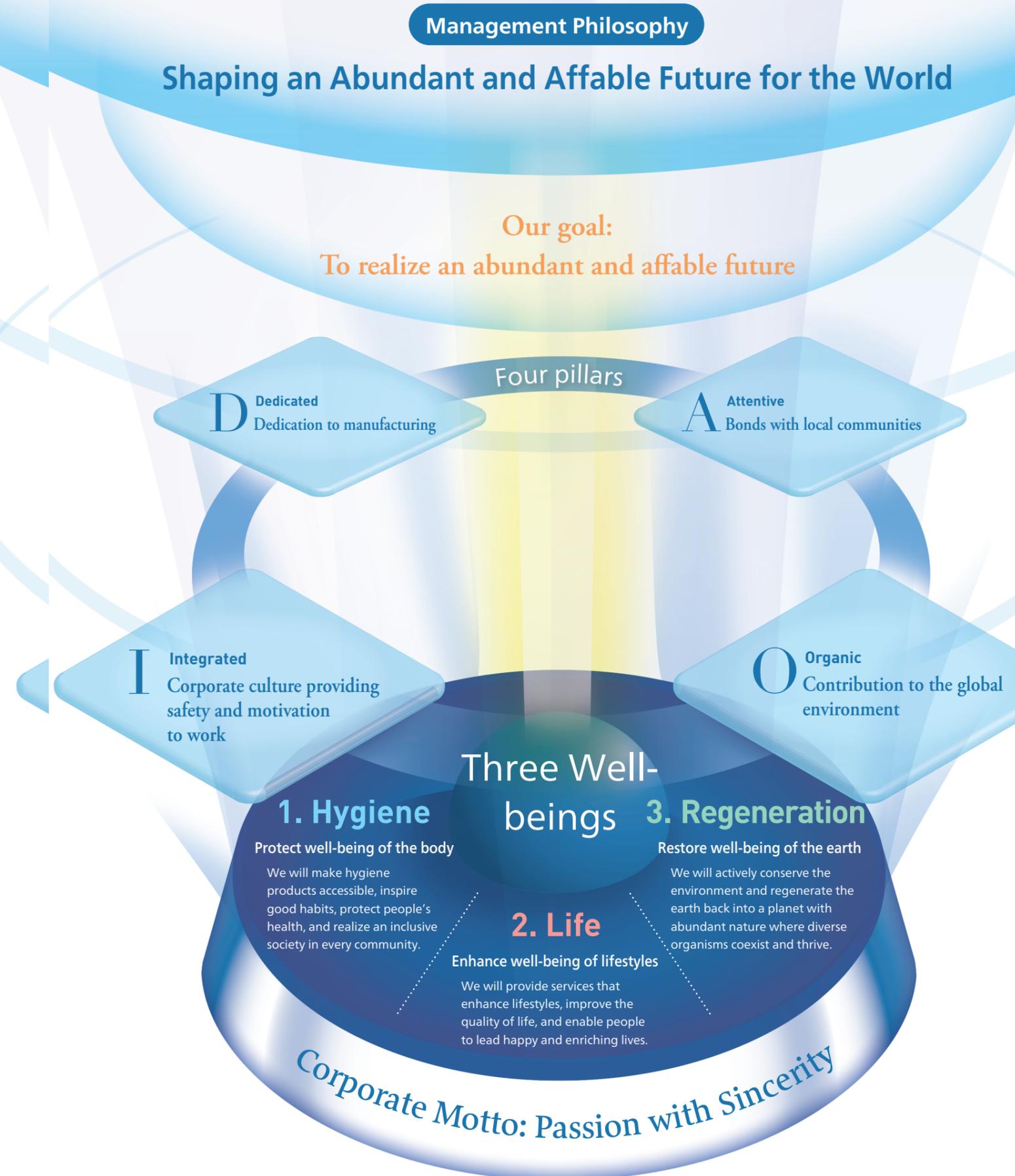
This is our *raison d’être*—our purpose.

The four pillars of our management philosophy form the foundation to realize our goal of an abundant and affable future.

The embodiment of these four principles will “shape an abundant and affable future for the world.”

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

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



Message from the Chairman

Striving for Sustainable Growth toward 2026 and Beyond in Fidelity to Our Founding Spirit and Unchanging Values of “Passion with Sincerity” and the Principle of Putting the Actual Locations of Operations First

The COVID-19 pandemic is still raging all over the world, although significant progress has been made in vaccinations. I would like to extend my sincere condolences to the families of COVID-19 victims.

In 2020, amid the pandemic and the resulting dysfunction of supply chains worldwide, the Daio Paper Group promptly started producing face masks in Japan. Since then, we have enhanced our system for face mask supply in hopes that our products will help medical professionals and other essential workers in the forefront of combating this infectious disease. As a manufacturer of products that support people's lives and society, we have been working to ensure business continuity while also placing priority on assuring the health and safety of Daio Paper Group employees and their families.

Since earlier this year, the management of the Daio Paper Group has been refreshed with Mr. Yorifusa Wakabayashi appointed as President, Representative Director, and CEO, and myself as Chairman and Representative Director. Looking back on my ten years of leading the Group as president from June 2011, it struck me that I have never felt satisfied for even the briefest moment. The Great East Japan Earthquake occurred in March 2011 just before my appointment as president. As the vice president in charge of production then, I immediately rushed to Iwaki City in Fukushima Prefecture and Sakura City in Tochigi Prefecture, the disaster-affected areas where manufacturing companies in our Group were located, to provide relief supplies, help the plants recover from any disaster damage, and secure product distribution lines. I was appointed as president amid such great turmoil, soon after which a scandal came to light in September of the same year. In the face of many severe difficulties that emerged after, I have done my best in the firm belief that employees are closely watching how I work, so, as the corporate leader, I must not escape from or waver in front of any difficulties.

In 2012, the reformed Daio Paper Group made a fresh start by formulating the First Medium-Term Business Plan for the subsequent three years and setting a goal to achieve in 15 years by the end of FY2026. During the nine-year period of the First to Third Medium-Term

Business Plans from 2012, we have made Group-wide efforts to implement various measures to achieve the goal. A major factor behind our reform efforts was changes in our Group's business environment. Against the background of progress in digitalization, we were facing a significant decline in demand for graphic paper—paper for reading and writing use—which had long been the core of our Group's business. The Group's sustainable growth required a radical shift in its business structure. Therefore, with strong determination, we carried out the structural reform of our Paper Business, that is, a shift to more profitable types of products, under the First Medium-Term Business Plan. Since the Second Medium-Term Business Plan, we have shifted the focus of our Paper and Paperboard Business from graphic paper to containerboard, for which demand remains strong, and have further changed our course toward the expansion of the Home and Personal Care (H&PC) Business, whose product lineup includes facial and toilet tissues of rapidly growing demand, making active capital investments. Moreover, we have expanded our business into overseas markets, which we view as our growth drivers. Beginning with Thailand in 2011, we have established operational bases in China, Indonesia, Turkey, and Brazil to build a full-scale global network.

In terms of business performance, the Daio Paper Group has taken steady steps toward growth despite the decline in the entire market for the papermaking industry. I believe that we have achieved this thanks to the understanding and support of various stakeholders, including shareholders, investors, and suppliers, and most importantly, thanks to the cooperation of all Daio Paper Group employees. During these nine years, the attitudes of employees have significantly changed. We have significantly slimmed down our organizations, including the Mishima Mill, taking such decisive action as reducing the workforce by calling for Daio Paper Corporation employees to retire voluntarily. It was a very tough decision for me to make, and it still pains my heart to think of it today. I have personally went to where our employees work and explained to them time after time, “All of us remaining at the Company must do our best with a positive attitude while keeping in mind the thoughts of other employees who had



Masayoshi Sako

Chairman and Representative Director

to leave the Company.” I have visited our mills and subsidiaries over a hundred times to share directly with Daio Paper Group employees my vision of the fresh start of the reformed Group. During these nine years, the occasion of my greatest happiness has been the annual ceremony for commending employees of great service. At every ceremony, I listened to the presentations of the commended employees explaining how they accomplished what they did, and it warmed my heart to notice that our employees were becoming more independent and self-directed.

Our approach of Group-wide integrated operations, which tears down hierarchical barriers, has also taken a considerably firm hold on the Group. The principle of putting the actual locations of operations first has permeated the entire Group, whose sales philosophy is “What is made by Daio is sold only by Daio sales representatives.” While valuing our relationships with distributors, we have consistently maintained the stance of readily visiting the actual locations of where our products are sold or used and listening attentively to our users. Neither position nor title matters—all of us in the Daio Paper Group, including me as the president, carry this out. Through this, the speed with which all of us can detect changes in the market has accelerated our decision-making, enabling our Group to occupy a relatively advantageous position in the industry. I have read daily sales reports written by our sales representatives every day over the past nine years. This is because I recognize that it is of the highest importance to know what is happening at the actual locations of operations when making corporate management decisions.

I suppose that, as a president appointed amid the great turmoil of an emergency, I have used a management method that may be described as top-down. However, to continue to grow sustainably, the Daio Paper Group will have to abandon the top-down management method. Mr. Wakabayashi—the new president with vast experience, great achievements, and favorable qualities—is a bottom-up-style leader who can unite all employees while valuing their individual opinions. I suppose that the Daio Paper Group will face various difficulties in the process of implementing the fourth, fifth, and subsequent Medium-Term Business Plans, but I trust that he will lead the Group to overcome such difficulties with fierce determination and an unwavering focus on the Group's goal, while keeping the corporate motto “Passion with Sincerity” as our unchanging value. Yoshida Shoin, a 19th-century Japanese intellectual, once said: “A lack of dreams means a lack of ideals. A lack of ideals means a lack of plans. A lack of plans means a lack of implementation. A lack of implementation means a lack of success. Therefore, a lack of dreams means a lack of success.” I hope that the new president will have ambitious dreams and devote himself to further developing the Daio Paper Group.

A company should not only pursue profits—that is pure greed—but also contribute to raising the living standards of all people living on Earth and to increasing employment and invigorating the local communities in the areas where the company operates. I will support the new management so that the Daio Paper Group will be able to practice its management philosophy “Shaping an Abundant and Affable Future for the World” from such a perspective.

Message from the President and CEO

Yorifusa Wakabayashi

President and Representative Director
Chief Executive Officer



Making a Total Commitment to Achieving the Targets Set in the Medium-Term Business Plan and Fulfilling the Long-Term Vision with the Aim of “Shaping an Abundant and Affable Future for the World”

To shape an abundant and affable future for the world

Passion and sincerity lead to greatness—that was the principle that Daio Paper’s founder, Isekichi Ikawa, lived by. Embracing this founding spirit as its credo, Daio Paper has achieved business growth while responding to changes in the business environment and social needs since its founding in 1943. The world

today faces many difficult global challenges, including climate change and the pandemic. In addition, our business environment has experienced very rapid changes, such as a radical shift to decarbonization and the acceleration of digitalization.

Amid such a situation, I was appointed as President, Representative Director, and CEO in April 2021, which also marked the start of the Fourth Medium-Term Business Plan, the latest

of the three-year business plans the Group has implemented since 2012. In May 2023, the final year of the Fourth Medium-Term Business Plan, Daio Paper will celebrate the 80th anniversary of its founding. I believe that the fulfillment of our long-term vision of becoming a corporate group with net sales of 800 billion to 1 trillion yen in FY2026, the final year of the Fifth Medium-Term Business Plan, which will follow the current Fourth Plan, will provide the Group

with the foundation for sustainable growth toward the centenary of Daio Paper’s founding.

Furthermore, we have declared that we will achieve carbon neutrality by 2050, more distant in the future than our centenary. Meeting the Daio Paper Group’s responsibilities for solutions to climate change, the top-priority global challenge, requires us to overcome many barriers. To become a strong corporate group that can overcome such barriers, we will make a strong commitment to fulfilling our long-term vision. We in the Daio Paper Group aim to practice our management philosophy “Shaping an Abundant and Affable Future for the World” through our business activities based on our corporate motto “Passion with Sincerity,” in other words, to contribute to the fulfilled, happy, and safe lives of people around the world.

Integrated operations as a business model with the strength of *fueki ryuko* (permanence and readiness for change)

The foundation for our efforts to achieve this aim lies in our long-cherished, permanent corporate motto “Passion with Sincerity” and our ability to change based on our prompt decision-making. I believe that our strength lies in this good combination of permanence and readiness for change, or *fueki ryuko* in Japanese. The spirit expressed in our corporate motto, which our founder left to us as the credo that he had discovered after his struggle against many challenges, is permanent and will never change. The “three *gen*” principle of solving a problem by going to the actual location (*genba*), inspecting the actual situation (*genbutsu*), and ascertaining the actual facts (*genjitsu*), which is embodied by the sales philosophy “What is made by Daio is sold only by Daio sales representatives,” has also widely permeated Daio Paper together with the corporate motto. Meanwhile, the Daio Paper Group’s reformative ability to implement comparative advantage strategies more quickly than the speed at which its business environment changes can be described as the Group’s readiness for change. This ability is underpinned by the Daio Paper Group’s business model of Group-wide integrated operations, which is evident from the absence of organizational barriers despite the Group’s division into two businesses: the B2B

Paper and Paperboard Business and the B2C Home and Personal Care (H&PC) Business. For example, a sales representative in charge of newsprint may recommend our toilet tissue to newspaper companies, while an H&PC sales representative may introduce our copy paper to hospitals. Our integrated operation business model enables all Group companies to align with each other toward business growth. Thoroughly integrated operations, which cover not only sales representatives but also mill and factory workers, as well as staff in charge of development, marketing, and back-office functions, are a strength and asset of the Daio Paper Group.

Our great strengths and assets also lie in the flexible production system and cost competitiveness of the Mishima Mill (Ehime Prefecture, Japan), one of the world's largest coastal paper mills and the Daio Paper Group's core paper mill. This mill boasts high competitiveness in pulp production, an original technology for processing recovered paper, its advantageous location next to an international trade port, and production equipment for most kinds of pulp and paper. The Mishima Mill is advantageous in being able to shift flexibly between different production systems according to changes in demand and thus supports the Daio Paper Group's business growth.



Review of the Third Medium-Term Business Plan: Achieving net sales growth for the eighth consecutive fiscal year and establishing an all-time record in net profit in FY2020

During the period of the Third Medium-Term Business Plan until FY2020, we were actively committed to implementing our priority measures: the radical cross-business structural reforms of the Paper and Paperboard Business and the H&PC Business; the global expansion and strengthening of profitability of the H&PC Business; and new businesses. We accelerated our shift from graphic paper, for which demand was rapidly declining, to packaging paper, for which demand was strong against the backdrop of enormous e-commerce demand, and to household paper products, for which new needs would be created due to consumers' heightened hygiene consciousness and lifestyle changes.

<Major initiatives implemented during the period of the Third Medium-Term Business Plan>

- Converting the paper machine at the Mishima Mill into a containerboard machine and beginning to export high-quality containerboard with advanced functions to China and other Asian markets
- Implementing M&A of corrugated container companies to enhance the downstream business, and promoting the integrated production of all types of paper, from containerboard to corrugated container products
- Installing a machine for household paper products at the Kawanoe Mill (Ehime Prefecture, Japan) and restarting the operation of the mill as a production base for household paper products to strengthen our system for providing household paper products to the domestic and overseas markets
- Strengthening our system for providing products combating COVID-19 (mainly by starting the domestic production of disposable face masks and increasing the production output of sanitizing wipes and paper towels)
- Pursuing multi-category business expansion in overseas markets, especially in China, Thailand, and Indonesia

- Entering new markets in South America and the Middle East (by acquiring hygiene product manufacturers in Brazil and Turkey)

As a result of these initiatives, although our consolidated net sales for FY2020 fell slightly short of the target set in the Third Medium-Term Business Plan, we achieved all other targets for our FY2020 consolidated financial results. In FY2020, we achieved an increase in net sales for the eighth consecutive fiscal year and a growth in profit attributable to owners of parent for the third consecutive fiscal year, with the latter an all-time records.

Business strategies in the Fourth Medium-Term Business Plan

It is predicted that, despite the upward trend in the Japanese economy mainly due to progress in COVID-19 vaccinations and the economic recovery in China and the U.S., the future of the Japanese economy will remain uncertain against the background of prolonged U.S.–China trade friction, more infectious coronavirus variants, and other circumstances.

In April 2021, amid this situation, the Daio Paper Group launched the Fourth Medium-Term Business Plan, which establishes the basic policies of (1) establishing a strong and resilient business portfolio, (2) improving financial strength, and (3) responding to climate change (achieving carbon-neutral status by 2050).

As detailed elsewhere in this report, in response to the aforementioned consistent decline in paper demand due to paperless work and home environments and digitalization, we will continue to shift the focus from graphic paper to packaging paper, for which demand is expected to remain strong. In addition, heightened public awareness of the environment has increased the need for products that can serve as plastic alternatives, such as unbleached kraft paper and EliPla+, which are high value-added and have high unit price. We will also strive to increase sales of these products.

In the H&PC Business, we will make maximum use of the brand power of Elleair, the most popular brand in the Japanese household paper product market, to achieve synergy between household paper products



and absorbent products in sales promotion. We will provide our absorbent products, including disposable baby diapers, for which our market share significantly increased as a result of last year's major product redesign, disposable adult diapers, and sanitary napkins to further contribute to solving social challenges, such as addressing the problem of an aging population combined with a declining birthrate and extending healthy life expectancy.

Meanwhile, in terms of the procurement of fluff pulp* which is a main material of absorbent products, we have so far relied on overseas suppliers mainly in northern Europe and Brazil. However, lessons learnt from having to suspend supply of product due to global supply chain disruptions amid the early waves of the COVID-19 pandemic in 2020 have caused us to decide to start producing fluff pulp in-house at the Mishima Mill to avoid risk. It will not be easy to start Japan's first fluff pulp production due to issues such as cost, but we will readily take up this challenge, which we believe matches the social mission of our Company as a manufacturer of essential products.

During the period of the Fourth Medium-Term Business Plan, our overseas H&PC Business will be our top-line growth driver. In this business, we aim to achieve net sales of 135.0 billion yen, more than double the current figure. We will work to not only increase local sales of products manufactured locally in the countries where we already have production bases but also export those products to neighboring countries with the aim of expanding our geographic reach using our production bases

*Fluff pulp: Pulp that is mixed with superabsorbent polymers in the production process of absorbent products such as disposable diapers

as footholds. We will also strive to make a further leap through strategic M&A and the creation of synergy out of that, as well as the exploration of frontier markets. In the huge market of China in particular, our disposable baby diapers are recognized under the nickname of “diapers of Dawang” (the Chinese reading of the characters “Daio,” meaning “king”), and we have been widely accepted as the highest-quality disposable baby diaper brand. In May 2021, we also launched sanitary napkins onto the Chinese market on a trial basis with a view to leveraging the power of the Dawang brand to achieve business expansion by diversifying our offerings, from disposable baby diapers to sanitary napkins, household paper products, disposable adult diapers, sanitizing wipes, and face masks. We aim to scale up this business model to all areas of our operation in a manner that is suitable for each area.

Moreover, our efforts to commercialize cellulose nanofiber (CNF), which has great potential for a new business, have made remarkable progress. Our CNF was used as a material in a racing EV, which participated in a race held in the U.S., verifying the durability of the material which helped reduce the weight of the vehicle. We will continue to take up the challenge of pioneering such new businesses, together with the radio frequency identifier (RFID*) business, which is expected to contribute to digital transformation (DX).

*RFID: Also called IC tag (contactless electronic tag)

Another focus of our efforts this fiscal year is the Shikokuchuo City Carbon Neutrality Council, which was established in June 2021 with the participation of local paper manufacturers, government bodies, financial institutions, and other parties in Shikokuchuo City, where the Mishima Mill is located. In this first-ever initiative that the papermaking industry has implemented to deliberate on an energy shift in the Shikokuchuo area through collaboration between government, the private sector, and financial institutions, we will explore the possibilities of shifting to a new energy source, which is the most important challenge for us to solve toward the achievement of carbon neutral status.

Meanwhile, to perform corporate management with keen awareness of the cost and profitability of capital investment, we will begin to use return on invested capital (ROIC) as an internal indicator for the profitability of each business and the appropriateness of each investment case. Under the Fourth Medium-Term Business Plan, we will maintain financial discipline and take action within the scope of depreciation and amortization. During the period of the Fifth Medium-Term Business Plan, we will strengthen our cash creation capacity, which will enable us to achieve further business growth, and improve our cash flow.

By implementing these measures, we aim to achieve net sales of 720.0 billion yen and operating profit of 51.0 billion yen in FY2023,

the final year of the Fourth Medium-Term Business Plan. During the three years from FY2020, we aim to achieve top-line growth of over 150.0 billion yen, which is definitely not a moonshot. With the strong determination to become a company that will survive for a century, we will “gear up” as declared in the slogan of the Fourth Medium-Term Business Plan, and make determined efforts to reach this must-achieve target.

Toward sustainable corporate management

I believe that achieving sustainable growth requires our Group to not only increase its economic value but also raise its social value by providing practical solutions to social challenges through business activities. Therefore, we will promote our practice of sustainability management from three perspectives: creating shared value (CSV); preventing and reducing adverse impacts on society and the environment; and building a management foundation for value creation.

We will motivate our employees—an integral part of our management foundation—to create new innovations by fostering a corporate culture that helps ensure their mental and physical health and psychological security, and encourages everyone to express their views without constraint. In this sense as well, we believe that it is indispensable to enhance our diversity and inclusion measures. We have appointed women to serve as the general manager and manager of the Diversity Promotion Department, which was established this year. They are quickly implementing various initiatives, including a diversity education program targeting managerial staff and training aimed at helping employees eliminate their own unconscious bias. We will also enhance our governance as the core of our management foundation. We mapped out our first-ever skills matrix this year, and the framework has enabled us to identify that we need to enhance the skills of our production and finance staff. We will focus our efforts on improving our governance system so that it becomes well-balanced by selecting from a wide choice of possible measures, including the appointment of outside directors and utilization of in-house human resources.

Our efforts to help achieve the SDGs and our support for the TCFD

The promotion of sustainable corporate management naturally involves contributing to the achievement of the SDGs. While our history of tackling social challenges is longer than that of the SDGs, which were established in 2015, we formulated the Sustainability Vision in May 2021 to clarify the linkage between our sustained efforts and the SDGs. We have also identified material issues, decided on the specific steps to take until 2030, and specified quantitative KPIs. To combat climate change, we aim to reduce CO₂ emissions by 46% from FY2013 levels by FY2030 according to our road map toward the achievement of carbon neutrality by 2050.

In May 2021, we also announced our support for the Task Force on Climate-related Financial Disclosure (TCFD) as part of our efforts to address climate change. Our Sustainability Committee has begun to conduct scenario analysis in the 2°C, 4°C, and 1.5°C scenarios to identify transitional risks, physical risks, and opportunities. We are also preparing to issue an announcement by next April about our governance, strategy, risk management, and targets and indicators, which are the four core elements of the TCFD recommendations, after thorough examination at Management Meetings and Board of Directors Meetings.

Message to stakeholders

The Daio Paper Group recognizes the return of profits to investors and shareholders as a key management issue. Our policy is to ensure that returns to our shareholders will reflect the increase in equity due to business growth while continuing the stable distribution of dividends in consideration of our performance status and internal reserves, and we have added dividend on equity ratio to our indicators to fulfill that. Support from our stakeholders is vital for our realization of the management philosophy “Shaping an Abundant and Affable Future for the World.” We will do our best to become a corporate group whose development will contribute to the development of local communities and to the achievement of the SDGs. We look forward to your continued support.



History of the Daio Paper Group

—Speedy decision-making and great implementation ability have enabled the Daio Paper Group to continue to create value, resulting in its record performance in FY2020.

Daio Paper was founded in Shikokuchuo City, Ehime Prefecture, in 1943 to produce and sell *washi* (traditional Japanese paper), and later developed as a manufacturer of newsprint and containerboard. The Company subsequently entered the paper business and the household paper business in a flexible response to changes in social needs, growing into a full-range paper manufacturer. By leveraging the brand power and sales channels it had developed through the household paper business, Daio Paper also entered the market for absorbent products such as disposable baby diapers. In 2011, the Company expanded into growing overseas markets, including Thailand, China, and Indonesia, on a full scale.

Under the Third Medium-Term Business Plan, in a prompt response to changes in the Japanese market, Daio Paper took the decisive action of shifting from graphic paper to packaging paper and household paper products. Furthermore, to address risks and take advantage of opportunities amid the COVID-19 pandemic, the Company implemented the momentous decisions to build additional production facilities for alcohol-based sanitizing wipes and paper towels and to produce face masks in Japan, resulting in its record net sales and profit attributable to owners of parent in FY2020.

Responses to the COVID-19 pandemic

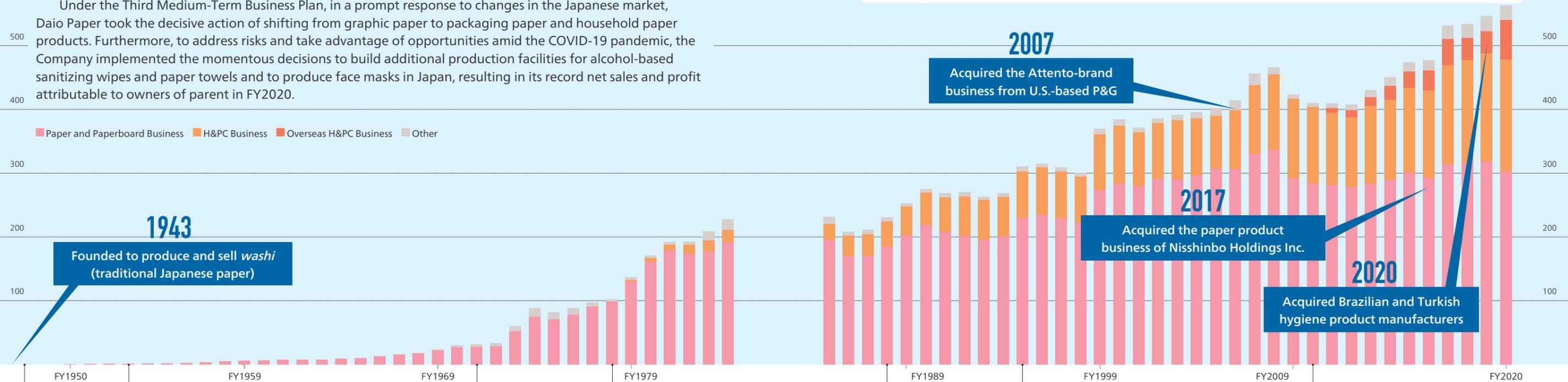
The Daio Paper Group has implemented COVID-19 countermeasures based on the following policies:

- 1. Prevent the spread of the COVID-19 pandemic through Daio Paper Group products and implement measures to avoid the suspension of production activities and the disruption of product supply.**
 - The Group started face mask production in Japan by installing face mask production lines at Elleair Product's Tochigi Factory and beginning production in April 2020. The Group also supplied face mask to medical institutions and local governments.
 - The Group increased the production output of household paper products through such measures as adding sanitizing wipe production lines to production factories of Elleair Paper and Elleair Product and installing paper towel production equipment at the Mishima Mill.
 - Daio Package began to produce and sell partitions for infection control.
- 2. Create environments where customers, suppliers, employees, and their families can live safely.**
 - The Group has invested in systems for remote work and online meetings to create workplace environments where employees can work while maintaining social distance.
 - Employees, staff of cooperating offices, and others who are to enter mills and factories (including contractors and carrier staff) undergo checks of their body temperature and physical condition.
 - The Group provided voluntary workplace vaccinations to employees of the Tokyo Headquarters, the Mishima Mill, and nearby subsidiaries, as well as their family members.

The Daio Paper Group will continue its efforts to both prevent the further spread of the COVID-19 pandemic and ensure the continuity of its production activities.

(Billions of Yen)

(Billions of Yen)



Ceremony for celebrating the completion of a paper mill



Kawanoe Mill serving as the core of linerboard production



Construction of the New Mishima Mill



Facial tissue and toilet tissue at launch



Disposable baby diapers and sanitary napkins at launch



A stretch of forest owned by Forestal Anchile



Iwaki Daio Paper



Elleair International China (Nantong)

1947

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

1954

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

1972

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

1979

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

1980

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

1989

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

1996

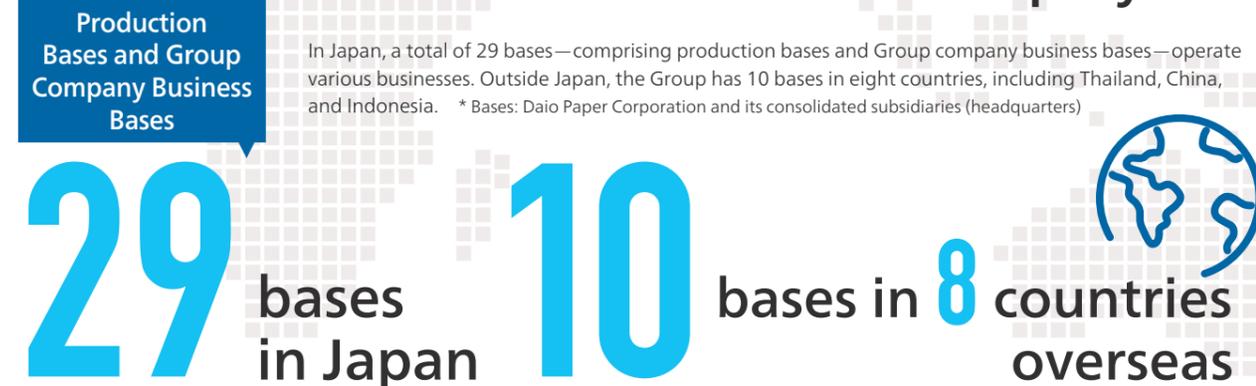
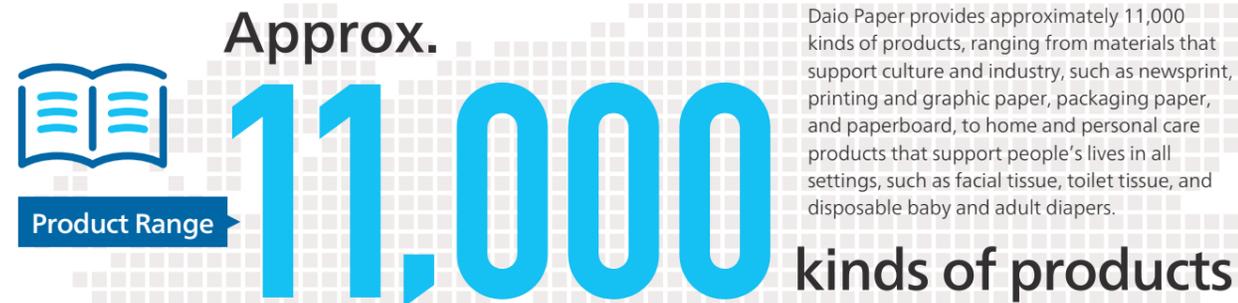
The Group decided to found Iwaki Daio Paper in Iwaki City, Fukushima Prefecture, within 180 km from Tokyo, the largest source of recovered paper in Japan. The new company began to produce and sell newsprint made from 100% recovered paper, Japan's first such product.

2011~

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

At a Glance

Daio Paper is a manufacturer of a full range of paper products, including newsprint, printing paper, and packaging paper, and consumer household goods, including facial tissue and other household paper products, disposable diapers, and feminine care products.



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



The Daio Paper Group owns 590 km² of forested land—roughly the same area as Tokyo's 23 special wards—in Chile, South America. About half of this, 280 km² of land, is preserved as natural virgin forest toward the conservation of biodiversity and sustainable forest management.



Business Description

Paper and Paperboard Business

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

Home and Personal Care Business

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

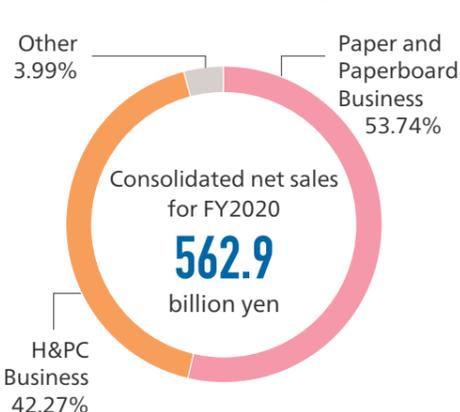
Other

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

Net Sales (Billions of Yen)



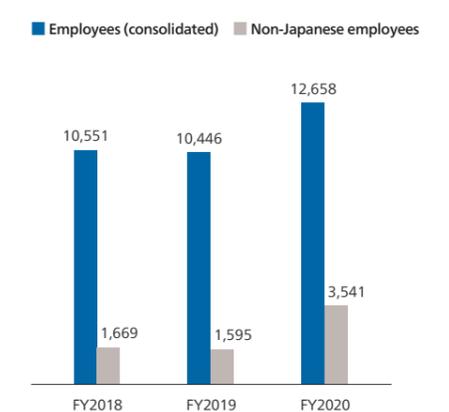
Net Sales Composition by Segment



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

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

Number of Employees (Consolidated)



Strengths of the Daio Paper Group

The Mishima Mill, one of the world's largest coastal paper mills, is the principal source of Daio Paper Group's competitiveness. The mill supports the Group's sustainable growth through various measures, including establishing a resilient production system that can respond to changes in the demand structure and reducing

the environmental impact of its operation. In addition, the Group strives to increase its brand power, sales capabilities, and corporate value based on its marketing-oriented sales policy represented as "What is made by Daio is sold only by Daio sales representatives."

Core Competence

Technological capabilities to produce a wide range of paper products that meet changing demand and further broaden the product range at the Mishima Mill, one of the world's largest coastal paper mills, which is highly cost competitive due to its coastal location, and sales capabilities to market this wide range of products

Competitive Advantage 1

Product Value Chain

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

We have built a product value chain capable of efficient production to provide a timely response to changes in paper demand to achieve sustainable growth.

The Mishima Mill, our core paper mill, is one of the world's largest coastal paper mills and engages in the integrated production of paper and paperboard with in-house produced pulp. Its annual production output is approximately 2.0 million tons, which accounts for about 9% of Japan's total annual paper and paperboard production.

The Mishima Mill has one of Japan's largest pulping facilities, which is connected through a network of pipes to 17 paper machines and feeds the appropriate types of pulp to each machine according to the quality of paper to be produced. This system enables us to flexibly switch between different product types to always meet changing market demand.

Competitive Advantage 2

Environmentally Conscious Company

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

Since the establishment of Daio Paper Corporation, we have been engaged in environmental conservation through various initiatives, including utilizing a high percentage of recovered paper, lowering energy consumption, and recycling industrial water. We own 590 km² of forested land—roughly the same area as Tokyo's 23 special wards—in Chile, South America, and are practicing sustainable forest management there. About half of this, 280 km² of land, is preserved as natural forest to conserve biodiversity.

In addition, we now use a higher percentage of recovered paper than the average in the industry as a result of our efforts to increase our use of hard-to-recycle recovered paper, which were previously disposed of as waste. We also aim to achieve zero emissions by dividing hard-to-recycle recovered paper into material (pulp) and fuel (such as plastic film mixed in with recovered paper) and utilize both. Through such approaches, we are actively committed to environmental conservation.

Competitive Advantage 3

Market-driven Business Strategy

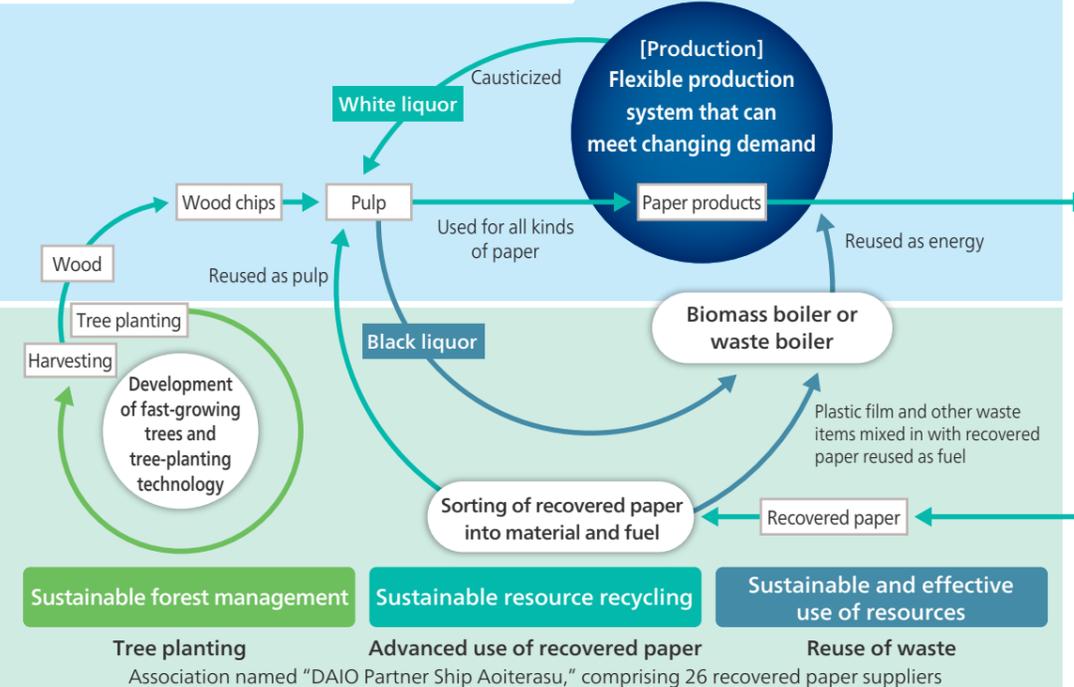
- 1 Speedy decision-making and great implementation ability
- 2 Integrated operations (Integration between product development, production and sales; integration between paper and printing, containerboard and corrugated container converting; integration between the Paper and Paperboard Business and the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

As a manufacturer that aspires to know its customers best, we have devoted efforts to expanding our sales networks and training our sales representatives based on our basic stance: "What is made by Daio is sold only by Daio sales representatives."

Every sales representative detects market trends through their day-to-day marketing activities with customers to facilitate product development and proposals that can promptly meet customer needs. In our operations not only in Japan but also in the rest of the world, we have broadened our lineup of high-performance and high-quality products so that they will fit into the local culture and customs of each country/region. We have thus raised the satisfaction levels of local consumers.

*1 CNF: Cellulose nanofiber
 *2 RFID (radio frequency identifier): Contactless electronic smart tag
 *3 Number of applications submitted in FY2018
 *4 Number of kinds of products registered in our database
 *5 Source: Intage SRI (Nationwide Retail Store Panel Survey) in the facial tissue, toilet tissue, and kitchen towel markets (on a monetary basis in FY2020)

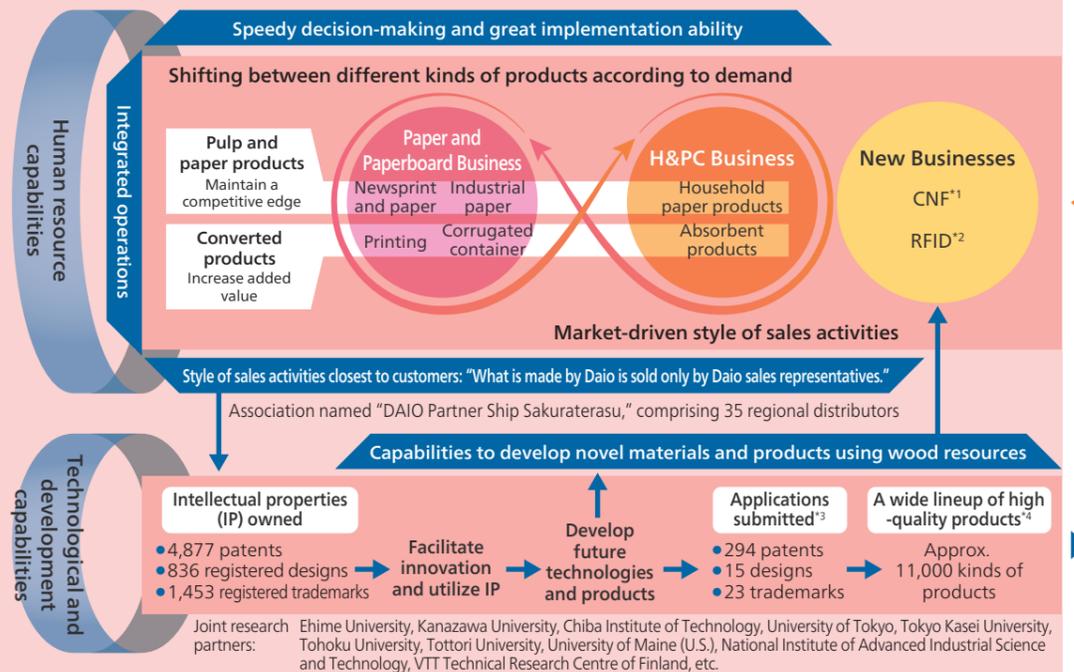
Integrated production, beginning with raw material production (tree planting ▶ wood chips ▶ paper ▶ converting)



Sustainable forest management Tree planting Association named "DAIO Partner Ship Aoiterasu," comprising 26 recovered paper suppliers

Sustainable resource recycling Advanced use of recovered paper

Sustainable and effective use of resources Reuse of waste



Sales capabilities to market a wide range of products

Brand power

No.1 market share^{*5}

Facial tissue: 26.9%

Toilet tissue: 30.8%

Kitchen towels: 29.8%

Material issues of the Daio Paper Group

Daio Paper observes social trends from a global perspective and reviews key issues that it should tackle to increase its corporate value over the medium to long term, not only from a present-focused perspective but also from a future-oriented perspective focusing on its goal. We have identified our priority material issues by taking the following steps.



(1) Issues of stakeholder concern

We detected issues of considerable concern to stakeholders from among issues related to our operations, and social and other issues, through dialogue with stakeholders.

(2) Important issues for us

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

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

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

(1) Business strategies

We analyzed and organized the issues of stakeholder concern and important issues for us picked out at Step 1-(1) and 1-(2) to determine which issues are important themes related to our business strategies.



(2) Social issues

From among the issues of stakeholder concern and important issues for us picked out at Step 1-(1) and 1-(2), we organized the important themes that are related to social issues that are expected to have an impact on our corporate value unless we addressed them, in consideration of global trends and the current social situation, while comparing those issues with key issues in the Global Reporting Initiative (GRI) standards and other standards set by evaluation organizations.

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

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

(2) Determining material issues through discussions at important meetings

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



Issues of stakeholder concern (examples)

- Responses to the COVID-19 pandemic
- Current sales and future potential of environmentally conscious products
- Risk entailed by the global business expansion and progress therein
- Progress in the development of advanced CNF technologies and their application
- Relationships with local communities (such as social contribution activities)

Identified through dialogue

- CSR procurement and supply chain management
- Progress in diversity initiatives and human resource management
- Establishment of a powerful governance system and risk management
- Decarbonization and other responses to climate change, use of recovered paper, and water resource management
- Conservation of biodiversity and forests

Important issues for us (examples)

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

Picked out from among our risks and opportunities and analyzed

- Respect for human rights and the safety and health of employees and their family members
- Responses to international CSR requirements and risk management
- GHG emissions reduction by 2050
- Decrease in the amount of plastic used and exploration of alternative materials
- Reduction and reuse of industrial waste and water resource management
- Sustainable forest management and paying due attention to biodiversity

Forecasting from the perspective of the near future

Material issues

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

Backcasting from the perspective of our goal

Our goal (future visions)

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



Value Creation of the Daio Paper Group

The Daio Paper Group has striven to solve social issues through its business activities and created value by propelling its business activities and leveraging various kinds of capital and strengths while enhancing its governance.

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

Corporate Philosophy

Shaping an Abundant and Affable Future for the World

Our goal: An abundant and affable future

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



Core competence ▶ pp. 17-18

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

Hygiene

The issue of poverty will have been solved, and people's living standards will have been raised, ensuring their healthy lives.

The issue of poverty will be solved, and people's living standards will be raised.

Infectious diseases will be kept under control.

Hygienic toilets will be common throughout the world.

Life

People around the world will be able to lead happy and fulfilled lives.

More people will enjoy their lives in retirement.

More women will be in more prominent roles in society.

Everyone will be able to work while raising children and/or looking after elderly people.

Regeneration

The Earth will have been regenerated into a planet with abundant nature where diverse organisms can coexist and flourish.

Waste will be reduced, and a recycling-oriented society will be realized.

The entire supply chain will achieve carbon neutral status.

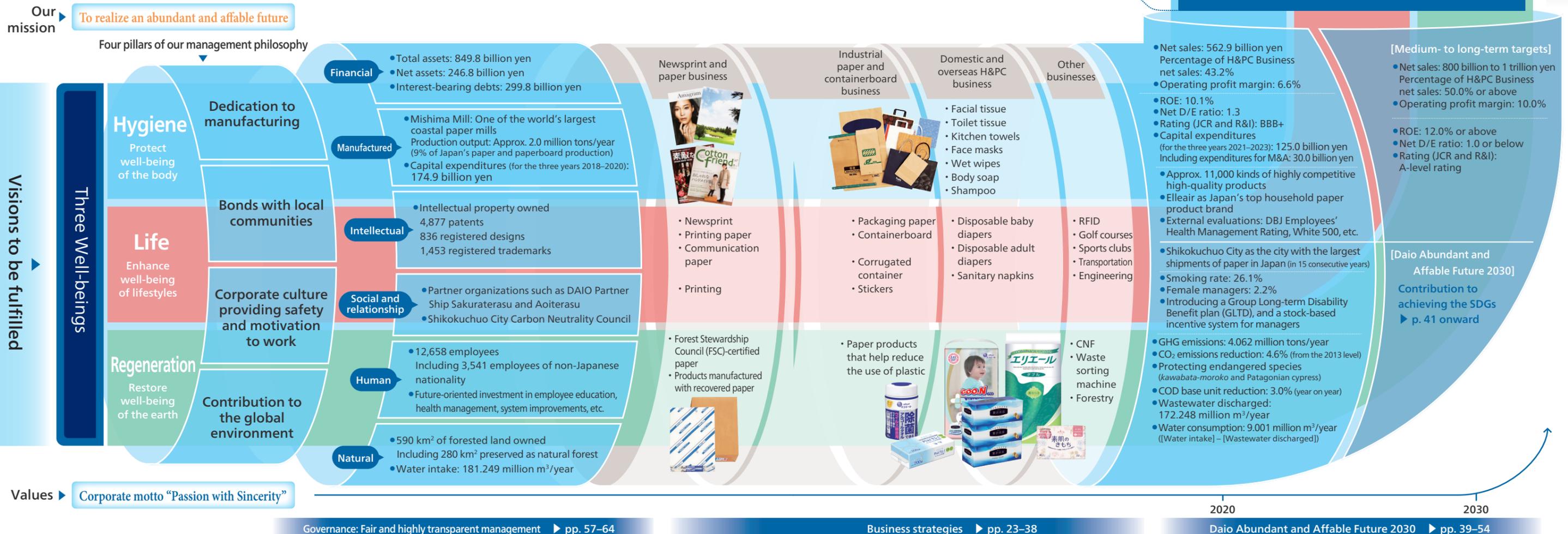
Significant progress will be made in the shift from plastic to naturally derived materials.

An abundant and affable future

Major social issues		
<ul style="list-style-type: none"> • Changes in consumers' preferences and lifestyles • Decrease in Japan's population, especially its working population • Poverty issues and emerging countries' economic growth • The increasing need to extend healthy life expectancy 	<ul style="list-style-type: none"> • Measures for coexistence with COVID-19 • Growing public concern about human rights issues • Responses to the aging society with a declining birthrate • Corporate misconduct and scandals 	<ul style="list-style-type: none"> • Increase in the number of natural disasters due to climate change • Realization of a decarbonized society • Marine plastics • Heightened public awareness of conservation of the global environment
Material issues ▶ pp. 19-20		
<ol style="list-style-type: none"> 1. Strategic transformation of our business portfolio 2. Acceleration of global expansion 3. Creation of new businesses 4. Coexistence with local communities 	<ol style="list-style-type: none"> 5. Establishment of sustainable supply chain 6. Respect for human rights, development of human resources, and compassion for employees 7. Fair and highly transparent management 	<ol style="list-style-type: none"> 8. Response to climate change 9. Realization of a recycling-oriented society 10. Forest conservation and maintenance of biodiversity

- ① Our purpose (raison d'être)
- ② Social and material issues
- ③ Six capitals (input)
- ④ Core competence
- ⑤ Products and services by business segment (output)

⑥ Value: The impacts we bring (outcome)

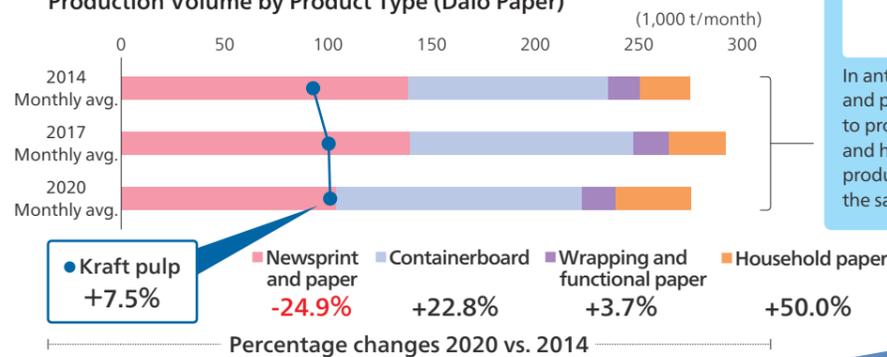


Daio Paper Group's Vision and Medium-Term Business Plans

The Group made a fresh start as the restructured Daio Paper Group in 2012, and has since primarily pursued structural reforms and overseas expansion under its medium-term business plans. The Group set out its long-term vision with specific targets to be achieved by the fiscal year ending March 31, 2027 (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 the H&PC overseas business, and an operating margin of 10%. Aiming toward the next growth stage and a new future, the Group will strategically transform its business portfolio to become a corporate group capable of continuous growth.

Product Mix Shifts through Structural Reforms

Production Volume by Product Type (Daio Paper)



Swift decision-making and execution x Production system that flexibly responds to demand changes

In anticipation of declining demand for newsprint and paper, the Group has shifted its product mix to products selling well, such as containerboard and household paper. As a result, the total production volume of all products remained at the same level as in 2014.

Overseas Business Expansion Trajectory

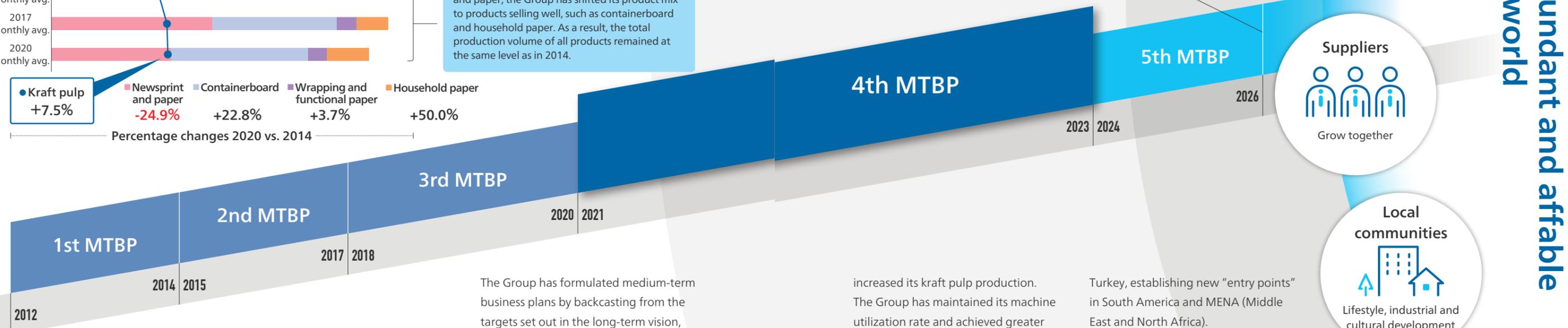
Net Sales Trend by Overseas Region



The Group has formulated medium-term business plans by backcasting from the targets set out in the long-term vision, and pursued two business strategies: reinforcing the business foundation and transforming the business portfolio through structural reforms; and strengthening and expanding the H&PC Business through expansion into overseas growth markets.

With regard to structural reforms, while maintaining full pulp production at the Mishima Mill, the Group promoted a strategic shift of product mix without stopping machines and

Net sales	H&PC business net sales ratio
¥800 billion to ¥1 trillion	50% or more
Operating margin	H&PC overseas business net sales ratio
10%	30% or more



increased its kraft pulp production. The Group has maintained its machine utilization rate and achieved greater competitive advantages by increasing the share of household paper and containerboard, which are experiencing growing demand, in its product mix.

Regarding overseas business expansion, by establishing production bases in China, Thailand and Indonesia, the Group has built systems for local production and consumption in Asia, centered on baby diapers. Under the Third Medium-Term Business Plan, the Group conducted M&A in Brazil and

Turkey, establishing new "entry points" in South America and MENA (Middle East and North Africa).

While implementing these business strategies, the Group is also striving to tackle climate change, which is an urgent global challenge, and other social issues from the ESG (environment, social and governance) perspective and to create a sustainable society, which the SDGs are aimed at, thereby aiming to realize its management philosophy of "Shaping an abundant and affable future for the world."



Three Well-beings 1. Hygiene

Protect well-being of the body



We will make hygiene products accessible, inspire good habits, protect people's health, and realize an inclusive society in every community.

2. Life

Enhance well-being of lifestyles



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

3. Regeneration

Restore well-being of the earth

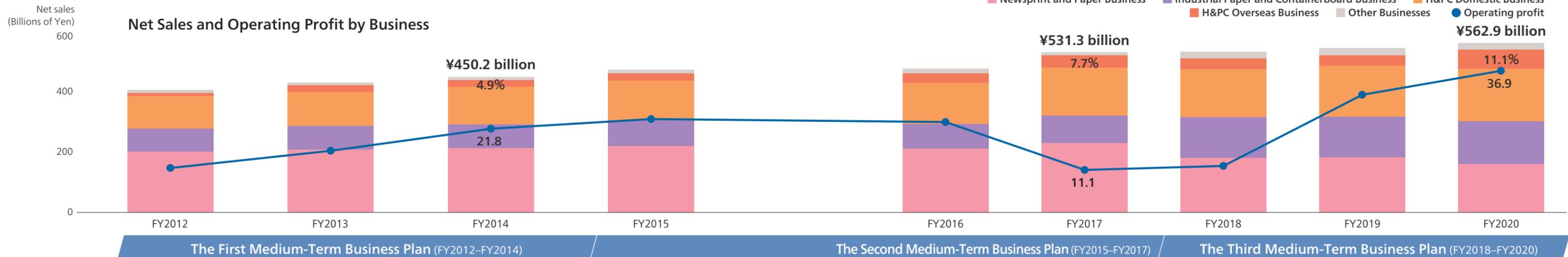


We will actively conserve the environment and regenerate the earth back into a planet with abundant nature where diverse organisms coexist and thrive.

Review of the Medium-Term Business Plans

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

From the Fourth Medium-Term Business Plan onward, the Group will continue to implement a radical cross-business structural reform of the Paper and Paperboard Business and the H&PC Business. With regard to overseas expansion, the Group plans to promote multi-category business expansion (business multi-layerization) in a full-fledged manner by entering into new markets through its bases in Asia, Brazil and Turkey (expanding “point” to “surface”).



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

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

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

Restart—Solid Reform and Further Growth

Step-up—Leap and Expand

Move on: Reform and Soar Above

Basic Policies

- Rebuilding of business foundation
- Improvement of profitability of the paper business through cost reduction and structural shift of product mix
- Strengthening of the containerboard and corrugated container business
- Expansion of Home and Personal Care (H&PC) Business

- Structural shift of the paper business
- Strengthening of the containerboard and corrugated container business

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

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

Review

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

(Billions of Yen)	Targets	Results
Net sales	450.0	450.2
Ordinary profit	22.5	21.7
Interest-bearing debt	400.0	375.0
Equity ratio	17%	23.7%
Net debt to equity ratio	3.8	2.4

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

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

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

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

* Operating profit is used as a profit indicator from the 3rd MTBP.

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

[Restart—Solid Reform and Further Growth]

Review

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

Meanwhile, to further expand the H&PC Business as part of its growth strategy, the Group established factories in Thailand in 2011, in China (Nantong) in 2012, and in Indonesia in 2014 to produce mainly baby diapers, thereby building systems for local production and consumption in Asia.

The Group also worked on revamping its governance structure and improving its financial strength in order to rebuild its business foundation.

Issues

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

The Second Medium-Term Business Plan

[Step-up—Leap and Expand]

Review

Under the Second Medium-Term Business Plan, the Group continued to promote the structural shift of the paper business and shifted the product mix to maximize profit. It also worked to further strengthen the containerboard and corrugated container business by starting operation of the No. 3 paper machine at Iwaki Daio Paper.

With regard to the H&PC domestic business, the Group acquired paper products business from Nisshinbo Holdings, achieving an increase in market share of household paper products. The Group also worked to increase sales of high value-added products by leveraging the strength of the Elleair brand, and expanded the domestic supply capacity for absorbent products by commencing operation of

(FY2015–FY2017):

the Elleair Product’s Fukushima Factory As for overseas business, in addition to expanding its production facilities and broadening the product lineup to increase sales in Thailand, China and Indonesia, the Group expanded exports from Japan to Korea, Russia, Taiwan, etc.

Furthermore, with regard to Cellulose Nanofiber (CNF), a new business that is expected to drive future growth, the Group worked to expand the CNF product lineup by starting the operation of a pilot plant for the production of dry powder type CNF.

Issues

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

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

[Move on: Reform and Soar Above]

Review

Under the Third Medium-Term Business Plan, the Group launched a radical cross-business structural reform of the Paper and Paperboard Business and the H&PC Business. The Group resumed operation of the Kawano Mill in October 2018 to produce household paper by using pulp that was made available by shifting from paper to containerboard, and also strengthened the paper products business acquired from Nisshinbo Holdings. Through these measures, the Group increased its share of the household paper products market and strengthened the profitability of the H&PC Business. As for growth strategies, the H&PC overseas business focused on expanding sales of premium toilet tissue in China. Furthermore, the Group established new operation bases in new markets in South America and MENA through M&As in Brazil (Santher S.A.) and Turkey (Özen A.S.). In new businesses, the Group commenced the biomass power generation business using the feed-in tariff (FIT) scheme in July 2020. Also, progress was seen in the commercialization of CNF (as material for table tennis rackets, materials for electric vehicle [EV] racing cars, etc.).

Issues

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

Overview of the Fourth Medium-Term Business Plan

GEAR UP The Next Growth Stage, to a New Future

In FY2021, the Daio Paper Group launched its Fourth Medium-Term Business Plan under the slogan "GEAR UP: The Next Growth Stage, to a New Future." Toward achieving its long-term vision, the Group will shift into high gear to accelerate its initiatives to shape a new future.

Basic Policies of the Fourth Medium-Term Business Plan

1 Establish a strong and resilient business portfolio	2 Improve financial strength	3 Respond to climate change (Achieve carbon-neutral status by 2050)
<ul style="list-style-type: none"> Build an even greater competitive advantage in the Paper and Paperboard Business through continuous structural reforms Lead the Group's growth through faster multi-category business expansion and further acquisitions in the H&PC Business Create future growth opportunities through new businesses such as CNF 	<ul style="list-style-type: none"> Strengthen cash generating capacity and improve cash flow by capitalizing on the results of structural reforms and strategic investment Promote management conscious of capital costs and return on capital by introducing ROIC as a management indicator Obtain and maintain a credit rating of A 	<ul style="list-style-type: none"> Promote the use of renewable energy, aiming to achieve decarbonization by 2050 Continually engage in proper plantation management and expansion of plantation areas Promote a shift to environmentally friendly materials through CNF and plastic-free product businesses

Aim to achieve consolidated net sales of 720.0 billion yen in FY2023 (+157.1 billion yen from FY2020) and consolidated operating profit of 51.0 billion yen in FY2023 (+14.1 billion yen from FY2020)

	1st MTBP (FY2014)	2nd MTBP (FY2017)	3rd MTBP (FY2020)	4th MTBP (FY2023)	Vision for 5th MTBP (FY2026)
Net sales	450.2	531.3	562.9	720.0	¥800 billion to ¥1 trillion
Operating profit (Operating margin)	21.8(4.8%)	11.1(2.1%)	36.9(6.6%)	51.0(7.1%)	80.0-100.0(10%)
H&PC overseas net sales ratio	4.9%	7.7%	11.1%	18.8%	30% or more
ROE	10.0%	2.2%	10.1%	10% or more	12% or more
Net debt to equity ratio	1.9	1.6	1.3	1.0	Less than 1.0

For the first time, sales of the H&PC Business will surpass those of the Paper and Paperboard (P&P) Business

Prioritize allocation of investment to H&PC, a growth business

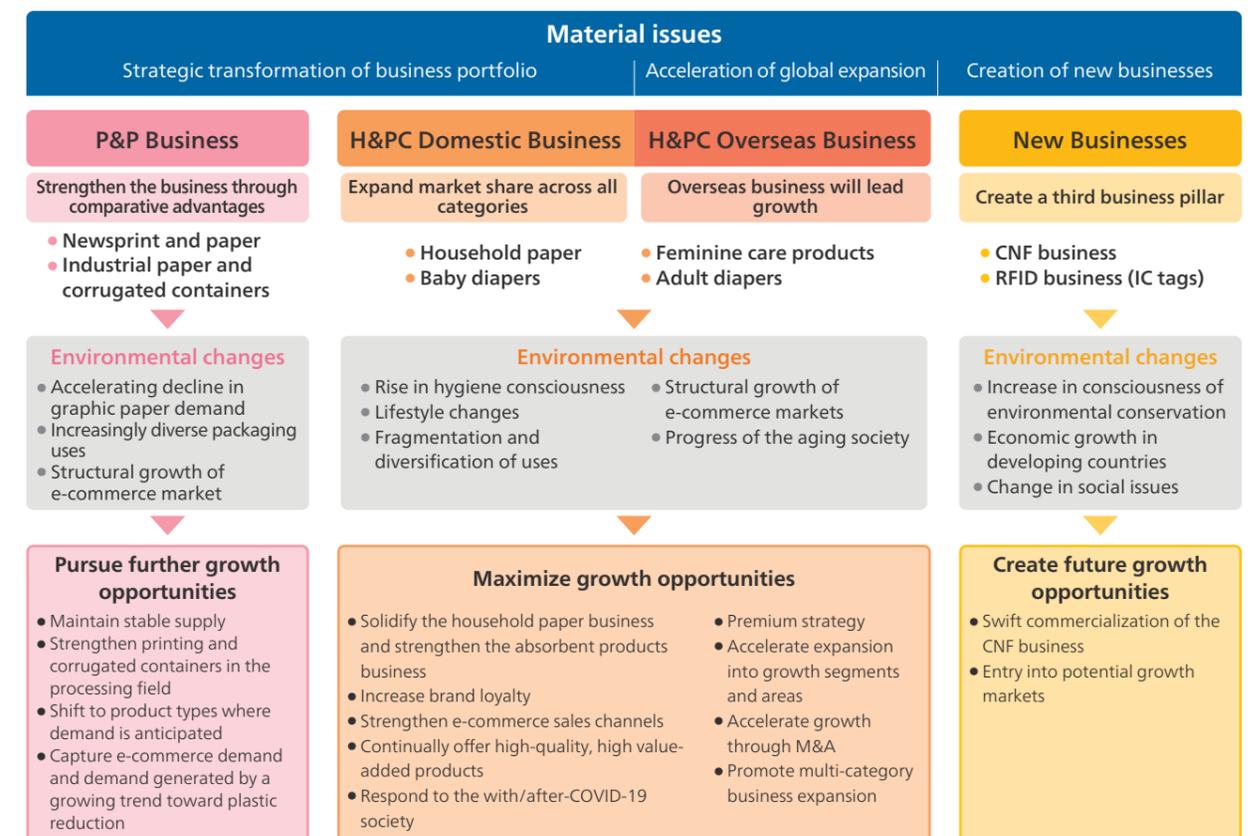
Business segment	3rd MTBP (FY2020)			4th MTBP (FY2023) Targets		
	Net sales (Billions of Yen)	Operating profit (Billions of Yen)	Operating margin	Net sales (Billions of Yen)	Operating profit (Billions of Yen)	Operating margin
Paper & Paperboard	302.5	19.6	6.5%	330.0	18.0	5.5%
H&PC	238.0	14.7	6.2%	360.0	30.0	8.3%
(Breakdown)						
Domestic	175.4	15.5	8.8%	225.0	23.0	10.2%
Overseas	62.6	-0.8	—	135.0	7.0	5.2%
Other businesses (including adjustments)	22.5	2.6	11.4%	30.0	3.0	10.0%
Total	562.9	36.9	6.6%	720.0	51.0	7.1%

Overview of Strategies of Each Business Group

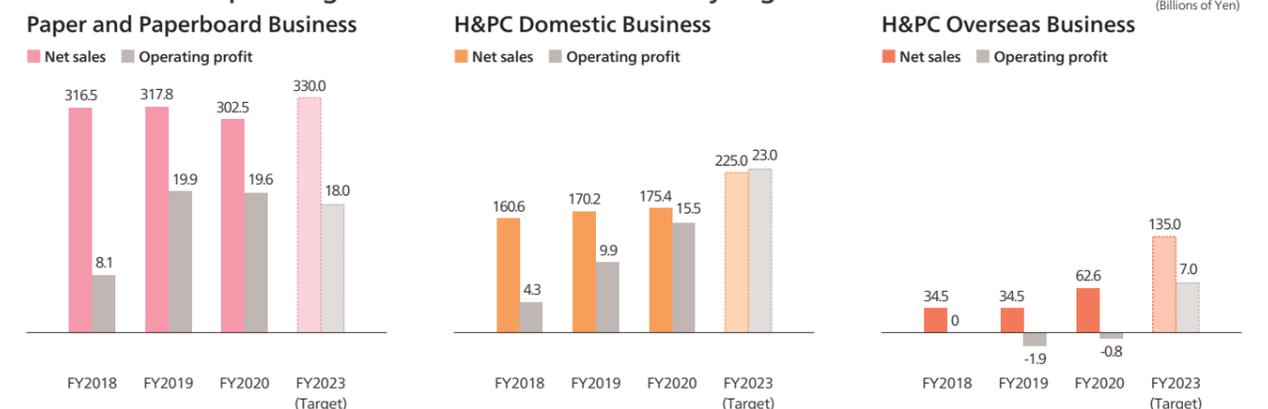
Amid shrinking demand for paper, the Paper and Paperboard Business aims to strengthen its performance through comparative advantages, by shifting to product types where high demand is expected and by capturing e-commerce demand and demand generated by a growing trend toward plastic reduction. The H&PC Business seeks to maximize growth opportunities by turning the overseas business into

a growth driver of the entire Group, while expanding market share across all categories: household paper, baby diapers, feminine care products, and adult diapers.

Amid growing environmental awareness, in addition to these businesses, the Group will strive to develop the CNF business and the RFID business into a third business pillar, thereby leading to creation of future growth opportunities.



Net Sales and Operating Profit Results and Outlook by Segment



Message from the Officer Responsible for Financial Affairs



Toshihiro Adachi

Executive Vice President and Representative Director, Executive Vice President
(Responsible for Corporate Unit, Compliance and Sustainability; General Manager of Business Administration Division, Corporate Unit)

Supporting the Group's Progress through to FY2026 with Solid Financial Foundation and Effective Risk Management

Q Please summarize financial achievements over the last 10 years.

Looking back 10 years ago, we were in a financial situation with high debt levels. In FY2011, the year before the First Medium-Term Business Plan was started, the net debt to equity ratio was 3.7 times. In addition, having plenty of cash on hand, we had many problems with fund operation efficiency.

Externally, the Group announced its vision and medium-term business plan, and made a fresh start as a new Daio Paper Group. To improve our financial position, we introduced a cash management system that centralizes the entire Group's cash management.

By consolidating the fund procurement functions of the 32 affiliated companies into the Finance Unit at Daio Paper Headquarters and introducing such a cash management system, we managed to reduce the number of banks that we did business with to one-fourth from 100 to 25 and interest-bearing debt by over 40 billion yen, improving fund operation efficiency. We enhanced the governance of our subsidiaries by enabling constant monitoring of their bank accounts through the cash management system and consolidating payment operations into the Daio Paper Headquarters.

Q How would you, as the officer responsible for financial affairs, contribute to achieve the Fourth Medium-Term Business Plan?

One of the three basic policies of the 4th MTBP is to improve financial strength. To strengthen cash generating capacity to enable further growth under the 5th MTBP, we will work to improve cash flow.

We also organized and sold non-core assets to streamline the balance sheet. As a result, Daio Paper's credit rating improved from BB in the 1st MTBP to BBB+ in the 3rd MTBP. We also diversified our fund procurement methods such as by issuing bonds.

With regard to growth investments, we carefully selected investment projects during the six years of the 1st and 2nd MTBPs. With a significantly improved financial position during the period of the 3rd MTBP, we made growth investments with high leverage. Also, we were able to receive preferential treatment in interest rates as we were borrowing a greater amount from each bank because of the substantial reduction in the number of banks from which we procured funds.

Through these series of financial improvement measures, our financial position has steadily improved, and I believe the results are visible: the net debt to equity ratio improved to 1.3 times as of the end of FY2020, and net sales, ordinary profit and net profit reached record highs in FY2020. In the first year of the 4th MTBP (as of September 2021), we obtained a credit rating of A-(Stable) from both JCR and R&I.

In view of the uncertain economic outlook, we will carefully select capital investment projects for the three years of the 4th MTBP in line with our basic policy of keeping investments at the same level as depreciation expenses of the same

period. We will also strive to maintain a credit rating of A (JCR, R&I) during the period of the 4th MTBP to achieve a higher credit rating during the 5th MTBP.

Also, to improve capital efficiency, we will promote management that is conscious of capital cost and return on capital. To this end, in addition to ROE, we have introduced ROIC (Return on Invested Capital) as an internal management indicator for evaluating the profitability of each business and investment decision.

Toward the 5th MTBP, the Group will promote the

Q Tell us about your asset allocation strategies to achieve sustainable growth.

Over the three years of the 4th MTBP, we plan to make capital investments of approx. 125 billion yen, of which 76.5 billion yen will be allocated to growth investments centered on the H&PC Business. Although we will strive to maintain net sales of approx. 300 billion yen annually in the Paper and Paperboard Business, which has thus far driven the growth of the Group, the H&PC Business will become the future growth engine of the Group as the paper market itself is shrinking. In Japan, the H&PC Business is expanding its market share in all categories, centered on household paper (facial tissues, toilet tissues, etc.) and absorbent products (baby diapers, etc.).

Q How do you analyze and judge individual investment projects?

In the past, we judged whether or not to invest in a project based primarily on the payback period method and business strategies. From the 4th MTBP, we will introduce ROIC to evaluate capital investments and measure the progress of specific measures. In ROIC analysis, rather than simply comparing the business groups side-by-side, we will evaluate

Q What is the shareholder return policy of Daio Paper?

We consider shareholder return to be one of our most important management issues, and have made it a policy to maintain stable dividend payment. In the future, while maintaining stable dividend payment with due consideration given to maintaining a balance with growth

Q Lastly, could you tell us about issues that you recognize at the moment?

We aim to achieve net sales of 800 billion yen to 1 trillion yen in FY2026, the final year of the 5th MTBP. During the course of implementing growth strategies, such as M&A, production facility expansion and overseas expansion, we will most certainly have to deal with risks related to finance and accounting, the environment, IT security, legal compliance, etc.

The strengths of our Company are its ability to embody ideas, make speedy investment decision and execute them, and its ability to generate profits quickly through the speedy start-up of machines and new companies. These strengths lead to the speedy growth of the Company.

I always tell the Corporate Unit staff, "Never let the

further expansion of overseas business and the acceleration of e-commerce business in Japan and overseas. We will provide proper support in the accounting and financial aspects to enable each business group to respond effectively to external changes. To this end, the accounting and financial team will focus on three priorities: (1) strengthening the Group governance system in Japan and overseas, (2) developing accounting and finance personnel with global competencies, and (3) enhancing corporate value through disclosure of non-financial information and IR activities.

Overseas, in addition to China, Thailand and Indonesia, we have increased our operation bases through acquisitions in Brazil and Turkey. Out of growth investments of 76.5 billion yen, we will allocate 55.5 billion yen to the H&PC Business, and 10.5 billion yen each to the Paper and Paperboard Business and new businesses including Cellulose Nanofiber (CNF), which is expected to contribute to decarbonization in the long run.

Aside from this 125 billion yen, 30 billion yen is reserved for M&A investments. We will flexibly mobilize these funds for projects that can lead to the growth of the Company.

the business groups' progress toward their respective goals and take into account market size and growth potential. Also, in our investment decision-making process, we will evaluate various factors comprehensively—not only monetary return, but also non-financial indicators such as CO₂ emission reduction effects.

investments and financial soundness, we will introduce DOE (dividend on equity ratio) as a new indicator and reflect the increase in net assets accompanied by business growth in shareholder returns. Our DOE was 1.2% in FY2020. We aim to achieve a DOE of 2.0% in the medium to long term.

Company stop growing," or not to put brakes on the speed of growth of the Company.

To prevent risk management from slowing down the growth strategies that the line divisions such as sales and production are pushing, I want to establish a system that makes it possible to preempt risks by anticipating the activities and movement of the line divisions, identifying and eliminating the pitfalls which may turn into risks, and thereby allowing them to continue at full speed.

To this end, by using the skills matrix of the Corporate Unit, we will strive to develop people with specialized knowledge and excellent skills to identify, analyze and deal with potential risks.

Toward Achievement of the Fourth Medium-Term Business Plan

Paper & Paperboard Unit

Newsprint and Paper Business Group

Message from the General Manager of the Business Group

Promoting the development of new products that contribute to the resolution of social issues and those that respond to market needs to make up for declining demand

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



Overview and characteristics of the Business Group

One of the strengths of the Newsprint and Paper Business Group is that it strives to improve profitability by keeping paper machines at full production and selling out products. We achieve this by making full use of highly competitive pulp of the Mishima Mill to shift its product mix through cross-unit machine conversion. We also implement collaborative sales activities (integrated operations) that disregard the boundaries of Group companies and departments. Such collaboration enables us to propose integrated total solutions to end users, covering the entire spectrum from paper (upstream) to printing (downstream). Our ability to provide total solutions is another strength that differentiates us from our competition.

Perception of the market environment (risks and opportunities)

Due to the COVID-19 pandemic, demand for paper declined by 20% in FY2020 from the previous year. With the acceleration of digitalization and a shift to paperless operations, it is hard to picture a recovery in paper demand even after the COVID-19 pandemic subsides. We expect that paper demand will continue to decline by 5% every year. In the face of this difficult situation, we will strive to expand sales of high value-added products among our paper product lineup by further promoting machine conversion and product mix shift. In response to increasing needs from our business partners for products that contribute to the SDGs, we will also promote a structural shift through the development of new environment-friendly products.

Contribution to the achievement of the Medium-Term Business Plans

In a situation where a substantial recovery in demand is unlikely,

we will strive to transform the newsprint and paper business into a stronger and leaner business. We will leverage the advantages of the Mishima Mill to pursue a shift to high value-added products and maintain high operating rates while restructuring the product mix. Also, despite declining demand for commercial printing, demand for high value-added printed materials (stickers, labels, business forms, etc.) is expected to remain firm. We will work to strengthen one-stop sales across all product types, and expand sales of high value-added printed materials to further expand net sales of the printing business from 33 billion yen in FY2020 to 40 billion yen in FY2023, thereby maximizing total profitability from paper to printing. The Paper & Paperboard Unit achieved net sales of 302.5 billion yen and operating profit of 19.6 billion yen in the final year of the Third Medium-Term Business Plan (FY2020). The targets for the final year of the Fourth Medium-Term Business Plan (FY2023) are net sales of 330 billion yen and operating profit of 18 billion yen.

Resolution of social issues through business activities

We expect that people's hygiene consciousness which have heightened amid the COVID-19 pandemic will continue to remain high in the future. Seeing this as an opportunity, we will actively propose antibacterial and antiviral films. Also, in light of growing public interest in a decarbonized society, we will continue to actively provide environment-friendly products, such as paper made from recovered paper, paper materials that can replace plastic materials or laminated paper, water-disintegrable self-adhesive paper, and FSC-certified paper, to help address social issues and achieve the SDGs through our business.

Industrial Paper and Containerboard Business Group

Message from the General Manager of the Business Group

Proposing total packaging solutions with new materials that make packaging sustainable

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



Overview and characteristics of the Business Group

One of the strengths of our Business Group is its ability to provide total packaging solutions, by taking advantage of its extensive lineup of wrapping and packaging paper (containerboard, corrugated container, wrapping paper, functional paper, etc.) and integrated operations across divisions. Daio Paper is the only company in the industry that can offer one-stop delivery of all types of containerboard. Regarding market positions in the industry, the Company ranks fourth in containerboard, fourth in corrugated containers, and second in packaging paper. The Company boasts an industry-leading comprehensive product lineup, ranging from lightweight paper to heavyweight paper and functional paper.

Perception of the market environment (risks and opportunities)

Amid the progress of integration of papermaking and converting in the industry, our Company is also pursuing M&As with downstream corrugated container and bag manufacturers. At the same time, we are also working to create a loose alliance network to strengthen relationships with independent converting companies. Also, with growing global momentum toward plastic-free packaging, we will strive to expand sales of *EliPla* Paper, which we are marketing as an alternative material to plastic for containers and cutlery, and heat-sealable paper and RPS (Reduce Plastic Support) paper by proposing them as materials that reduce plastic use in secondary food packaging.

Contribution to the achievement of the Medium-Term Business Plans

The Paper & Paperboard Unit's targets for the final year of the Fourth Medium-Term Business Plan (FY2023) are net sales of 330 billion yen and operating profit of 18 billion yen. With regard to

the containerboard business, we aim to achieve an operating margin of 5% or more by bringing the business of export sales of containerboard manufactured by the N7 machine into the black. Regarding the packaging paper business, to capture demand generated by a growing trend toward plastic reduction and elimination, we will speed up the expansion of sales by proposing value-added final products directly to end users, so as to capture the No. 1 market share in the industry (from the current 22% to 26%). With regard to the corrugated container business, we aim to achieve net sales of 60 billion yen by keeping existing facilities at full production, expanding the business through M&A activities, and considering overseas expansion of the corrugated container business through the use of overseas bases for the H&PC Business.

Resolution of social issues through business activities

By taking advantage of our broad lineup of packaging paper, from lightweight paper of 5 gsm (grams per square meter) to heavyweight paper above 1,000 gsm, we will propose paper alternatives to replace plastic containers and cutlery and plastic secondary food packaging, in order to contribute to the achievement of the SDGs through the reduction and elimination of plastic use. Furthermore, in the Japanese culture, we wrap something with paper not just because we want to cover it. We wrap things in paper because we want to please the recipient. In this era of digitalization, the Daio Paper Group would like to contribute to enriching people's lives by passing down and developing the unique and fascinating Japanese culture of paper wrapping as a way to connect the hearts of people.



[Eco-friendly product]
Self-adhesive paper that uses
paper recycling friendly adhesive
"WD-ECO Tack"

[Functional product]
Antibacterial/antiviral film
"Vires Adhesive Sheet"



[New product]
EliPla Premium Series stir sticks

[Functional product]
Outer package that uses FS-RPS
(Fujiya Co., Ltd.)

Home & Personal Care Unit

Domestic Business Group

Message from the General Manager of the Business Group

Strengthening the product lineup to meet consumer needs, while proactively introducing high value-added products

Hiroyuki Shidara

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



Overview and characteristics of the Business Group

Since its market launch in 1979, Elleair has been widely recognized as a daily necessities brand by many consumers and has been trusted for its high quality. The Elleair brand holds the No. 1 market share position in the household paper market (facial tissue, toilet tissue and kitchen towel).^{*} Another strength of our Business Group is a flexible production system that can flexibly respond to changes in the market and business environment. Currently we are working to expand and reinforce our production facilities to respond to changes in market needs caused by the COVID-19 pandemic.

Perception of the market environment (risks and opportunities)

Due to heightened hygiene consciousness amid the COVID-19 pandemic, the use of paper towels and the frequency of use of sanitizing wet tissue products have increased. Also, with an increase in the number of people staying home, demand for kitchen towels and house cleaning products is expanding. To capture opportunities presented by increased demand for household paper products, we will continue to enhance our product lineup to better meet consumer needs and proactively introduce high value-added products. In the meantime, demand for baby care and feminine care products is expected to decrease due to population decline. We will strive to expand the market share of these products by proposing products that offer value (value = benefit/cost) and excitement to consumers.

Contribution to the achievement of the Medium-Term Business Plans

In the final year of the Third Medium-Term Business Plan (FY2020), the Domestic Business Group of the H&PC Unit achieved net sales of 175.3 billion yen and operating profit of 15.4 billion yen, both

record highs, and an operating margin of 8.8%. Under the Fourth Medium-Term Business Plan, we will strive to achieve the targets of net sales of 225 billion yen, operating profit of 23 billion yen, and operating margin of 10.2% for FY2023, thereby driving the Group's growth. We have been able to contribute significantly to the growth of sales and profits by launching into a new product category of disposable masks and expanding sales of sanitizing wet tissue products and paper towels, while rapidly changing the production system to respond to changes in market needs. In the future we will continue working to ensure stable supply of products while optimizing production, sales and inventory management.

Resolution of social issues through business activities

"Period poverty" has become a global issue in recent years. The Group also regards it as a major social issue. Meanwhile, increasing recognition of Daio Paper's menstrual product brand "Elis" is essential to expanding sales of the absorbent products business. To address both of these issues together, the Group launched a project named the "Heart Support Project" in 2018, under which various activities have been carried out in Africa (Kenya and Zambia) to support women's independence, including menstruation education and access to job training. In Japan, the Group also carries out support activities for women through the donation of sanitary napkins to local governments. Also, as part of our efforts to reduce plastic use, we have marketed a paper-packaged toilet cleaning sheet product (a limited-time product) under the Kirekira! brand, the first such product in a paper secondary packaging in Japan. We will continue to undertake businesses that will lead to solutions to social issues while working to enhance our brand value.



[Newly launched product]
Kirekira! Room Cleaner
(disposable cleaning wipes)

[Functional product]
GOO.N Plus

^{*}Source: INTAGE SRI (nationwide retail store tracking research) Facial tissue/toilet tissue/kitchen paper towel market (in value terms in FY2020)

Overseas Business Group

Message from the General Manager of the Business Group

Aiming to achieve overseas business net sales ratio of 30%

Toshiki Yamagami

Managing Executive Officer
General Manager of Overseas Business Group, Home & Personal Care Unit;
General Manager of Overseas Business Promotion Division, Overseas Business Group, Home & Personal Care Unit



Overview and characteristics of the Business Group

With the rise of local manufacturers, the competitive advantage of "Made in Japan" for daily necessities such as disposable diapers and household paper—the products that we provide—is fading. In line with our basic policy of local production for local consumption, we address local issues locally, together with local employees. Specifically, we work together with local employees to identify local consumer trends, predict market trends by observing purchasing habits at stores, and make decisions quickly. One of our Business Group's strengths is that we sensitively perceive changes in consumer preferences and market trends, predict what they will be in a year or two years' time, and respond quickly.

Perception of the market environment (risks and opportunities)

In terms of risks and opportunities, we have identified the following four items (risk → opportunity): (1) Temporary or permanent closure of stores due to the spread of COVID-19 → Strengthen e-commerce sales (find new distributors, strengthen sales promotion); (2) Declining birthrate → Promote multi-category business expansion—not only baby-related products, but also feminine care and household paper products, wet tissues and healthcare products; (3) Exchange rate fluctuations → Control export sales; and (4) Rise of local manufacturers → Develop new technologies, and obtain patents and register designs in each country.

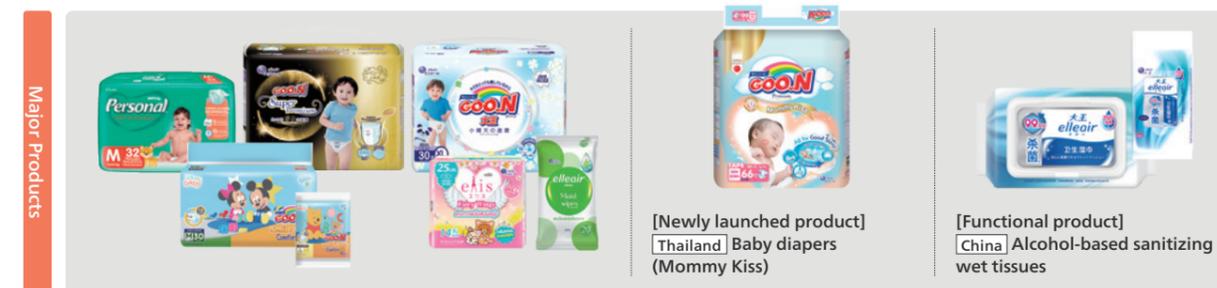
Contribution to the achievement of the Medium-Term Business Plans

To achieve an overseas net sales ratio of 30% or more in the final year of the Fifth Medium-Term Business Plan (FY2026), we have set targets of net sales of 300 billion yen and an operating margin of 10% for FY2026. To reach these targets, in the final year of the Fourth Medium-Term Business Plan (FY2023)—the midpoint year toward FY2026, we aim to achieve net sales of 135 billion yen and an operating margin of 5.2% or more. In China, we will

promote multi-category business expansion in a full-fledged manner, while continuing strategic investments to enhance the brand value of our products, focusing on the GOO.N brand. In Southeast Asia, in addition to further advancing our multi-category business expansion strategy to respond to increased demand for household paper products and wet tissues due to rising hygiene consciousness, we are also reviewing our distributor policy to reflect the characteristics of each area. We are expecting that the Southeast Asian business will turn into the black. In terms of human resources, at present, 70% of employees who are managers and above are local hires. As we hope to further promote qualified local employees to executive positions, we will set clear targets and continue our efforts to develop human resources.

Resolution of social issues through business activities

In order for the Group to grow sustainably overseas, we respect the culture, religions and customs of each country, and will continue the following activities in keeping with our mission to resolve social issues through our business: (1) Sell alcohol-based sanitizing wet tissues to help prevent the spread of COVID-19, (2) Sell individually packaged disposable diapers for low-income consumers in traditional shops (*warung*) in Indonesia, and (3) As part of our preparation to enter developing countries such as those on the Africa continent, implement various local initiatives including awareness-raising activities (menstruation education, etc.) and job training support. We will also promote various initiatives to address environmental issues while also achieving cost reduction. Such initiatives include eliminating/reducing the use of plastics, recycling production rejects from manufacturing operations, and shifting from buying electricity to generating power in-house using renewable energy (solar power).

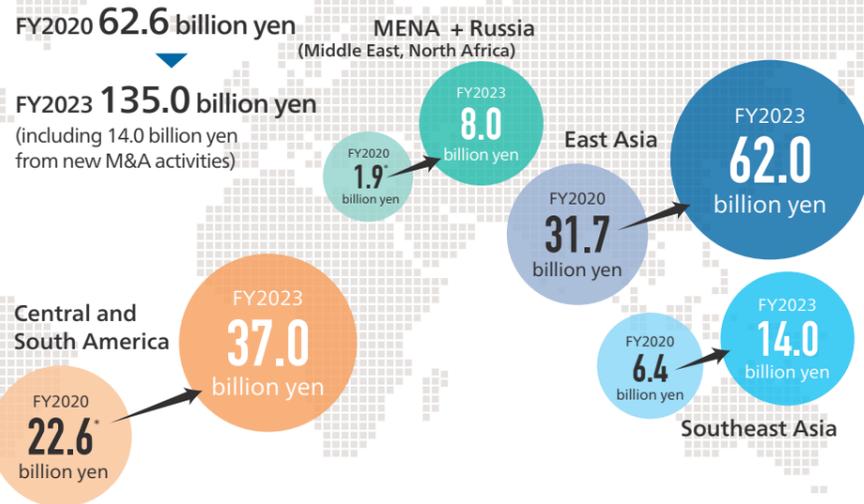


[Newly launched product]
Thailand Baby diapers
(Mommy Kiss)

[Functional product]
China Alcohol-based sanitizing
wet tissues

Feature 1 Overseas Strategies and Specific Initiatives

Overseas Net Sales Targets by Region

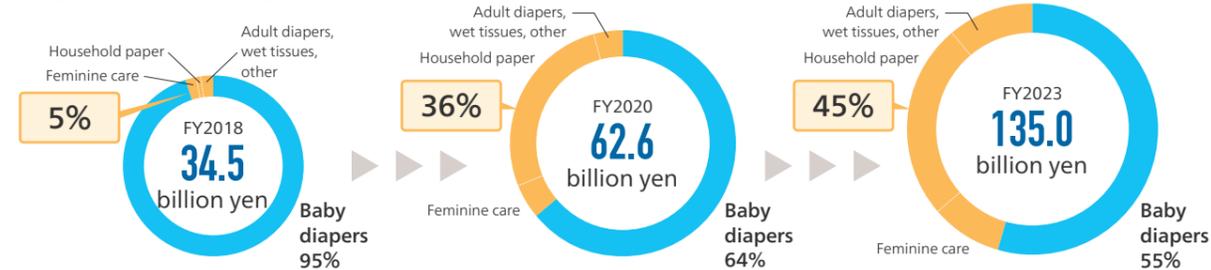


Under the Fourth Medium-Term Business Plan, the Daio Paper Group aims to further expand the Home & Personal Care (H&PC) overseas business, as its core growth engine, through multi-category business expansion in existing markets and entry into new markets. Daio Paper will strive to achieve positive operating profit across all overseas subsidiaries, realize synergies in Brazil and Turkey, into which it has made its full-scale entry through M&A, and expand export businesses.

* Only nine months of net sales from the acquisitions in Brazil and Turkey are included in the FY2020 data.

Overseas business on the whole: Promote multi-category business expansion

Changes in Sales Ratio by Category



Daio Paper has been expanding our business through local production and sales in each region. We established a local production and sales subsidiary for baby diapers in Thailand in 2011, China in 2012, and Indonesia in 2014, and acquired local manufacturers in Turkey and Brazil in 2020. As a result, Daio Paper's baby diapers are now sold in 30 countries. Through these sales channels, we will promote multi-category business expansion by marketing feminine care products, adult diapers, household paper, etc. in each country, and we will also establish new overseas bases to achieve further growth.

Toward a net sales target of 135 billion yen for FY2023, we aim to increase net sales by 30% in FY2021 over the previous year. To achieve this target, we are accurately grasping changes in consumer preferences and store selling trends, quickly predicting market trends, and leveraging our speedy decision-making and execution capabilities, in order to diversify our product lineup and increase the sales ratio of other categories while expanding net sales of baby diapers. In FY2023, we plan to raise the sales ratio of products such as household paper, feminine care products, adult diapers to 45% to increase net sales and profits.

Environmental conservation activities, and initiatives to foster a sense of unity with local employees at overseas subsidiaries

EIT (Thailand): Installation of solar panels



Under the management philosophy of "Shaping an abundant and affable future for the world," the Group has been undertaking various initiatives to resolve social issues at its overseas bases. Those initiatives include installing solar panels on factory roofs to use clean

EICN (China): Installation of solar panels



EICN: Green curtains



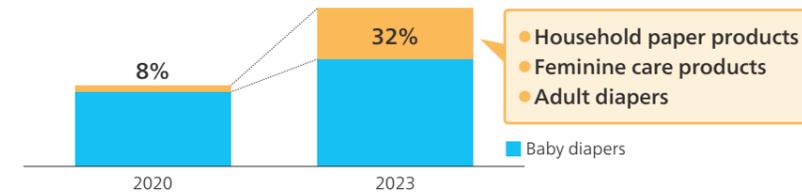
energy and reduce greenhouse gas emissions, and installing green curtains made of climbing plants to save energy. The factory in China held a commemorative event for the first time in two years to celebrate its ninth anniversary, boosting staff morale.

EICN: In-house event celebrating the ninth anniversary of the founding



Initiatives in the China Business

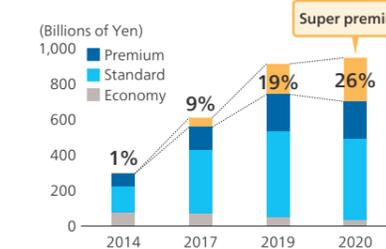
China business: Promote multi-category business expansion



Strategies for baby diapers

Constant launch of highest-grade products

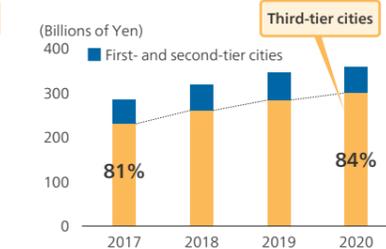
Changes in Chinese market composition (by zone)



(Source: Company estimate based on data from Nielsen and China Statistical Yearbook (16.80 JPY/CNY))

Full-scale entry into third-tier cities

Chinese baby shop market size by city tier



(Source: Nielsen (16.80 JPY/CNY))

Market segmentation by zone and sales channel

GOO.N® Super Premium Gold (Highest-grade product)

Strengthening storefront promotion of GOO.N® Super Premium Gold series

Establish consumer recognition of the high quality of GOO.N brand products

GOO.N Sunny Days (for third-tier cities)

Store decoration and sales floor display for "GOO.N Sunny Days" in baby shops in third-tier cities

Promote multi-category business expansion

Full-scale entry into the feminine care market



Further sales expansion of paper products and wet tissues



Maximize shopfront exposure through cross-selling of GOO.N with high brand recognition



In China, we are working on business expansion in third-tier cities, where demand for baby diapers are growing, and also sales expansion in the super-premium zone.

We will further expand sales of our mainstay baby diapers in the super-premium zone, for which there is growing demand, by leveraging the brand power of GOO.N and by constantly enriching the lineup of top-of-the-line products to further strengthen our brand power. In the past, we focused on sales in the first- and second-tier cities, and produced products that matched local needs. Through these efforts, the GOO.N brand is recognized as being high quality. In order to further expand our China business in the future, we will expand our sales channel in third-tier cities and below, which account for 80% of the entire Chinese market.

In October 2018, we commenced sales of household paper including toilet tissues, marking the start of our multi-category business expansion. We will enter the Chinese feminine care market, which is valued at approx. 700 billion yen (nine times the size of the Japanese market), and bring the feminine care business on track as early as possible by leveraging the brand power and sales channel developed through the baby diaper business. We plan to install sanitary napkin converting machines in our second factory in China and start local production in January 2022.

We will promote multi-category business expansion (including household paper, etc.) in China by applying the same local production for local consumption strategy as for the baby diaper business.

Initiatives in the Thailand Business

Promote multi-category business expansion



In Thailand, local production of feminine care products and wet tissues has already begun, and export sales to neighboring countries such as Vietnam and Malaysia have been expanding.

Aiming to achieve stable profits in the baby diaper business, we will revamp premium products to improve their sales. With regard to the well-performing feminine care business, we will increase the lineup of scented products. We will also work to expand distribution from cities to regional areas, and conduct rigorous store selection and focused sales promotion. We also plan to use e-commerce to expand sales of high-profit products.

Strengthen in-store visibility, and advertising/sales promotion activities



Initiatives in the Indonesia Business

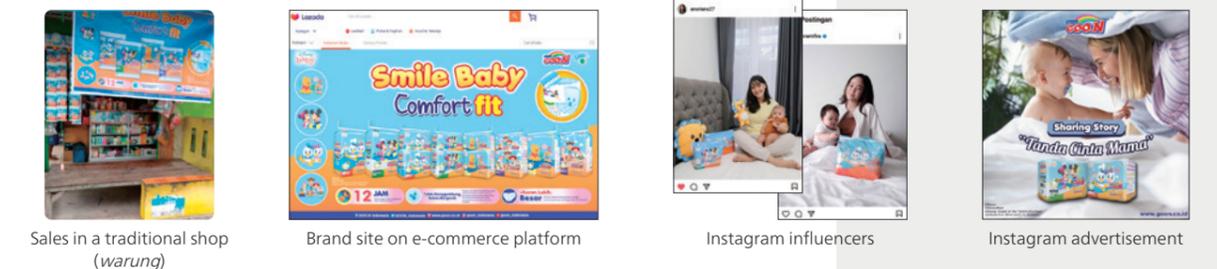
Promote multi-category business expansion



In Indonesia, we will step up efforts to capture fluid consumer demand by launching baby diaper products featuring Disney characters. We will also strive to increase sales of baby diapers by expanding sales channels to traditional stores (*warung*) through the adoption of individual packaging and by raising the sales ratio of e-commerce, which continues to grow. To this end, we will actively use social media to increase our brand recognition and promote consumer understanding of our product features.

Furthermore, to achieve multi-category business expansion, we are importing and selling products manufactured by the Group's factory in Thailand while we continue to make progress toward it.

Strengthen in-store visibility, and advertising/sales promotion activities



Initiatives in the Turkey Business

Expand business by taking advantage of Turkey's strategic location to increase exports



In Turkey, to achieve further business

expansion, we are now preparing to launch GOO.N brand baby diapers by dispatching engineers from Japan to localize production. We will establish the GOO.N brand by entering the premium zone of baby diapers. In addition to strengthening sales within Turkey, we will vigorously promote exports to neighboring countries by utilizing Turkey's geographical advantage.

We will also roll out Elleair International Turkey's liquid soap business (body soap, etc.), which is a new product category for the Group, to other companies within the Group, in order to develop the liquid soap business as one of the Group's strategic businesses in the future.

Utilize the Daio Paper Group's know-how and promote multi-category business expansion



Initiatives in the Brazil Business

Enhance product lineup



In Brazil, even under the COVID-19 pandemic, demand for household paper and personal care products, which are daily necessities, remains strong and the factory continues to operate as per normal. In June 2020, Daio Paper established a business operation system in cooperation with Marubeni and Santher.

Aiming to develop the Brazil business into its second core overseas business after China, we will strive to maximize synergies between Marubeni, Santher and Daio Paper. Specifically, by enhancing the lineup of premium zone products including baby diapers, reorganizing existing factories and introducing new machines, and strengthening sales strategies and product development systems, we will promote integrated operations of the production, development and sales divisions. Furthermore, we will expand export sales to increase our presence in the South American market.

Reform production and development systems



Daio Abundant and Affable Future 2030

At the Daio Paper Group, we will achieve the Three Well-beings to realize an abundant and affable future through the four pillars of our management philosophy that have underpinned the promotion of our business operations since our establishment.

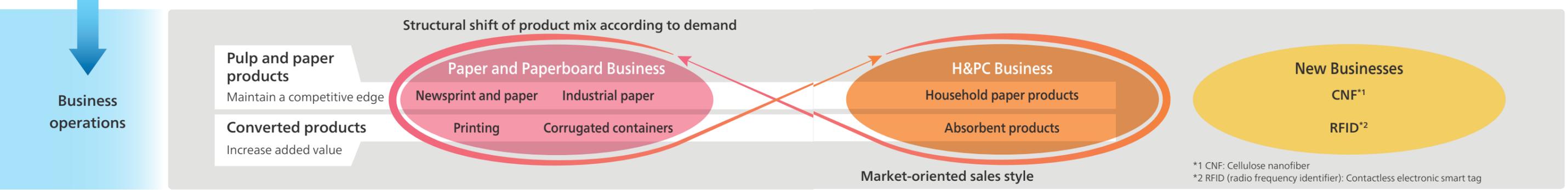
While embodying the four pillars of our management philosophy, we will ensure a link between the solutions of social issues that we have been addressing and the SDGs to be achieved by the world community, thereby contributing to the attainment of the SDGs through our business operations.



Daio Paper Group Sustainability Vision

Three Well-beings	1. Hygiene Protect well-being of the body We will make hygiene products accessible, inspire good habits, protect people's health, and realize an inclusive society in every community.	2. Life Enhance well-being of lifestyle We will provide services that enhance lifestyles, improve the quality of life and enable people to lead happy and enriching lives.	3. Regeneration Restore well-being of the earth We will actively conserve the environment and regenerate the earth back into a planet with abundant nature where diverse organisms coexist and thrive.
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Four pillars of our management philosophy and social issues that we have been addressing	D Dedicated Dedication to manufacturing <ol style="list-style-type: none"> Strategic transformation of our business portfolio Acceleration of global expansion Creation of new businesses As a manufacturer that is the closest to customers, we are continuing to implement our sales philosophy "what is made by Daio is sold only by Daio sales representatives." By identifying society's needs quickly, we have reflected them into our business operations, products, and services.	A Attentive Bonds with local communities <ol style="list-style-type: none"> Coexistence with local communities Establishment of sustainable supply chain Our united efforts with local government and communities, as well as related industries, including papermaking, converting, distribution and logistics, have led Shikokuchuo City, the place of our founding, to develop into Japan's top city of paper.	I Integrated Corporate culture providing safety and motivation to work <ol style="list-style-type: none"> Respect for human rights, development of human resources, and compassion for employees Fair and highly transparent management Believing that employees are a company's driving force, we established a health insurance association in 1958. Since then, we have been working on employee health and vitality from a management viewpoint, and are fully committed to human resource development (e.g. foreign language training, study abroad program, technical skills training).	O Organic Contribution to the global environment <ol style="list-style-type: none"> Response to climate change Realization of a recycling-oriented society Forest conservation and maintenance of biodiversity Inheriting our founder's tenet "Should our business cause pollution in my hometown and disturb the local community, we had better not carry on that business," we have been engaged in forest recycling (afforestation), paper recycling (achievement of a high utilization rate of recovered paper), etc.
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Contribution to achieving the SDGs	Major Initiatives Sales of environmentally-friendly products <ul style="list-style-type: none"> Environmentally-conscious products (e.g. using recovered paper) Products that reduce plastic waste FSC certified paper Sales of products against infectious diseases <ul style="list-style-type: none"> Masks, sanitizing wet wipes, and paper towels Provision of products and services for an aging population <ul style="list-style-type: none"> Provision of services to reduce care-givers' anxiety and burden Sales of products for active seniors 	Major Initiatives Contribution to invigorating and developing local communities <ul style="list-style-type: none"> Coexistence together with local business partners Preservation and creation of employment through capital investment Formation of a pulp and paper industrial cluster Coexistence with and support for the local community of each production base <ul style="list-style-type: none"> Invigoration of the local economy Cooperation with local communities toward establishing infrastructure supplying daily-use and irrigation water 	Major Initiatives Respect for human rights and diversity <ul style="list-style-type: none"> Empowerment of female employees (increasing percentage of female managers) Promotion of paternity leave uptake Employment of the disabled Development of global human resources <ul style="list-style-type: none"> Reinforcement of language training programs Overseas training programs for young employees Work style reform and health and productivity management <ul style="list-style-type: none"> Promotion of paid leave uptake Promotion of smoking cessation and improvement of mental health care 	Major Initiatives CO₂ emissions reduction, absorption and fixation <ul style="list-style-type: none"> Transition to biomass fuel Effective use of waste fuel Energy saving and improvement in energy use efficiency Improvement of logistics efficiency and promotion of modal shift CO₂ absorption and fixation through forestation Reduction, reuse, and recycling (3Rs) <ul style="list-style-type: none"> Achievement of a high utilization rate of recovered paper Recycling and reuse of water
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Initiatives to Achieve the SDGs

Dedicated

Dedication to Manufacturing

Mishima Mill, Daio Paper

Material Issues:

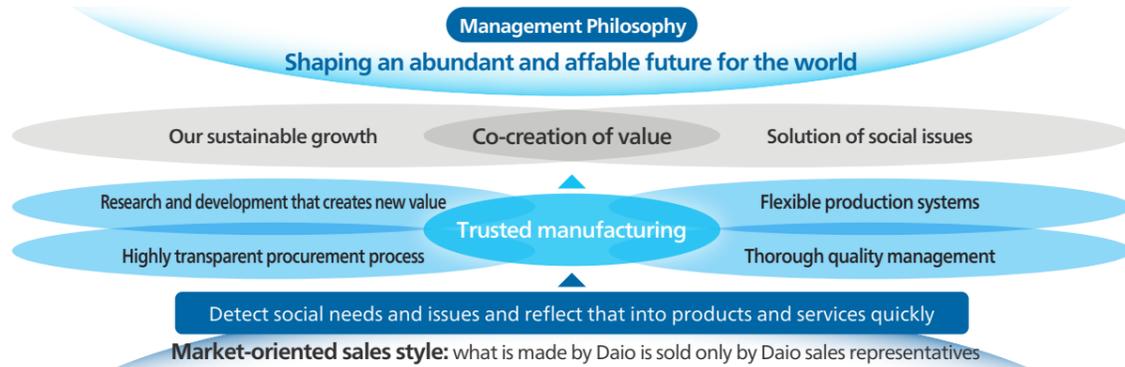
Strategic transformation of our business portfolio / Acceleration of global expansion / Creation of new businesses

Basic Approach

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

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

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



Major Initiatives

Strategic transformation of our business portfolio / Shift from graphic paper to packaging paper

Our sustainable growth

- Launching new products in growing fields
- Sales in overseas markets with demand growth

Solution of social issues

- Preservation of employment through continuous operation of machines
- Sales of FSC certified paper and paper with recovered paper pulp content



N7 paper machine, rebuilt into a machine that produces containerboard
DAIO FSJPK
 FSC® Certified Japan Premium Kraft Linerboard (FSC-C01571)

In accordance with our strategy to deal with decline in demand for newsprint and paper, we have been proceeding with a shift from graphic paper to packaging paper. Last year, we rebuilt the N7 paper machine of the Mishima Mill into a machine that produces containerboard, thereby preserving the local employment. At the same time, we have launched export of paper to China and other parts of Southeast Asia by taking advantage of our competitive production equipment, which can use pulp for any type of paper, and our location next to the sea.

As we have done for our domestic business, we are striving to establish a highly productive business model for the exports. To do so, while meeting local users' needs in terms of quality, we have developed DAIO FSC Certified Japan Premium Kraft Linerboard (FSJPK). As a product unsusceptible to market fluctuations and designed for overseas markets, this linerboard is characterized by high burst strength, FSC certification, and a combination of recovered paper pulp and kraft pulp. In China and other parts of Southeast Asia, there is shortage of kraft pulp equipment. This linerboard uses in-house produced kraft pulp for high burst strength, and it also contains high strength recovered paper pulp of stable quality. Hence, it is gaining recognition in our users' countries as an environmentally-friendly linerboard that can obtain forest certification. This product, highly acclaimed for its high burst strength, high strength, and stable quality, enabled us to expand our customer base and strengthen our profitability more than originally expected. While continuing to proceed with the strategic transformation of our business portfolio, we will develop products with consideration given to solving social issues through our business operations.

*Initiatives for achieving Targets 3 and 5 of Goal 8, Targets 2 and 5 of Goal 12, and Target 2 of Goal 15



Acceleration of global expansion / Heart Support Project

Our sustainable growth

- Increase of our brand profile at home
- Establishment of a foundation for making inroads into the African market

Solution of social issues

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

We would like to contribute to solving social issues in developing countries, such as infectious diseases due to insufficient hygiene, and poverty due to unemployment because of lack of skills. In 2018, we initiated the Heart Support Project and have provided employment opportunities for female teachers, access to occupational training, and support in other forms. This fiscal year again, we launched the project Heart Support 2021 and plan to teach local citizens how to make cloth sanitary pads to help them obtain a skill for earning income and also to promote the use of sanitary pads to control infectious diseases. We will continue to implement the Heart Support Project to solve social issues. At the same time, we will work to increase our brand profile at home and establish a foundation for making inroads into the African market, thereby accelerating our global expansion.



*Initiatives for achieving Target 3 of Goal 3 and Target 5 of Goal 4



Creation of new businesses / Application development of cellulose nanofiber

Our sustainable growth

- Business expansion through new business launch

Solution of social issues

- Development of environmentally-friendly products in the automobile, sports, beauty care and other fields contributing to a better quality of life
- Transition from fossil fuel materials to non-fossil fuel derived materials

Cellulose nanofiber (CNF) is produced by refining wood fiber (pulp), an environmentally-friendly material, to nanosized fibrils. We take advantage of its features when we develop applications for CNF. Setting application development targets to be achieved by 2030 in seven fields, we have already put CNF to practical use in two fields. The number of samples that we provide have increased considerably as the growing need to reduce CO₂ emissions is raising the interest in weight reduction, plastic reduction, etc. through usage of and replacement with CNF. To respond to this trend, we are planning to operate a new CNF composite resin pilot plant in FY2021 and establish an integrated manufacturing process in order to improve our productivity drastically. In addition, we have established a system of supplying products in the five forms—not only aqueous dispersion, but also molded sheets, dry powder, highly-transparent aqueous dispersion, and resin pellets. By accelerating our process toward commercialization, we will realize a new business launch.

(FY)	2017 results	2018 results	2019 results	2020 results	2021 targets	2023 targets	2026 targets	2030 targets
CNF commercialization fields	1	1	1	2	2	3	5	7

Commercializable applications and prospective solution of social issues

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



*Initiatives for achieving Targets 2 and 4 of Goal 8, Target 5 of Goal 9, Target 2 of Goal 12, and Target 16 of Goal 17

Initiatives to Achieve the SDGs

Attentive Bonds with Local Communities



Plant tour at the Kawano Mill

Material Issue:

Coexistence with local communities

Basic Approach

As a global corporate group with operating bases in eight countries, the Daio Paper Group aims to be a good corporate citizen and earn trust throughout the world. We actively support local initiatives to contribute to local development while realizing coexistence with local communities through our business operations.

Both at home and abroad, we will continue to hold plant tours for local residents and students and to participate in local communities, thereby enhancing their understanding of our business operations and growing harmoniously with local communities.

Major Initiatives

Coexistence with and support for local communities / Response to declining birthrate and aging population

In some areas of Hirakata City, their neighborhood associations are becoming unable to collect recyclable paper due to their declining birthrate and aging population. In addition, many residents, including those living alone, sort recyclable paper not as recyclable garbage but as burnable garbage. Some research on the composition of burnable garbage has revealed that more than 10% of



Recyclable paper collected by Hirakata City



Recovered paper bales being loaded

Trilateral cooperation between Hirakata City (Osaka Prefecture), Shinwa Syouji Co., Ltd., and Daio Paper for recycling resources

garbage is recyclable paper. To solve this problem, the city is now taking the lead in collecting recyclable paper. If such recyclable paper is collected rather than thrown away as burnable garbage, it will lead to the reduction of waste and also reduction of the operating load of the relevant incinerator. To ensure that the collected paper is recycled, the three entities of Hirakata City, Shinwa Syouji, and Daio Paper have signed an agreement on the use of the paper collected by the city. This agreement ensures a stable supply of recyclable paper from Hirakata City, an effective use of the resources, and solution of the problem resulting from the declining birthrate and aging population. While maintaining close cooperation with the city and the wholesaler of recyclable paper, we will continue to strive to achieve a sustainable cycle of recycling.

*Initiatives for achieving Target 6 of Goal 11, Target 5 of Goal 12, and Target 17 of Goal 17



Management Philosophy

Shaping an abundant and affable future for the world

Harmonious growth with local communities

Coexistence with and support for local communities

We are striving to enhance understanding of our business operations by, for example, holding plant tours for local residents and students, promoting local sports, and participating in volunteer activities. While contributing to each country and region's rich development, we will continue to grow together with local communities.

Response to declining birthrate and aging population

We are striving to contribute to community development so that the vulnerable communities can live without worry, by, for example, providing services that will lead to the extension of healthy life spans and supporting the establishment of a community-based integrated care system. To respond to the declining birthrate and aging population, we are providing support for people to enjoy comfortable lives.

Contribution to invigorating and developing local communities

While respecting each country and region's laws, various international norms, cultures, religions, customs, etc., we will contribute to developing people's daily lives, cultures and industries around the world through our global business operations.

SECTION 01

Value Creation Story

SECTION 02

Growth Strategies for Sustainable Value Provision Foundation Underpinning Sustainable Growth Data and Information

SECTION 03

SECTION 04



Contribution to invigorating and developing local communities

- 1) Provide stable supply of water for daily use and irrigation that supports local agriculture and dairy farming
- 2) Provide neighboring residents with a space for setting a water tank for irrigation
- 3) Provide indigenous people's groups with skill training for growing fruits

1) Located in Chile, South America, Forestal Anchile LTDA works in cooperation with local communities toward establishing infrastructure and realizing local development. Purranque City, Osorno Province, Region X, where we own forests, suffers from a water shortage every dry season. In 2016, we were requested by the city's mayor and local residents to cooperate in drilling a well, but it was likely that such a well might not produce a sufficient amount of water. After continuing to engage in dialogues with local residents and in-house discussions, we proposed the best possible solution of setting a water pipe and water tanks. We installed an approximately 2,300-m water pipe from the river running through forests possessed by Forestal Anchile and set water tanks. As a result, it has become possible to supply water on a stable basis, when



Intake from Puquitrhue River



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



Irrigation tank



Skills training for local residents

power and water supply systems, which are within the jurisdiction of the regional government, are established.

- 2) To help secure irrigation water for local residents, we have provided a space for setting a tank for storing 13,000 L of spring water together with water intake equipment.
- 3) To contribute to local economic development, we provide indigenous people's groups with skills training for growing fruits, together with the necessary resources. We will continue this training so that local residents can obtain the necessary skills and realize sustainable agricultural development.

*Initiatives for achieving Targets 3 and 4 of Goal 2, Target 4 of Goal 6, Target 1 of Goal 11, and Target 16 of Goal 17

Material Issue:

Establishment of sustainable supply chain

Basic Approach

At the Daio Paper Group, we perform procurement activities based on our Sustainable Procurement Guidelines in the stance described on the right.

Daio Paper Group Sustainable Procurement Guidelines Based on the SDGs

<https://www.daio-paper.co.jp/wp-content/uploads/2021001en.pdf>

1. We comply with laws and regulations, social norms and internal rules, respect the cultures and customs of the countries where our suppliers are located, and fulfill our corporate social responsibility by giving due consideration to human rights, environmental conservation, safety and health, and contributions to local communities in our supply chain in order to realize a sustainable society.

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

3. We cooperate with our suppliers to formulate a business continuity plan (BCP) and monitor and promote its implementation, aiming to secure a stable supply system.

Major Initiatives



Establishment of sustainable supply chain

We have established the Daio Paper Group Sustainable Procurement Guidelines Based on the SDGs, which set forth our commitments throughout our corporate group and supply chain not only to improve quality and technology, but also to ensure legal compliance in the fields of human rights, environmental preservation, safety and health, etc., conduct fair and equitable transactions, ensure BCP, and contribute to local communities. We have communicated the guidelines to our business partners and placed them on our website. Moreover, to confirm that our procurement is in accordance with the guidelines, we have conducted a questionnaire survey among our business partners. With the survey's response rate reaching 87%, 56% of the respondents are rated 3.5 or higher on a 5-point scale. To accomplish our FY2030 targets—response rate: 100%; and percentage of business partners rated 3.5 or higher on a 5-point scale: 90% or higher—we are giving feedback to the respondents, while asking and supporting low-rated respondents to make improvements. Furthermore, we are considering dividing the guidelines into 1) compliance, 2) request, and 3) recommendation to evaluate business partners with a special weight on compliance. We will continue to work to realize sustainable procurement throughout our supply chain, while striving to achieve harmonious growth and development.

CSR Procurement: procurement based on the Sustainable Procurement Guidelines



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

	(FY) 2017 results	2018 results	2019 results	2020 results	2021 targets	2023 targets	2026 targets	2030 targets
Supplier survey response rate	-	-	-	87%	90%	100%	100%	100%
Suppliers rated 3.5 or higher on a 5-point scale	-	-	-	56%	65%	75%	85%	90%
Retention of forest certification at home and abroad	100%	100%	100%	100%	100%	100%	100%	100%



Initiatives to Achieve the SDGs

Integrated

Corporate Culture Providing Safety and Motivation to Work

In an internal meeting

Material Issues:
Respect for human rights, development of human resources, and compassion for employees / Fair and highly transparent management ▶ Corporate Governance from P. 57

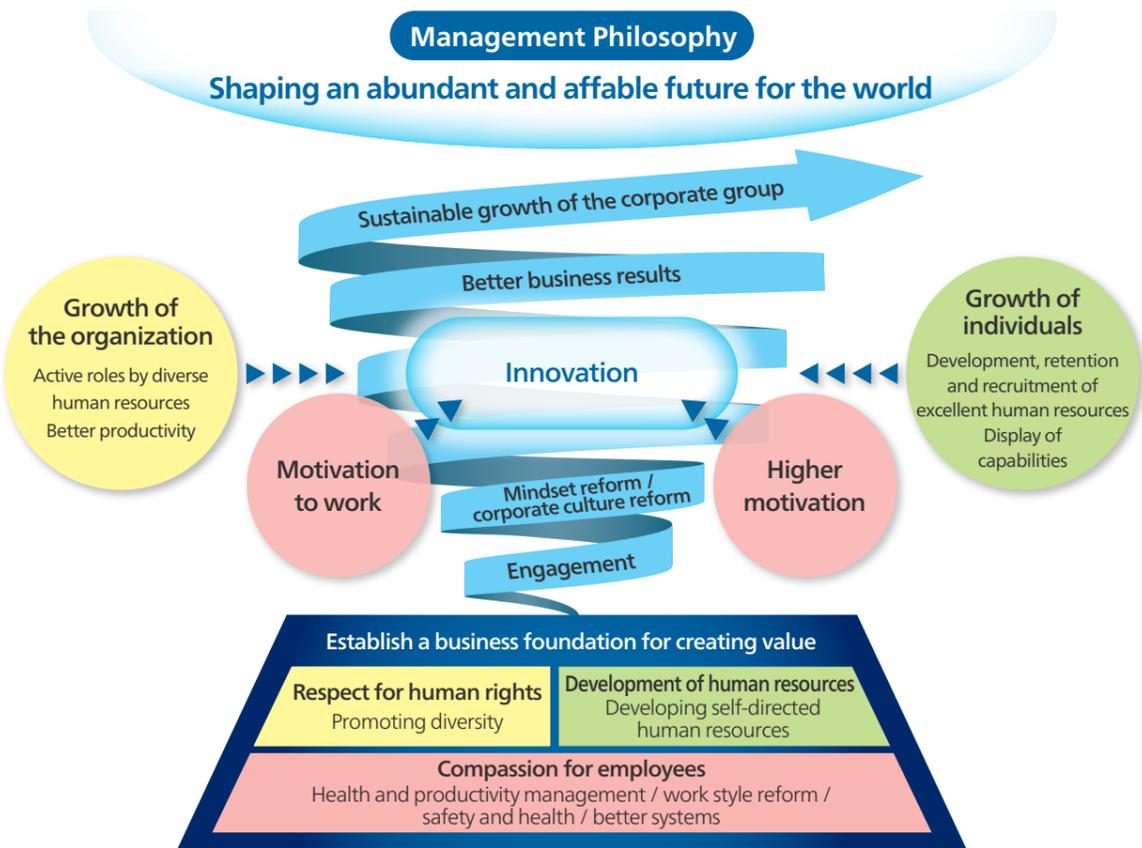
Basic Approach

At the Daio Paper Group, we are striving to establish a corporate culture providing safety and motivation to work, in order to foster human resources who can take on challenges toward increasing corporate value on a sustainable basis under our founding spirit "Passion with sincerity leads to greatness."

To further respond to diversifying needs and risks, we will take advantage of our diverse human resources and provide many more opportunities for them to fully demonstrate their ability. By doing so, we will generate innovation and reinforce

our ability to create value and maintain our competitiveness.

We are striving to establish a workplace environment with consideration given to health and safety, as well as a system and culture where employees can feel their growth and are motivated. We are also aiming to ensure that each individual is fairly evaluated and treated based on his/her role, responsibilities, and achievements. By making these efforts, we will foster self-directed human resources who dare to take on challenges and "think, decide and act for themselves."



Investment in the future

Investment in training, health and productivity management, better systems, etc.

Major Initiatives



Promotion of diversity & inclusion

- 1) Establish an environment where diverse human resources can play active roles
- 2) Promote corporate culture reform to enable everybody to take on challenges

For our future growth, it is essential for women to play even more active roles in all our business fields, including H&PC Business, which serves as the engine of our growth. We are actively assigning female employees to the H&PC Business, which has the widest variety of opportunities for them to play active roles, and fostering prospective female managers on a well-planned basis through various programs, such as cross-industrial interaction programs, launched in 2014, and practical management skill training programs, to be newly started. In addition, we are also making various efforts to reform the mindsets of all employees, such as using internal social media to disseminate messages directly from the president (from 2021) and organizing training programs on diversity for the senior and middle management (from 2020) and training programs on unconscious bias for all employees (from 2019). Furthermore, we are working to increase the paternity leave uptake to 100%, and are also encouraging employees to use the flextime system, remote work system, etc., building an internal network for parenting employees, and promoting a cross-sectional reform of our corporate culture under the lead of young employees. By pursuing a work style reform with a focus on productivity and ensuring an appropriate work-life balance, we will continue our reform toward establishing a corporate culture where all employees can take on challenges and play active roles.



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

	(FY)	2017 results	2018 results	2019 results	2020 results	2021 targets	2023 targets	2026 targets	2030 targets
Female managers (entire company)		1.4%	1.5%	2.0%	2.2%	2.4%	4.5%	6.5%	10.0%
" (H&PC)		2.5%	3.1%	3.4%	3.5%	4.3%	6.0%	10.0%	15.5%
Female employees on the managerial track (entire company)		13.5%	13.3%	13.7%	13.6%	16.8%	18.0%	24.5%	29.5%
" (H&PC)		21.9%	22.4%	21.7%	21.6%	25.0%	28.0%	36.0%	40.0%
Paternity leave uptake		3.0%	5.0%	4.0%	6.0%	20.0%	100.0%	100.0%	100.0%
Disabled employees		2.1%	2.2%	2.3%	2.3%	2.3%	2.6%	2.7%	2.7%



Development of human resources

- 1) Develop next-generation leaders and global human resources
- 2) Develop self-directed human resources

To ensure medium and long term development, we are continuing to foster next-generation leaders and global human resources. In particular, for employees who may in the future engage in our overseas businesses, which serve as the engine of our growth, we provide not only our conventional overseas training program, but also those indicated below to remove their hesitation about working abroad and increase their foreign language proficiency.

In addition, to develop self-directed human resources who "think, decide and act for themselves," we have enabled employees to shape their career and develop their capabilities on a self-directed basis by, for example, giving them options to join an external management training program, study for an MBA, and utilize Daio Career Challenge (internal open call for employees to select their own career). By making these efforts, we are striving to enhance employees' engagement and motivation.



*Initiatives for achieving Targets 3 and 4 of Goal 4

- ▶ Remove hesitation about working abroad 1) Overseas training program for young employees 2) Workshop on working overseas 3) Training program on global mindset
- ▶ Increase foreign language proficiency 1) TOEIC online IP test 2) Financial support for online English conversation training 3) Short-term overseas training program for language proficiency

	(FY)	2017 results	2018 results	2019 results	2020 results	2021 targets	2023 targets	2026 targets	2030 targets
Employees fostered as next-generation leaders		36	45	52	60	68	84	108	140
Employees with TOEIC 600+		241	239	215	223	250	350	500	600
Transfers under the internal open call system		31	32	36	41	49	70	100	150



Compassion for employees

- 1) Health and productivity management
- 2) Work style reform
- 3) Safety and health
- 4) Better HR systems

To realize sustainable growth as a vibrant and sound corporate group, we need to enhance employees' engagement and performance. To do so, we announced the Daio Paper Group Declaration of Health in FY2014 and the Work Style Reform Declaration in FY2016. For health and productivity management, we place our focus on ensuring an appropriate work-life balance, improving lifestyle habits, providing ample care for mental health, and supporting early detection of disease and prompt cure. While ensuring that the PDCA cycle runs smoothly, we implement a wide variety of measures. Specifically, we have introduced flexible working systems, including a flextime system, a remote work system, and annual paid leave that can be taken by the hour. In addition, we are encouraging employees to quit smoking by launching a quit-smoking challenge in FY2019 for those in managerial positions, including the top management. We have also initiated a health counseling service and started offering group long-term disability (GLTD) insurance for compensating loss of earnings. We will continue to make efforts to establish an environment where employees can fulfill their responsibilities without worry in this age of the 100-year life.



	(FY)	2017 results	2018 results	2019 results	2020 results	2021 targets	2023 targets	2026 targets	2030 targets
Smoking rate		31.0%	31.2%	30.5%	26.1%	25.0%	22.0%	18.0%	15.0%
Average overtime work hours (of nonmanagerial employees)		21.4h	22.0h	23.0h	20.8h	20.0h	18.0h	15.0h	10.0h
Paid-leave uptake		58.2%	71.0%	78.0%	67.2%	70.0%	80.0%	80.0%	90.0%

*Initiatives for achieving Targets 4, 6 and 9 of Goal 3, Target 1 of Goal 5, Targets 5 and 8 of Goal 8, and Targets 2 and 3 of Goal 10



Initiatives to Achieve the SDGs

Organic
Contribution to the Global Environment

Plantation owned by Forestal Anchile

Material Issues:

Response to climate change / Realization of a recycling-oriented society / Forest conservation and maintenance of biodiversity

Basic Approach

At the Daio Paper Group, we established the Global Environmental Charter in 1993 ahead of any other company in the papermaking industry. Based on its basic principle, we have been actively committed to solving environmental problems through our business operations. To ensure a link between the previous initiatives in which we have been engaged so far and our initiatives toward accomplishing the SDGs based on the Daio Paper Group Sustainability Vision, which was

established this May, and also to incorporate these initiatives into our business management, we have revised the Global Environmental Charter at the same time. We will continue environmentally-friendly business operations toward realizing a sustainable carbon-free society in harmony with the global environment, a recycling-oriented society, and a society that coexists in harmony with nature.

Daio Global Environmental Charter

Principle

Daio Paper Group will expand its business globally in harmony with the global environment while actively tackling environmental problems with the aim of realizing a sustainable society.

Basic Policy

- Mitigation of global warming
- Forest conservation and maintenance of biodiversity
- Effective use of resources and environmentally friendly procurement of raw materials
- Reduction and effective use of waste
- Development and deployment of technologies and products with lower environmental impact
- Reduction of environmental load together with supply chain partners
- Legal compliance and active environmental communication/ coexistence with local communities

For details of each item, read this QR code.

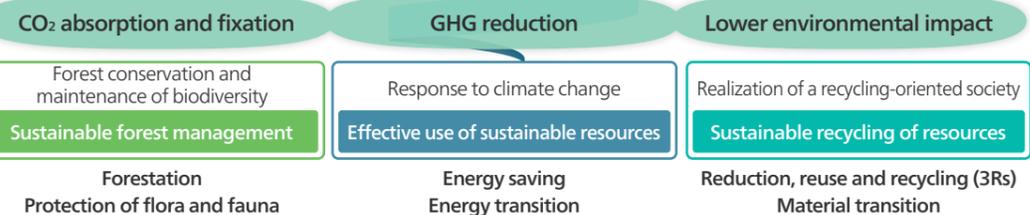


Management Philosophy

Shaping an abundant and affable future for the world

Future Visions

- A borderless society that coexists in harmony with nature
- Carbon neutrality throughout the supply chain
- A recycling-oriented society with less waste
- An earth that is regenerated back into a planet with abundant nature and its forest area restored
- Clean energy used throughout the world
- A shift from plastic to non-fossil fuel derived materials



Major Initiatives



Response to climate change Installation of a biogas generator using papermaking wastewater

Toward the target of reducing CO₂ emitted through production activities by 46% compared to FY2013 by FY2030, we are working on fuel transition, energy saving, etc. As part of such measures, we began to operate a biogas generator at the Mishima Mill in October 2020. It has been designed to extract biogas (derived from biomass generated when organic matter is fermented) from methanol-containing wastewater from the kraft pulping process, and to effectively use the biogas as a replacement for fossil fuel. Since this biogas contains methane, we use the extracted gas as it is in the lime calcination facility (kiln) in the mill, thereby replacing fossil fuel and reducing CO₂ emissions (approximately 15,000 t per year) and drainage load. We will continue to implement various measures that will lead to lower CO₂ emissions toward achieving carbon neutrality.



©Sumitomo Heavy Industries Environment Co., Ltd.

Anaerobic treatment facility (biogas generator)

*Initiatives for achieving Target 2 of Goal 7, Target 4 of Goal 9, and Target 16 of Goal 17



Realization of a recycling-oriented society Promotion of the use of hard-to-recycle recovered paper (gypsum board, laminated paper, etc.)

Toward the target of raising the ratio of hard-to-recycle recovered paper pulp in containerboard to 30% by FY2030, we are promoting the use of hard-to-recycle recovered paper, which used to be incinerated due to high levels of contaminants that inhibit recycling (i.e. plastics such as DVDs that come with magazines). Using our proprietary technology, we automatically sort pulp fiber from plastics and utilize the former as papermaking raw materials and the latter as fuel for waste boilers to generate power instead of fossil fuel. By using the waste, which used to be merely incinerated, as an energy source, we can reduce the use of fossil fuel, also contributing to reducing CO₂ throughout the value chain. In addition, Iwaki Daio Paper is constructing a waste boiler that will use waste-derived fuel, which has been difficult to use so far (scheduled for operation in January 2023). The completion of the boiler will transform Iwaki Daio Paper into a mill that uses only in-house power generated from non-fossil fuels.



Waste boiler No. 5 under construction at Iwaki Daio Paper

(FY)	2017 results	2018 results	2019 results	2020 results	2021 targets	2023 targets	2026 targets	2030 targets
Ratio of hard-to-recycle recovered paper pulp in containerboard	11.6%	13.7%	16.7%	16.7%	21.8%	24.0%	27.0%	30.0%

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

- Maintain almost half of our forests as natural forests and protect Patagonian Cypress, a designated natural treasure
- Breed and release endangered freshwater fish Kawabata-moroko (Hemigrammocypriis neglectus) in the Yoshino River



Forest conservation and maintenance of biodiversity

1) Located in Republic of Chile, South America, Forestal Anchile LTDA maintains almost half of its 59,000 ha of forests, or 28,000 ha, as natural forests to protect the designated natural treasure Alerce (Patagonian Cypress). While communicating with the Chile National Forest Corporation and local NGOs, the company has a specialized organization conduct research on the forests to check the growth of the trees. Referring to recommendations from the organization, the company is carrying out preservation activities appropriately.



Kawabata-moroko, endangered freshwater fish inhabiting the Yoshino River

In addition, the company regularly performs monitoring in those areas within its forests that are recognized as highly worthy of protection, and such areas comprise natural forests and zones that endangered species might inhabit. The company designates monitoring plots in the protected forest adjacent to the plantation where logging will be done and conducts monitoring before and after its operations. Moreover, this fiscal year, the company has newly begun to use images captured from the sky by drones in order to confirm that its operations has no impact on the flora and fauna ecosystems. The company will continue to work toward ensuring coexistence and coprosperity of a wide variety of creatures.

2) The Tokushima Factory of Daio Paper Products Corporation is a member of an association breeding and releasing Kawabata-moroko, designated as Endangered Class IA. Using water tanks on its property, the factory has been breeding 200 fish that it received from Tokushima Prefecture in January 2016. The fish population declined by 50 in the first two years. However, by protecting the remaining fish from birds, setting protective cases for its fry, and managing the water temperature even more carefully, the factory has been successfully increasing the number of the fish since the third year. Although this project has not yet reached the phase of releasing the fish, 791 individual fish were identified as of July 2021. For further breeding, the plant has added various measures, such as monitoring the water quality, setting spawning beds, and cleaning the protective cases. Toward the target of releasing at least 200, the number of the fish originally received from the prefecture, to their original habitat, the factory will continue to breed the fish in cooperation with Tokushima Prefecture.

*Initiatives for achieving Target 6 of Goal 6, Targets 1, 2, 4, and 5 of Goal 15, and Targets 16 and 17 of Goal 17

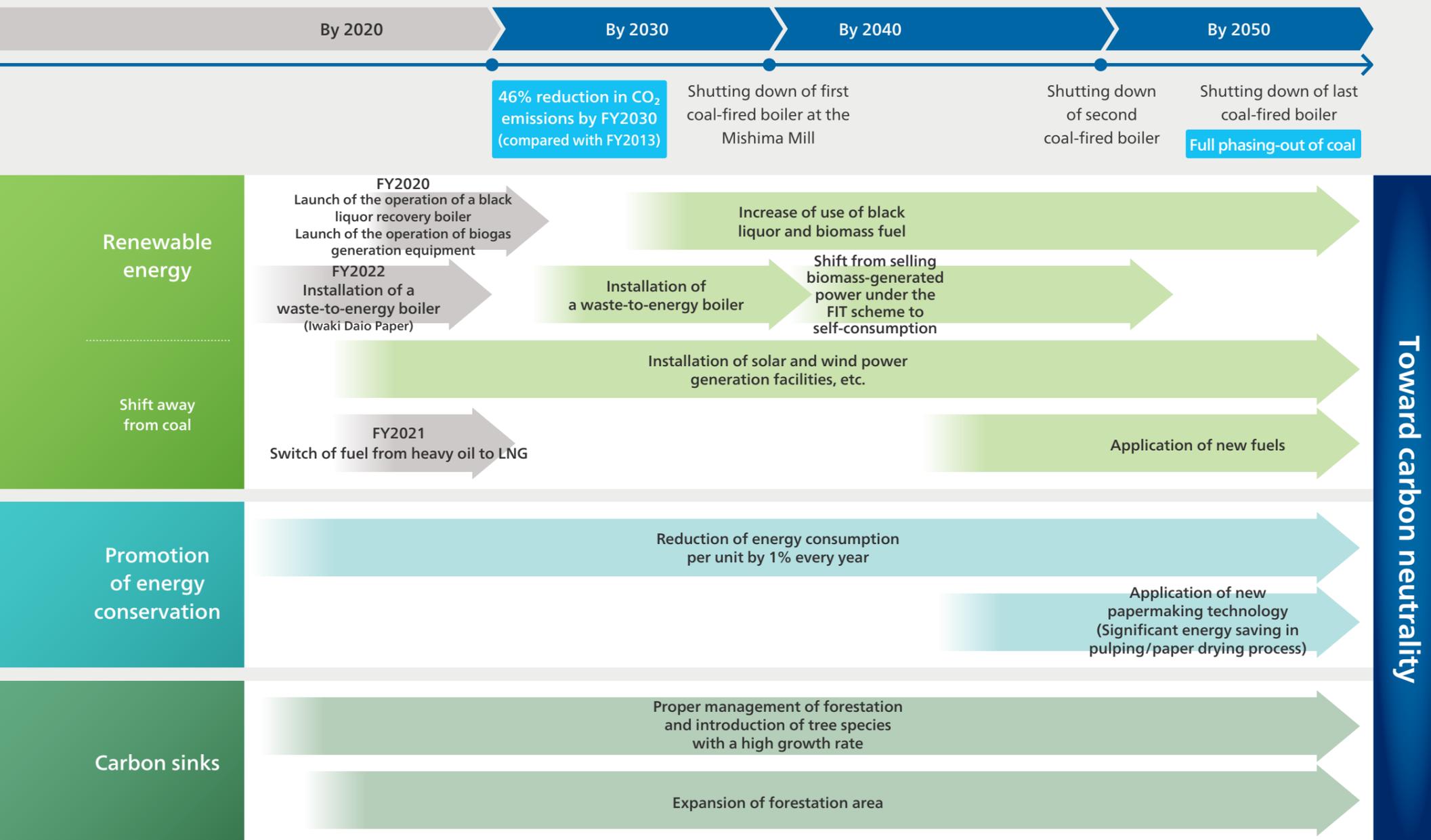
Feature 2

Initiatives toward a Carbon-free Society

At the Daio Paper Group, we have declared our commitment to achieving carbon neutrality by 2050. We have been proceeding with a wide variety of environmentally-conscious initiatives, such as increasing energy efficiency and using biomass fuel. In line with the roadmap that we have established, we will continue to implement measures toward realizing carbon neutrality.

Roadmap to Achieving Carbon Neutrality by 2050

We will actively work to reduce dependence on fossil fuel by applying know-how and new technologies that enable us to use alternative fuels.



Information Disclosure in line with the TCFD Recommendations

We position response to climate change as a top priority of management. Our policy, specific initiatives, etc. regarding climate change are examined at the Sustainability Committee, which reports to the Board of Directors and deliberates on such issues on a regular basis. Toward disclosing information in line with the TCFD recommendations, we are currently conducting scenario analysis, starting from the paper and paperboard business, which is expected to have a significant impact. We plan to provide a disclosure in the four TCFD thematic areas by April next year.

Shikokuchuo City Carbon Neutrality Council Established

– Discussing Measures and Roadmap for Region-Wide Energy Transition –

On June 21, 2021, the Shikokuchuo City Carbon Neutrality Council, consisting of major energy users in Shikokuchuo City, was established, with Daio Paper serving as a founding member.

As indicated by the Green Growth Strategy through Achieving Carbon Neutrality in 2050, formulated by the Japanese government in December 2020, it is becoming essential for private companies to make efforts toward realizing carbon neutrality.

To address global warming, we are making a wide variety of efforts, such as energy conservation and fuel transition. To accomplish our target of reducing our CO₂ emissions by 46% compared to FY2013 by FY2030, we are now proceeding with various measures steadily.

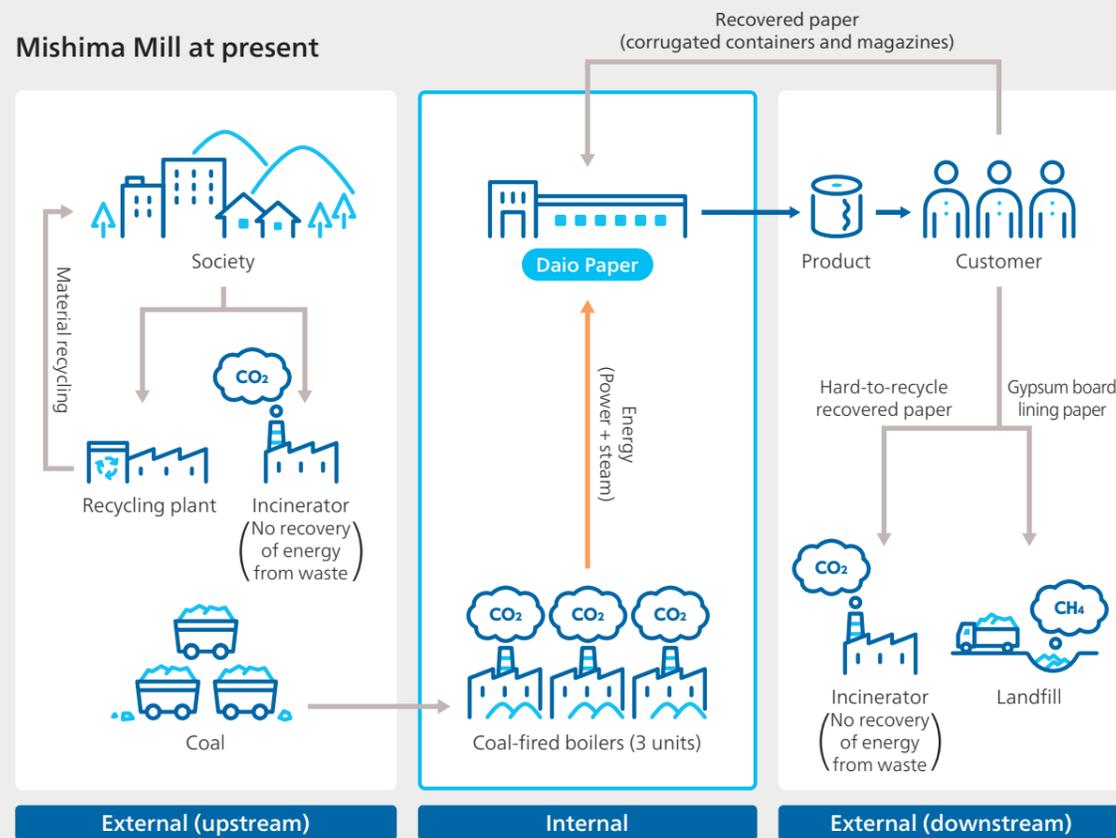
To realize carbon neutrality by 2050, however, we have to, at present, depend on innovation to some extent. The key to the adoption of new technology lies not only in each individual company's efforts, but also in cooperation between companies and in cooperation with local governments and financial institutions.

Boasting the highest shipment value of paper products in Japan, Shikokuchuo City is a major center of papermaking and its related industries. The city is home to a cluster of papermakers, all located in a certain area. The council intends to take advantage of this feature of the circumstances and implement initiatives toward realizing carbon neutrality through public-private cooperation.

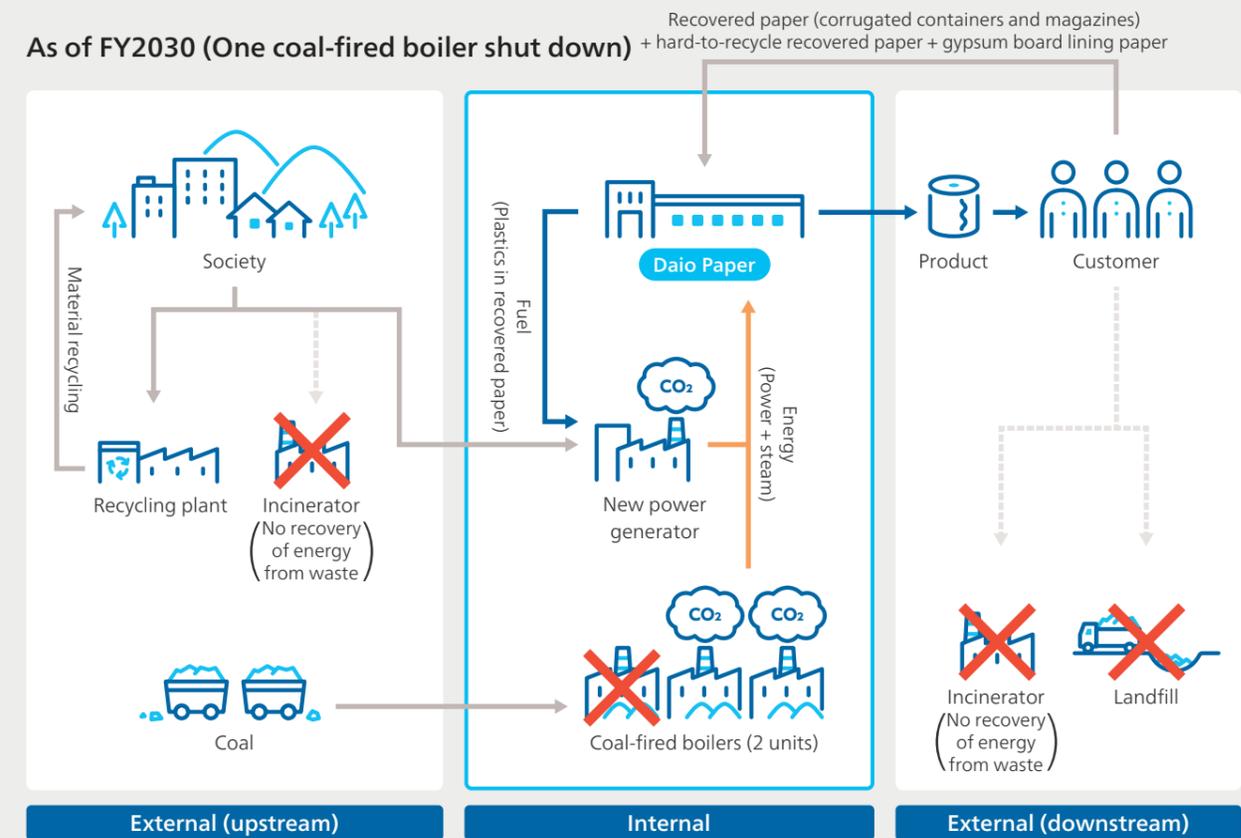
In the first phase, the council will define its entire vision regarding a carbon-free society, collect information on cutting-edge technology trends and policy trends, and formulate a roadmap toward realizing carbon neutrality. Thereafter, while updating the roadmap, the council will proceed to the second phase, where they will implement various measures in order to contribute to achieving carbon neutrality in Shikokuchuo City.

While respecting the bonds with local communities, Daio Paper will continue to contribute to protecting the global environment.

Mishima Mill at present



As of FY2030 (One coal-fired boiler shut down) + recovered paper (corrugated containers and magazines) + hard-to-recycle recovered paper + gypsum board lining paper



FY2030 Target to Combat Global Warming

Reducing CO₂ Emitted through Production Activities by 46% Compared to FY2013
- Shut Down One of the Three Coal-fired Boilers at the Mishima Mill -

Proper management of forestation and expansion of overseas forestation area

Promotion of energy conservation (reduction of energy consumption per unit by at least 1% every year)

Installation of a new waste-to-energy boiler at the Mishima Mill (Environmental assessment in progress)

Installation of solar power generation equipment at production bases in Japan and abroad

Message from the General Manager of the Production Division

Contributing to Achieving Carbon Neutrality by Continuing Our Initiatives for Environmental Conservation

Hiroshi Yamasaki

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



At the Daio Paper Group, we formulated the Sustainability Vision in May 2021 and declared in the vision that we strive to achieve carbon neutrality by FY2050 under our long-term vision for global warming countermeasures. We also set the milestone target of reducing our CO₂ emissions by 46%

compared to FY2013 by FY2030.

Moreover, this May, we announced our endorsement of the TCFD as part of our measures for disclosing information on climate change. Currently, we are preparing for information disclosure based on the TCFD recommendations,

and we plan to make the disclosure by April 2022.

We believe that response to climate change should be regarded as a matter that we should work on actively as a going concern, not reluctantly as something unavoidable. We will implement specific measures step by step, not just stop at mere information disclosure.

We have already taken the first step toward accomplishing the target. At the Mishima Mill, we began to operate 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 FY2021, we plan to partially switch our lime kilns' fuel source from heavy oil to liquefied natural gas (LNG), a low-carbon fuel.

In addition to these efforts at the Mishima Mill, we are installing another waste boiler at Iwaki Daio Paper. Fueled by wood residue and waste plastic, the mill's third waste boiler is scheduled for operation in FY2022. The completion

of the boiler will transform Iwaki Daio Paper into a mill that uses only in-house power generated from non-fossil fuels. Moreover, Iwaki Daio Paper's surplus power will be transferred to its adjacent Elleair Product's Fukushima Factory, which is expected to contribute to reducing Fukushima Factory's power purchases. This project is recognized as the first "collaborative energy-efficiency plan" under Ministry of Economy, Trade and Industry's Act on the Rational Use of Energy (Energy Conservation Act).

We also plan to newly install a waste boiler at the Mishima Mill, with environmental assessment currently underway. By doing so, we will shut down one of the three coal-fired boilers at the Mishima Mill by FY2030. Even after that, we will continue to reduce our dependence on coal by making effective use of biomass and waste-derived fuel. We will completely phase out coal usage and achieve carbon neutrality by FY2050.

Corporate Governance

Directors, Audit & Supervisory Board Members and Executive Officers (As of the end of September 2021)

Representative Directors



Masayoshi Sako

Chairman and Representative Director
Jan. 2005: General Manager of Sales Promotion Division, Home & Personal Care Business Group
Jun. 2008: Executive Vice President and Director
Jun. 2011: President and Representative Director



Yorifusa Wakabayashi

President and Representative Director
Chief Executive Officer
Jan. 2012: Executive Officer, General Manager of Newsprint Sales Division
Apr. 2016: Executive Officer, General Manager of Paper Sales Division
Jun. 2017: Director, General Manager of Home & Personal Care Domestic Business Group
Jul. 2018: Director and Managing Executive Officer, General Manager of Home & Personal Care Domestic Business Group



Toshihiro Adachi

Executive Vice President and Representative Director
Executive Vice President
Responsible for Corporate Unit, Compliance and Sustainability

Jun. 2012: Director and Senior Managing Executive Officer
Apr. 2016: Representative Director and Senior Managing Executive Officer
Apr. 2019: Executive Vice President and Representative Director



Kunihiro Okazaki

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

Jun. 2015: Director and Senior Managing Executive Officer
Apr. 2016: Representative Director and Senior Managing Executive Officer
Apr. 2019: Executive Vice President and Representative Director

Directors



Hiroshi Yamasaki

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

Jun. 2012: Executive Officer, Acting General Manager of Mishima Mill, Production Division
Jul. 2016: Director, General Manager of Resources and Materials Procurement Division
Apr. 2019: Director, Deputy General Manager of Production Division, Production Unit and General Manager of Mishima Mill



Yukihiro Tanaka

Director, Managing Executive Officer
General Manager of General Affairs and Personnel Division, Corporate Unit

Jun. 2015: Executive Officer, General Manager of General Affairs Division
May 2017: Executive Officer, General Manager of Corporate Planning Division
Jun. 2017: Director, General Manager of Corporate Planning Division and in charge of Safety & Environment Control Department
Apr. 2019: Director, General Manager of Corporate Planning Division, Corporate Unit



Atsushi Ishida

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

Jul. 2018: Executive Officer, General Manager of Containerboard and Corrugated Container Business Group
Jun. 2019: Senior Executive Officer, General Manager of Industrial Paper and Containerboard Business Group, Paper & Paperboard Unit



Hiroyuki Shidara

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

Jun. 2017: Executive Officer, General Manager of Baby & Feminine Care Products Sales Division, Home & Personal Care Domestic Business Group
Apr. 2018: President and Representative Director, Elleair International (Thailand) Co., Ltd.
Jul. 2020: Executive Officer, General Manager of Human & Family Care Sales Division, Domestic Business Group, Home & Personal Care Unit



Nobuhiko Yoshida

Director (Outside)



Yoichi Takei

Director (Outside)



Yoshinobu Hiraishi

Director (Outside)



Haruko Ozeki

Director (Outside)

Audit & Supervisory Board Members



Hiromitsu Fujii

Audit & Supervisory Board Member



Tsutomu Ariyasu

Audit & Supervisory Board Member



Yoichiro Yamakawa

Audit & Supervisory Board Member (Outside)



Takemi Nagasaka

Audit & Supervisory Board Member (Outside)



Kyoko Okada

Audit & Supervisory Board Member (Outside)

Executive Officers

Managing Executive Officers	Toshiki Yamagami	General Manager of Overseas Business Group, Home & Personal Care Unit; General Manager of Overseas Business Promotion Division
	Hiroshi Mizobuchi	General Manager of Product Development Division, Home & Personal Care Unit; Responsible for Marketing Division, Marketing and Development Support Department, Home & Personal Care Unit
	Hiroyuki Fujita	Chairman and Director of Santher -Fábrica de Papel Santa Therezinha S.A.
Senior Executive Officers	Michihiko Tamaki	General Manager of Advanced Materials R&D Center, Production Division, Production Unit
	Takahisa Kashiwabara	President and Representative Director of Elleair International China (Nantong) Co., Ltd.
	Toshikatsu Tanahashi	Deputy General Manager of Production Division, Production Unit; General Manager of Mishima Mill, Production Division, Production Unit
	Shuhei Shinagawa	General Manager of Corporate Planning Division, Corporate Unit
	Takashi Yoshida	General Manager of Intelligence Technology Planning Division, Corporate Unit
Executive Officers	Satoshi Iseki	General Manager of Global Logistics Division
	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
	Toru Shimizu	President and Representative Director of Elleair International Turkey Kişisel Bakım Ürünleri Üretim A.Ş.
	Akihiro Yoshino	President and Representative Director of Daio Paper Products Corporation
	Mikiro Shiramine	General Manager of Resources and Materials Procurement Division
	Takashi Imaizumi	General Manager of Intellectual Property Department, 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
	Akihisa Yano	Acting Manager of Mishima Mill, Production Division, Production Unit (Responsible for Utility Unit)
	Masahiko Takeshima	President and Representative Director of Elleair International (Thailand) Co., Ltd.
	Yukio Kume	Executive Vice President and Director of Elleair International China (Nantong) Co., Ltd.
	Makoto Saito	General Manager of Human & Family Care Sales Division, Domestic Business Group, Home & Personal Care Unit



Basic Policy on Corporate Governance

At the Daio Paper Group, we strive to maintain growth on a steady and stable basis, increase corporate value over the medium to long term, and engage in business operations in harmony with the global environment.

We regard the enhancement of corporate

governance as one of our most critical management issues. As a corporate group trusted by all stakeholders including shareholders, business partners, employees and local residents, we aim to contribute to the development of a lively lifestyle, culture and industry for society.

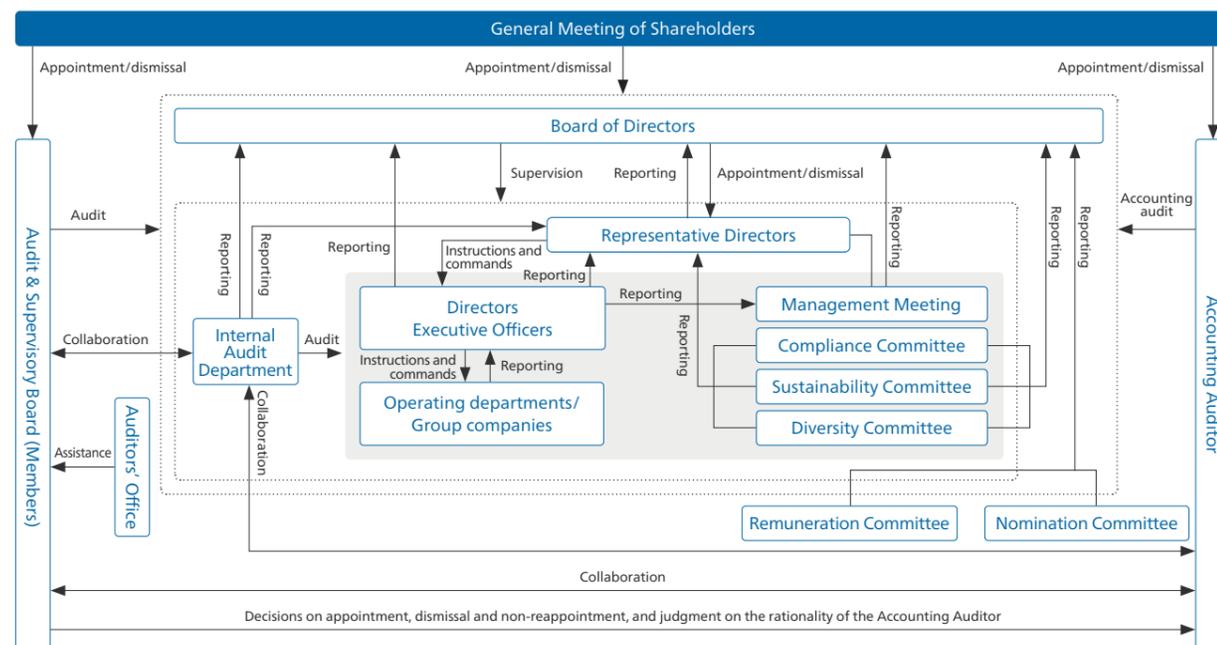
Overview of the Corporate Governance Structure

Daio Paper is a company with an Audit & Supervisory Board. As such, while the Board of Directors makes decisions on management policies and important business execution and supervises the business execution for the entire Daio Paper Group, the Audit & Supervisory Board and its members, independent from the Board of Directors, audit the Directors' performance of their duties. Moreover, in April 2021, we changed the structure of the Board of Directors and revised the Executive Officer system for the purpose of clarifying the functions of the Board of Directors, which is engaged in decision making and supervision, and the Executive Officers, who are engaged in business execution. By doing so, we will further speed up corporate decision making and reinforce the supervisory function of the Board of Directors. We will continue to aim to enhance corporate value by realizing a structure ensuring decisive, timely management decision making and agile and robust business execution.

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	Established the Nomination Committee
2019	Introduced the stock-based incentive system
2021	Changed the structure of the Board of Directors and revised the Executive Officer system

Corporate Governance Structure



(1) Board of Directors

The Board of Directors supervises management in general, including the performance of duties by the management, ensures the fairness and transparency of management, and makes decisions on the execution of important business matters as stipulated in laws and regulations and the Articles of Incorporation.

The Board of Directors comprises a necessary and appropriate number of members to ensure an effective management structure and substantial discussions at the Board of Directors. In addition, it also includes four independent Outside Directors, fulfilling the criteria for such members to account for at least one-third of the Board of Directors, in light of the importance of their functions for ensuring appropriate corporate governance.

(2) Audit & Supervisory Board

The Audit & Supervisory Board comprises five members, including three Outside Audit & Supervisory Board Members. Based on the audit plan set by the Audit & Supervisory Board, the members of the board not only attend the Board of Directors meetings and other important meetings and exchange views with the top management, but also work in close cooperation with the Accounting Auditor and the Internal Audit Department to investigate the condition of the internal control system through business audits and accounting audits. By doing so, the Audit & Supervisory Board strives to strengthen and enhance its ability to exercise proper oversight of management.

(3) Accounting Auditor

Appointed as Accounting Auditor, PricewaterhouseCoopers Aarata LLC performs proper accounting audits at appropriate times based on laws and regulations.

The appointment of the firm as Accounting Auditor is based on our comprehensive judgement that it has a certain scale of network for performing auditing operations effectively, that its auditing quality and oversight structure are sufficient, that its audit duration and timing, specific audit guidelines and audit remuneration are reasonable and appropriate, and that it has sufficient audit experience.

(4) Management Meeting

To speed up decision making, the Management Meeting, which comprises the Chairman, 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.

(5) Discretionary Committees

① Remuneration Committee

The Remuneration Committee is intended to enhance the objectivity and transparency of decisions on Directors' remuneration. The committee reports to the Board of Directors after evaluating each full-time Director's performance and deciding on his/her remuneration amount in accordance with the remuneration decision policy resolved by the Board of Directors.

The Remuneration Committee is chaired by an independent Outside Director, with the majority consisting of independent Outside Directors. Two Outside Audit & Supervisory Board Members attend as observers.

② Nomination Committee

The Nomination Committee is intended to enhance objectivity and transparency in the nomination of candidates for Director and the appointment and dismissal of the Directors. As an advisory body to the Board of Directors, the Nomination Committee receives inquiries from the Board of Directors regarding, for example, the nomination of candidates for Director and the appointment and dismissal of the Directors, and reports back on the inquiries in accordance with the nomination policy set out in the Corporate Governance Guidelines.

The Nomination Committee is chaired by an independent Outside Director, with the majority consisting of independent Outside Directors. Two Outside Audit & Supervisory Board Members attend as observers.

③ Compliance Committee

The Compliance Committee is intended to strengthen the risk management and compliance of the Daio Paper Group. The committee checks the Group's risk management structure by comprehensively identifying and assessing risks for the group, by implementing unified management of the group's risk control measures, and by engaging in deliberation on those risk control measures in accordance with the severity of the risks. Chaired by the Director responsible for compliance, the Compliance Committee comprises ten members, 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.

Under the Compliance Committee, there are eight subcommittees. Each subcommittee deliberates, makes decisions and implements specific measures for each type of risk, forming an even more highly effective risk management structure.

Organization Chart of the Compliance Framework



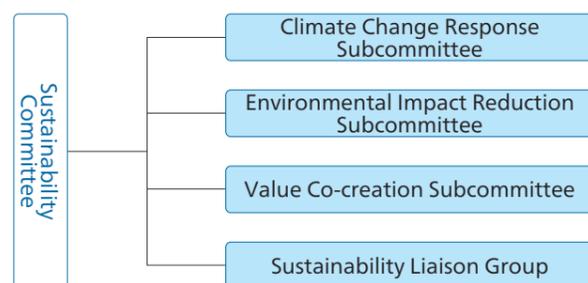
④ Sustainability Committee

The Sustainability Committee is intended to formulate sustainability strategies for the entire Group (sustainable corporate strategies in the aspects of the environment, society and governance), to enhance the group's social value by solving social issues, and also to realize the sustainable growth of the group's corporate value. The committee decides on material issues related to sustainability, as well as on targets, commitment, and initiatives for such material issues. Chaired by the Director responsible for the Corporate Unit, the Sustainability Committee comprises ten members, including the General Manager of the Production Division and Outside Directors. One full-time Audit & Supervisory Board Member and one Outside Audit & Supervisory Board Member attend as observers.

Under the Sustainability Committee, there are three subcommittees: the Climate Change

Response Subcommittee, the Environmental Impact Reduction Subcommittee, and the Value Co-creation Subcommittee, plus the Sustainability Liaison Group. Setting specific initiatives and KPIs, the Sustainability Committee deliberates on various measures and check their progress toward achieving the targets.

Organization Chart of the Sustainability Framework



the Board of Directors, disseminating messages from the top management, and enlightening employees, including senior and middle management.

Chaired by the President and Representative Director, the Diversity Committee comprises seven members, including the General Manager of the General Affairs and Personnel Division. One Executive Vice President and Representative Director, one full-time Audit & Supervisory Board Member and one Outside Audit & Supervisory Board Member attend as observers.

⑤ Diversity Committee

The Diversity Committee is intended to achieve diversity in the entire Group's organizations by, for example, increasing the number of female managers and establishing an environment where flexibility in working styles is available. Established directly under the President and Representative Director, the Diversity Committee decides on the basic policy for promoting diversity throughout the Group, and also on material issues. At the same time, the committee establishes measures to promote diversity and work style reform, and implements such measures while reporting to

Reasons for Selection of Each Outside Officer

Outside Directors

Name	Independent Officer	Reasons for selection	No. of Board of Directors meetings attended (FY2020)	Important concurrent positions*1
Nobuhiko Yoshida	○	We have appointed him as an Independent Officer based on our determination that he would be able to perform his duties as an Outside Director appropriately from an independent perspective by utilizing his extensive experience and broad insight cultivated while serving as President and Representative Director and other positions at other companies. In addition, he fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	15/15	Director and Advisor, Japan Metal Roofing Association
Yoichi Takei	○	We have appointed him as an Independent Officer based on our determination that he would be able to perform his duties as an Outside Director appropriately from an independent perspective by utilizing his expertise as an attorney-at-law and higher viewpoint and broad experience cultivated while serving as an officer at other companies. In addition, he fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	11/12*2	Partner/attorney-at-law, Meitetsu Law Offices Outside Auditor, YAMAKIN (JAPAN) CO., LTD. Outside Director, NIPPON THOMPSON CO., LTD.
Yoshinobu Hiraishi	○	We have appointed him as an Independent Officer based on our determination that he would be able to perform his duties as an Outside Director appropriately from an independent perspective by utilizing his extensive experience, high-level expertise and broad insight cultivated while serving as a diplomat in various countries. In addition, he fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	—*3	Advisor, Asociacion Nippo Chilena
Haruko Ozeki	○	We have appointed her as an Independent Officer based on our determination that she would be able to perform her duties as an Outside Director appropriately from an independent perspective by utilizing her extensive experience, high-level expertise and broad insight cultivated while serving as the legal head and an officer at another company. In addition, she fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	—*3	—

Outside Audit & Supervisory Board Members

Name	Independent Officer	Reasons for selection	No. of Board of Directors meetings attended (FY2020)	Important concurrent positions*1
Yoichiro Yamakawa	○	We have appointed him as an Independent Officer based on our determination that he would be able to perform his duties as an Outside Audit & Supervisory Board Member appropriately from an independent perspective by utilizing his expertise as an attorney-at-law and extensive experience cultivated while serving as an officer at other companies. In addition, he fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	15/15	Partner/attorney-at-law, KOGA & PARTNERS
Takemi Nagasaka	○	He 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. We have appointed him as an Independent Officer based on our determination that he would be able to perform his duties as an Outside Audit & Supervisory Board Member appropriately from an independent perspective by utilizing his advanced knowledge of finance and accounting. In addition, he fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	15/15	Audit & Supervisory Board Member (Independent), Nabtesco Corporation Audit & Supervisory Board Member (Outside), SOLIZE Corporation
Kyoko Okada	○	We have appointed her as an Independent Officer based on our determination that she would be able to perform her duties as an Outside Audit & Supervisory Board Member appropriately from an independent perspective by utilizing her broad knowledge of CSR and corporate culture and extensive experience cultivated while serving as an Audit & Supervisory Board Member at other companies. In addition, she fulfills the requirements as an Independent Officer set forth in the Enforcement Rules for Securities Listing Regulations.	12/12*2	Outside Audit & Supervisory Board Member, Subaru Corporation Outside Audit & Supervisory Board Member, Japan Consumer Credit Service

*1: As of June 29, 2021 *2: Appointed June 26, 2020 *3: Appointed June 29, 2021

Measures to Enhance the Effectiveness of the Board of Directors

To promote substantial, productive discussions at the Board of Directors meetings and to enhance the effectiveness of the Board of Directors, we will

continue to implement the measures indicated below, including providing information that will help Outside Officers deepen their understanding of our operations.

Measures	Frequency	Details
Holding briefing sessions for Outside Officers before the Board of Directors meetings	Once a month	We hold a briefing session for Outside Officers before the monthly meeting of the Board of Directors so that they can deepen their understanding of the discussion points, the background, purposes, etc. of the proposals to be presented at the meeting. By doing so, we strive to ensure time for a substantial discussion at the meeting.
Distributing materials for the Board of Directors meetings in advance and utilizing briefing materials	Once a month	We distribute the relevant materials before each meeting of the Board of Directors, and also utilize briefing materials that summarizes the overview, background, purposes, risk countermeasures, etc. of the proposals to be presented at the meeting. By doing so, we strive to ensure that the points of the proposals are understood clearly.
Ensuring that our Officers perform site inspections	A few times a year	We ensure that our Officers inspect manufacturing sites at our mills and other facilities a few times a year in order to help them deepen their understanding of our operations.
Holding information-exchange sessions between Outside Directors and Audit & Supervisory Board Members	Twice a year	We hold information-exchange sessions between our Outside Directors and Audit & Supervisory Board Members twice a year in order to ensure even closer cooperation between them.
Providing a wide variety of information for Outside Officers	At appropriate times	We share a wide variety of industrial reports, information on our IR efforts, etc. with our Outside Officers, thereby striving to help them deepen their understanding of industrial trends and our operations.

Evaluation of the Effectiveness of the Board of Directors

Since 2016, we have been evaluating the effectiveness of the Board of Directors annually, in order to regularly examine whether the Board of Directors is functioning properly, and continue to identify issues and implement measures for improvement. With cooperation from an external organization, we conducted a self-evaluation questionnaire 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, we carried out an analysis and evaluation. The overview of the evaluation results is as follows.

(1) Overview of the Evaluation Results

We evaluated the 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. As a result, we confirmed that the Board of Directors is largely functioning properly and that its effectiveness is sufficiently ensured.

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

The previous fiscal year's effectiveness evaluation of the Board of Directors revealed a need to review the composition of the Board of Directors. To address this issue, we revised the Executive Officer system effective April 1, 2021 and changed the structure of the Board of Directors effective June 29 of the same year for the purpose of clarifying the functions of the Board of Directors, which is engaged in decision making and supervision, and the Executive Officers, who are engaged in business execution. By doing so, we will speed up decision making and reinforce the supervisory function of the Board of Directors.

Policy and Framework of IR Activities

At the Daio Paper Group, we follow our corporate motto "Passion with Sincerity" and carry out IR activities with a focus on making timely, appropriate and fair information disclosure to shareholders and investors and promoting sincere and proactive communication with them.

(3) Points Evaluated as Requiring Further Improvement

We recognize that sustainability-related issues, such as social and environmental issues, are important management issues for us. We will make even more active and self-initiated efforts—for example, regular deliberation on our sustainability-related measures at the Board of Directors' meetings—under the lead of the Board of Directors.

In July 2016, we established the IR team to promote engagement (constructive dialogue) with shareholders and investors. We will continue to make efforts to explain our management policy and business conditions clearly and to reflect feedback from shareholders and investors in our corporate activities appropriately.

Principal IR Activities Conducted in FY2020 (from April 2020 to March 2021)

Activities	Number of events	Details
One-on-one meetings with institutional investors	67 times	IR interviews and teleconferences with domestic and overseas analysts and institutional investors
Earnings and strategy briefing for analysts and institutional investors	6 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	4 times	Small meetings and one-on-one meetings with analysts and institutional investors at domestic and overseas investment conferences
Events for institutional investors	0 times*	Briefings and mill tours for institutional investors by persons in charge of IR
Events for individual investors	0 times*	Briefings for individual investors by persons in charge of IR

*Not conducted due to the COVID-19 pandemic

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

Name	Position	① Corporate management	② Corporate planning / M&A	③ Sales / marketing	④ Manufacturing / technology development	⑤ Finance / accounting	⑥ Personnel / HR development	⑦ Legal affairs / risk management	⑧ Overseas business / global experience
Masayoshi Sako	Chairman and Representative Director	●	●						●
Yorifusa Wakabayashi	President and Representative Director, Chief Executive Officer	●	●	●					
Toshihiro Adachi	Executive Vice President and Representative Director, Executive Vice President	●				●		●	
Kunihiro Okazaki	Executive Vice President and Representative Director, Executive Vice President	●		●			●		
Hiroshi Yamasaki	Director, Managing Executive Officer				●			●	●
Yukihiro Tanaka	Director, Managing Executive Officer		●				●	●	
Atsushi Ishida	Director, Managing Executive Officer	●	●	●					
Hiroyuki Shidara	Director, Managing Executive Officer	●		●					●
Nobuhiko Yoshida	Director (Outside)	●	●				●		
Yoichi Takei	Director (Outside)		●					●	
Yoshinobu Hiraishi	Director (Outside)							●	●
Haruko Ozeki	Director (Outside)	●						●	●

Message from an Outside Director



Nobuhiko Yoshida

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

Ensuring that Operation of the Evolved Governance Structure Is Deeply Rooted under the New Management Structure with Passion and Sincerity Embraced as an Unchanging Value

Q Tell us what you think about the features and challenges of Daio Paper's governance.

We have long inherited the founding spirit "Passion with sincerity leads to greatness" as an unchanging value, and this tenet has underpinned our governance for generations. In addition, the first of the four pillars of our management philosophy is "Dedication to manufacturing," which shows our emphasis on *genba* (actual location) and *genbutsu* (actual product), and this spirit is completely reflected in the operation of the Board of Directors. This organ comprises 12 Directors, including four Outside Directors, who make decisions on important matters and supervise the execution of the decisions. Moreover, Executive Officers and Business Groups or Department General Managers who are well-informed in the matters related to the proposals to be presented at the meetings are permitted to attend Board of Directors meetings to explain those proposals in detail. In particular, the Managing Executive Officers are obligated to attend the Board of Directors meetings, and although they are not entitled to vote, they are entitled to present proposals and explain them. This symbolizes our determination to ensure the sense of *genba* even at the Board of Directors. This, of course, does not mean that we intend to blindly adhere to our current reality as it is toward the future. We are pursuing governance that will make it possible for us to develop our ideas, beliefs, and readiness

for change, all based on deep insight of *genba*, into our future dreams and ideal visions.

Operated in a fair manner, both Inside and Outside Directors present their views without hesitation during the meetings of the Board of Directors. This April, we achieved a great evolution of our governance structure by, among other measures, reforming the Executive Officer system, reducing the number of Directors, and ensuring that Independent Directors constitute at least one third of the membership of the Board of Directors. I understand that I am expected to fulfill the role of making operation under the new structure take root deeply.

With this background, our challenge lies in how to increase diversity. This year, a female Outside Director has been newly appointed. Although we are striving to increase the percentage of female managers to 10.0%, the current reality is 2.2%, showing that there is a lot to be improved. It is said that diversity is correlated with innovative outcomes, because a diverse organization facilitates the birth of ideas and flashes of inspiration that are not observed in homogenous organizations. Considering our ongoing shift to the H&PC Business, which manufactures tissue, disposable baby diapers, feminine care products and other items, we believe that an increase in gender diversity is integral to our corporate growth.

Q In April 2020, the Sustainability Committee was established. Tell us about the functions and roles expected to be played by the committee.

The Sustainability Committee is intended to formulate sustainable corporate strategies for the entire corporate

group in the aspects of the environment, society and governance and to enhance the group's corporate value

by solving social issues. Chaired by Executive Vice President Adachi, the committee comprises ten members, including the General Manager of the Production Division and Outside Directors. In addition, two Audit & Supervisory Board Members attend as observers. The committee is called on a monthly basis. Serving as the cornerstone of our corporate strategy, sustainability is an extremely crucial issue that will affect even the future direction that we should take for our business operations. We will incorporate the Sustainability

Q Tell us about the roles played by the Nomination Committee in the change of the President that took place this fiscal year.

The roles and functions of the Nomination Committee and the Remuneration Committee are like the two sides of the same coin. I chair both committees, each of which comprises the same members. One of the important responsibilities of the Nomination Committee is to select successors. As an Outside Director, I closely oversee the selection process to confirm that the successors are not selected simply because they are convenient for the current President, and this oversight is an important responsibility. If we take a passive approach, however, we cannot present an alternative proposal, even if we have some objections. In this regard,

Vision, established this May, into each unit's medium to long term action plan. We expect that the Sustainability Vision will serve an important engine for introducing sustainability into the entire Group's management. Toward accomplishing our carbon neutrality target, we have already decided to shut down a coal-fired boiler at the Mishima Mill by 2030 and realize transition to another energy source. We will make efforts toward reducing GHG emissions not only at our mills but also throughout our supply chain, including logistics.

the Remuneration Committee conducts an annual interview with each Director to evaluate his/her performance. These interviews which continued for years served as an excellent foundation for the Nomination Committee to evaluate the candidate for the successor to the President. As the Nomination Committee, we were able to report back to the Board of Directors on the proposal of the candidate for the President, while following the necessary process and ensuring transparency and objectivity. I believe that this means that we managed to fulfill the committee's role.

Q Did you consider the option of selecting a President from outside?

In the case of Daio Paper, where the founding spirit has been inherited and rooted deeply for generations, I personally feel that selecting a President from inside is appropriate in terms of employee satisfaction, unity, etc. At an interview with the Remuneration Committee, Chairman Sako (then, the President) said, "Our biggest responsibility lies in fostering a

next-generation leader," emphasizing to each member the importance of developing a successor. The fact that the new President was chosen from inside of Daio Paper is proof that Daio Paper has succeeded in their endeavor of developing a successor.

Q Tell us about your expectations on the new management structure.

Four and half a years ago, when I was asked by Chairman Sako (then, the President) to evaluate 40 candidates for leaders, I directly interviewed President Wakabayashi (then, the Executive Officer and General Manager of the Paper Sales Division). After examining him based on various evaluation points, I left the following comments: "Demonstrating high self-awareness, his performance as a General Manager who leads and inspires his staff is perfect. As other companies continue to shrink or decline, I believe that we will eventually

bank on him to lead our paper business to a bright future." At the ceremony held this April to welcome new employees, the President told them not to be afraid of initiating reform for themselves in the changing environment, and to decide and act positively. I have great expectations for him, who will proceed with measures powerfully toward solving a wide variety of issues and realizing sustainable growth under the key phrase of "reform and endeavor."

Q Do you have a message for stakeholders?

Chairman Sako frequently quotes this maxim by Yoshida Shoin: "A lack of dreams means a lack of ideals. A lack of ideals means a lack of plans. A lack of plans means a lack of implementation. A lack of implementation means a lack of success. Therefore, a lack of dreams means a lack of success." At this precise moment in our long history, the Daio Paper Group is pushing forward with a wide variety of measures toward accomplishing our fourth and fifth medium-term

business plans, and also our dreams and ideals awaiting us beyond the plans. We will also continue to reinforce our relationships with various stakeholders, such as shareholders, investors, employees, business partners, and members of local communities, so that those relationships become even more sound and positive. We would like to ask our stakeholders to continue on this journey forward together with us.

Financial and Non-Financial Highlights

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

Financial Data

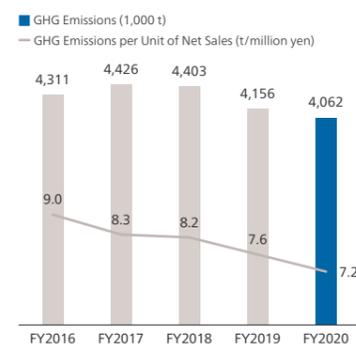
(Millions of Yen)

Fiscal year	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
For the Fiscal Year:											
Net sales	410,159	408,985	407,362	430,054	450,239	474,077	477,140	531,311	533,890	546,433	562,928
Selling, general and administrative expenses	69,406	64,261	70,445	79,892	84,206	89,821	95,600	110,312	104,255	109,677	122,706
Operating profit	13,377	10,483	11,577	16,049	21,796	24,323	23,535	11,062	12,122	30,629	36,873
Ordinary profit	5,665	4,748	6,637	11,257	21,784	21,259	21,347	12,779	9,842	28,112	34,478
Profit (loss) attributable to owners of parent	(18,234)	(5,321)	15,109	6,293	13,209	14,594	12,136	3,971	4,697	19,199	22,115
Comprehensive income (loss)	(16,506)	(3,247)	22,075	11,826	27,943	9,599	14,905	2,735	1,583	13,477	19,987
EBITDA	47,548	42,622	43,637	47,180	59,139	57,726	58,251	51,177	49,869	66,716	77,187
Capital expenditures	22,057	18,200	21,726	24,948	31,587	37,310	32,453	39,523	59,590	61,934	53,411
Depreciation	32,850	29,584	26,409	26,403	27,203	26,988	29,017	31,171	33,331	31,843	34,137
Research and development expenses	2,079	1,399	2,149	2,836	2,683	2,791	2,902	3,280	2,809	3,043	3,109
Net cash provided by operating activities	41,153	23,775	50,805	58,091	44,740	47,011	62,932	28,285	40,287	68,012	64,210
Net cash used in investing activities	(25,496)	(32,171)	(41,455)	(26,826)	(28,581)	(26,073)	(31,394)	(51,485)	(62,110)	(47,869)	(103,702)
Net cash provided by (used in) financing activities	(20,747)	(7,379)	(13,441)	(37,242)	(29,429)	(17,475)	(22,037)	386	65,898	(14,049)	63,589
Free cash flow	15,657	(8,395)	9,350	31,265	16,160	20,938	31,538	(23,200)	(21,823)	20,143	(39,492)
At Fiscal Year-End:											
Total assets	672,386	596,425	659,112	646,112	652,745	656,310	657,747	686,141	745,866	763,060	849,801
Net assets	115,191	97,313	107,969	119,252	164,495	174,820	191,079	193,065	199,339	209,536	246,788
Current assets	290,159	269,483	246,258	243,871	252,490	257,154	257,048	256,965	299,650	299,019	328,364
Net interest-bearing debts	329,296	308,948	363,533	331,825	292,466	281,456	255,077	279,994	301,906	285,426	299,785
Cash and cash equivalents	124,251	86,332	82,457	79,046	69,073	72,169	82,733	60,086	103,407	109,384	130,301
Number of shares issued (shares)	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	169,012,926
Per Share Data (Yen):											
Basic earnings per share	(147.27)	(43.13)	126.51	51.52	93.48	100.15	83.28	27.25	31.70	127.91	138.73
Net assets per share	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	1,440.33
Cash dividends per share	8.50	8.50	8.50	8.50	8.50	10.50	10.50	10.50	10.50	13.50	17.00
Financial Ratios:											
ROE (%)	(19.0)	(6.3)	16.8	6.1	10.0	9.2	7.1	2.2	2.6	10.0	10.1
ROA (%)	(2.7)	(0.9)	2.3	1.0	2.0	2.2	1.8	0.6	0.6	2.5	2.6
Equity ratio (%)	12.7	14.0	14.7	17.0	23.7	24.9	26.8	25.9	24.9	26.1	28.2
Net debt to equity ratio (times)	3.8	3.7	3.7	3.0	1.9	1.7	1.4	1.6	1.6	1.4	1.3

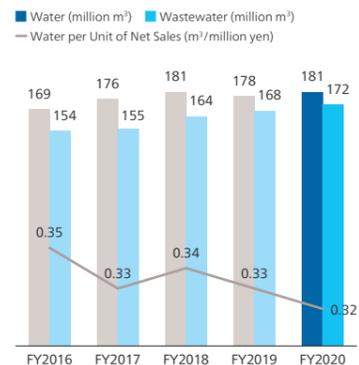
Notes: 1. Amounts are rounded down to the nearest million yen through the fiscal year ended March 31, 2015, and rounded off to the nearest million yen from the fiscal year ended March 31, 2016. Amounts are rounded down to the nearest million yen from the fiscal year ended March 31, 2021. The amounts for the previous fiscal year (the fiscal year ended March 31, 2020) are restated and rounded down to the nearest million yen.
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 + 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 dividends received and interest paid are presented under "Cash flows from operating activities." Consolidated financial statements for the fiscal year ended March 31, 2018 are restated to reflect the change in the classification.

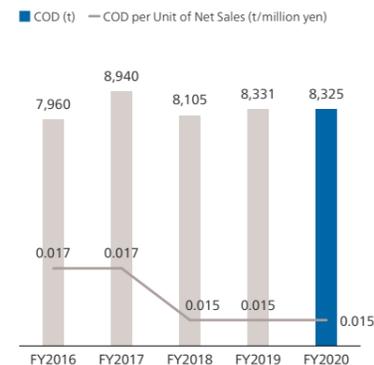
Greenhouse Gas (GHG) Emissions



Water/Wastewater



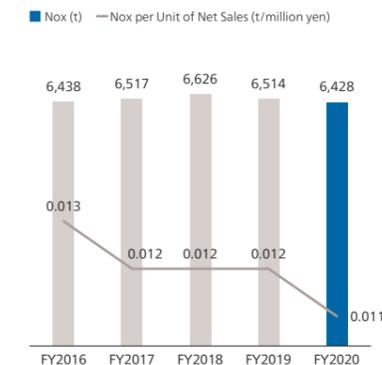
COD Emissions



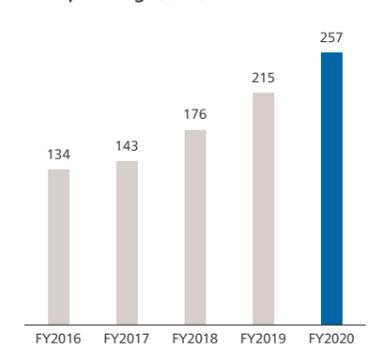
Waste Created/Waste Reused



Nox Emissions



Hard-to-Recycle Recovered Paper Usage



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, 2021"), 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 29, 2021). The outlook for the fiscal year ending March 31, 2022 involves uncertainties or risks and may differ from actual results in the future.

1. Overview

In the fiscal year ended March 2021, as the end of the COVID-19 pandemic was yet to be seen, the Japanese economy continued to weaken and personal consumption remained stagnant due to the impact of requests for shutdowns and self-quarantine. Similarly, the global economy is slowing down as a result of the impact of the COVID-19 pandemic, and the outlook for the future is also uncertain.

In these circumstances, the Daio Paper Group rolled into the final year of the Third Medium-Term Business Plan, which it had been working on from the fiscal year ended March 31, 2019 to the fiscal year ended March 31, 2021. Since the First Medium-Term Business Plan that started in the fiscal year ended March 31, 2013, we have pursued structural reforms to shift from graphic paper to packaging paper as a measure against the continuous decrease in demand for paper. First, we moved the N3 paper machine from Kani Mill to Iwaki Daio Paper Corporation in 2012 and restarted it as a containerboard machine in 2014. Furthermore, in order to meet the growing domestic demand for household paper, we put into operation the N8 household paper machine at Kani Mill in 2015, and installed a new household paper machine at Kawano Mill, where we had suspended operations, and restarted operations in 2018. At overseas production bases, including those in China, we accelerated global business expansion. We made progress in multi-category business expansion, that is, an increase in the categories of home and personal care products that we produce and sell along with baby diapers, and conducted acquisitions in Brazil and Turkey in 2020.

As a result of our continuous efforts for these structural reforms, for consolidated financial results for the fiscal year ended March 2021, we achieved the target in the Third Medium-Term Business Plan in all items except for net sales. As for net sales, though they fell short of the target, they increased for eight consecutive fiscal years and reached a record high for six consecutive fiscal years. In the Paper and Paperboard Business, exports of highly competitive containerboard grew. In the Home and Personal Care (H&PC) Business, we reinforced mask production facilities in Japan and promoted multi-category business expansion through product diversification overseas. As a result, in terms of operating profit, we outperformed the target and the latest consolidated financial results forecast.

In the Fourth Medium-Term Business Plan, which will start in the fiscal year ending March 31, 2022, we will further accelerate growth and boldly implement strategies to realize net sales of ¥800,000 to 1,000,000

million in the Fifth Medium-Term Business Plan.

2. Analysis of Operating Results

Consolidated results for the fiscal year ended March 31, 2021 are as follows.

(1) Net Sales

Net sales increased by ¥16,495 million, or 3.0%, from the previous fiscal year, to ¥562,928 million, mainly reflecting such factors as strong domestic sales of household paper, baby diapers, adult diapers, wet wipes, and masks primarily in the H&PC Business and an increase in the number of consolidated overseas subsidiaries.

(2) Operating Profit

Operating profit rose by ¥6,244 million, or 20.4%, from the previous fiscal year to ¥36,873 million, mainly reflecting such factors as growth in exports of highly competitive containerboard in the Paper and Paperboard Business, and reinforcement of mask production facilities in Japan and promotion of multi-category business expansion through product diversification overseas in the H&PC Business. As a result, operating margin increased by 1.0 percentage point from the previous fiscal year to 6.6%.

(3) Ordinary Profit

Ordinary profit increased by ¥6,367 million, or 22.6%, from the previous fiscal year to ¥34,478 million, mainly owing to the increase in operating profit.

(4) Extraordinary Income and Losses

Extraordinary income decreased by ¥3,225 million from the previous fiscal year to ¥4,343 million, mainly owing to a decrease in gain on sales of investment securities. Extraordinary losses increased by ¥1,675 million from the previous fiscal year to ¥6,105 million, mainly owing to an increase in impairment loss.

(5) Profit Attributable to Owners of Parent

Profit attributable to owners of parent increased by ¥2,916 million, or 15.2%, from the previous fiscal year to ¥22,115 million. As a result, basic earnings per share increased by ¥10.82 to ¥138.73.

3. Analysis of Financial Condition

Total assets as of March 31, 2021 increased by ¥86,741 million from the previous fiscal year end, to ¥849,801 million, primarily reflecting an increase in goodwill associated with newly consolidated subsidiaries and an increase in machinery, equipment and vehicles.

Total liabilities rose by ¥49,488 million from the previous fiscal year end to ¥603,012 million, mainly owing to the increase in long-term borrowings.

Total net assets increased by ¥37,252 million from the previous fiscal year end to ¥246,788 million, mainly owing to issuance of common shares through the conversion of convertible bonds.

As a result, the equity ratio as of March 31, 2021 was 28.2%, a 2.1 percentage point increase from the previous fiscal year end.

4. Analysis of Cash Flows

Net cash provided by operating activities totaled ¥ 64,210 million, having decreased ¥3,802 million year on year. The main components are profit before income taxes amounting to ¥32,717 million, depreciation

amounting to ¥34,137 million, and income taxes paid amounting to ¥16,206 million.

Net cash used in investing activities amounted to ¥103,702 million, having increased ¥55,832 million year on year. The main components are purchase of property, plant and equipment amounting to ¥54,137 million and purchase of shares of subsidiaries resulting in change in scope of consolidation amounting to ¥48,370 million.

Net cash provided in financing activities amounted to ¥63,589 million, having increased ¥77,638 million year on year. The main components are proceeds from long-term borrowings amounting to ¥105,278 million, repayments of long-term borrowings amounting to ¥59,040 million, proceeds from share issuance to non-controlling shareholders amounting to ¥25,011 million, and dividends paid amounting to ¥2,447 million.

As a result, cash and cash equivalents as of March 31, 2021 amounted to ¥130,301 million, up ¥20,916 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 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, 2021, the Company paid an annual dividend of ¥17.00 per share, which includes an interim dividend of ¥7.00, 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.

In its articles of incorporation, the Company stipulates that "the Company may, by a resolution of the Board of Directors, pay interim dividends to the shareholders or registered share pledgees whose names appear or are recorded as such on the register of shareholders as at the closing thereof on the 30th day of September each year."

6. Outlook for the Fiscal Year Ending March 31, 2022

While the end of the COVID-19 pandemic is still not in sight both in Japan and abroad, the domestic economy got on a recovery trend due to several factors, including the recovery of the Chinese economy. However, the uncertain outlook for the Japanese economy is expected to continue as a result of the prolonged trade friction between the U.S. and China, delays in the rollout of COVID-19 vaccines, and other reasons. Business conditions for the pulp and paper industry are also expected to remain difficult because of declining demand for paper and other factors.

Under these circumstances, in the Paper and Paperboard Business, the Daio Paper Group will pursue a shift to production of higher value-

added paper products, making full use of the pulp with a competitive edge that the Mishima Mill produces and radical structural reforms across the Paper and Paperboard Business and H&PC Business. We will adapt to changes in the demand structure through efforts, such as increasing sales of containerboard, which has performed well even with the COVID-19 pandemic, increasing exports to Asia as one market, and increasing sales of paper as a plastic alternative and packaging paper in response to the demand due to the plastic-free movement.

In the H&PC Business, the Group will further raise our position as a leading manufacturer by installing a second sanitary paper production machine in Kawano Mill in October 2021 to build a stable supply structure of high value-added products. Furthermore, we will reinforce our production systems for masks, sanitizing wet tissue products, and paper towels, which support the new lifestyle with the COVID-19 pandemic. In the overseas operations, we will promote our multi-category business expansion strategy by continuing to work to increase sales of various categories, such as adult diapers, feminine care products, paper products, and wet wipes, along with our mainstay baby diapers. We will pursue business expansion with Santher S.A. in Brazil and Elleair International Turkey Kişisel Bakım Ürünleri Üretim A.Ş. in Turkey as new production bases, whose shares we acquired in 2020, to increase the share of overseas sales.

As for consolidated financial results for the fiscal year ending March 31, 2022, we forecast net sales of ¥600,000 million, operating profit of ¥38,000 million, ordinary profit of ¥35,000 million, and profit attributable to owners of parent of ¥21,000 million.

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.

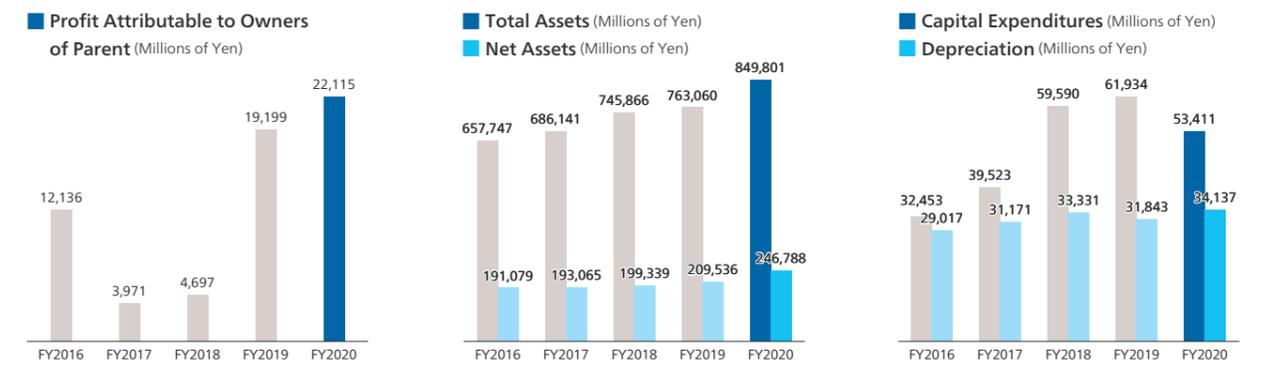
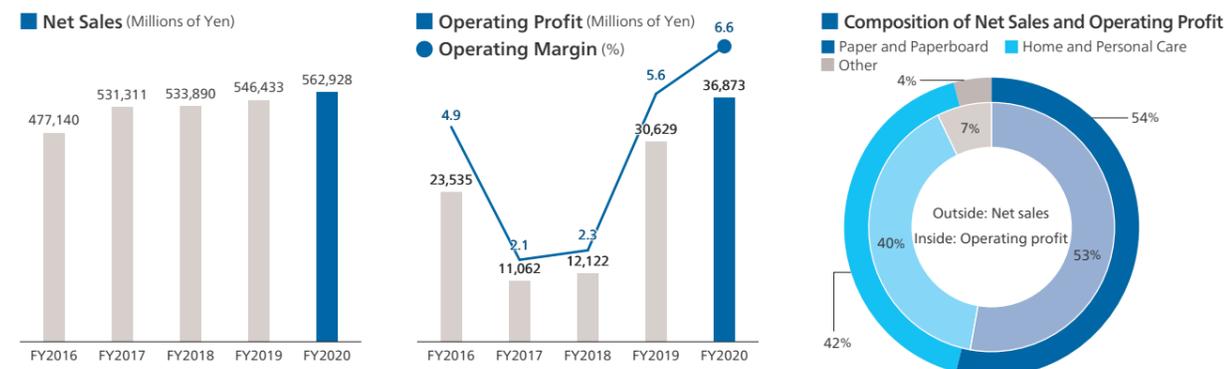
Please note that forward-looking statements included in the following are based on the judgment of the Company as of the date of submission of the annual securities report.

(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. Decreases in sales volumes or sales amounts due to a significant decline in demand for our mainstay products (paper and paperboard products, and home and personal care products), or a substantial downturn in market conditions for such products may affect the Group's financial position and operating results.

In the Paper and Paperboard Business, we adjust and modify our production systems by flexibly shifting the product types manufactured at our core mills, Mishima Mill and Kani Mill, in response to fluctuations in demand and a downturn in market conditions for specific product types.

Additionally, in the H&PC Business, in order to minimize the impact on overall sales of fluctuations in demand and a downturn in market conditions for specific product categories, we have a wide lineup of products and implement sales strategies that combine them in an integral manner. We have also shifted from a sales style of competing on price to a sales style of competing on quality and added value, and established a strong sales style that holds firm against fluctuations in market conditions.



(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. Fluctuations in foreign exchange rates may also affect the Group's export of paper and paperboard products and home and personal care products and sales activities at overseas subsidiaries. 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. Furthermore, in light of the importance of reinforcing the system and promoting exchange of information together with suppliers to respond to changes in raw material and fuel prices, through promotion of sustainable procurement, we unite with suppliers to give consideration to CSR and the SDGs, while we work to realize fair and equitable transactions, improve quality and technical capabilities, and establish a stable supply system by formulating business continuity plans.

(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, 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.

As a countermeasure to these risks, the Daio Paper Group works to minimize the risks by sharing the latest information collected by group companies and departments in charge in Japan among related parties to quickly notice signs of changes.

(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 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, incurrence of restoration costs, suspension of logistics functions, loss of products and merchandise, etc.

(7) Impacts of Lawsuits and Laws and Regulations

(i) Risks associated with laws and regulations

The Daio Paper Group does business in compliance with environmental regulations (including those on CO₂ emissions related to preventing global warming), laws and regulations relating to intellectual property rights, various regulations regarding product labeling, antitrust laws, other laws and regulations associated with the execution of business, and similar laws and regulations in other countries.

The Daio Paper Group works to comply with laws and regulations, social norms, etc., and is making efforts to strengthen its compliance framework. However, changes in laws and regulations may affect the Group's business and operating results.

(ii) Risks associated with lawsuits

The Daio Paper Group may be involved in various lawsuits, etc. in the course of its business activities, and the results of such lawsuits may affect the Group's financial position and operating results.

(8) Impacts of Loan Agreements with Financial Covenants

The Daio Paper Group has signed loan agreements with multiple financial institutions, and some of those agreements contain financial covenants that set financial standards it is required to maintain, including 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 Group fails to comply with the financial covenants, it will be required to repay borrowings, which may affect the Group'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.

Consolidated Financial Statements

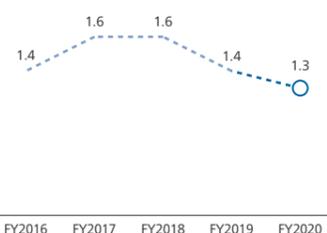
Consolidated Balance Sheet

Daio Paper Corporation and its Consolidated Subsidiaries

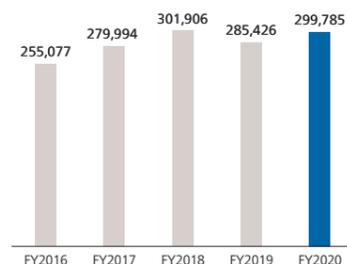
	(Millions of Yen)	
	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	113,054	130,643
Notes and accounts receivable—trade	92,741	100,019
Electronically recorded monetary claims—operating	10,982	8,005
Merchandise and finished goods	42,667	43,897
Work in process	6,766	7,317
Raw materials and supplies	27,864	28,635
Current portion of long-term loans receivable	—	3,000
Other	4,944	7,383
Allowance for doubtful accounts	(2)	(537)
Total current assets	299,018	328,364
Non-current assets		
Property, plant and equipment		
Buildings and structures	227,570	242,714
Accumulated depreciation	(148,742)	(153,900)
Buildings and structures, net	78,828	88,814
Machinery, equipment and vehicles	887,255	946,563
Accumulated depreciation	(747,628)	(764,677)
Machinery, equipment and vehicles, net	139,627	181,886
Land	81,889	82,146
Construction in progress	49,900	22,985
Other	25,039	31,662
Accumulated depreciation	(13,160)	(15,901)
Other, net	11,878	15,761
Total property, plant and equipment	362,123	391,594
Intangible assets		
Goodwill	39,941	55,902
Other	16,935	29,296
Total intangible assets	56,876	85,199
Investments and other assets		
Investment securities	23,182	24,431
Long-term loans receivable	3,823	—
Retirement benefit asset	844	1,523
Deferred tax assets	8,125	7,088
Other	9,922	11,631
Allowance for doubtful accounts	(1,039)	(156)
Total investments and other assets	44,859	44,519
Total non-current assets	463,859	521,313
Deferred assets	180	122
Total assets	763,059	849,801

	(Millions of Yen)	
	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable—trade	53,135	64,662
Short-term borrowings	15,452	13,744
Current portion of bonds with share acquisition rights	22,540	—
Current portion of bonds payable	—	15,000
Current portion of long-term borrowings	53,724	64,813
Accounts payable—other	39,215	40,191
Current portion of long-term accounts payable—facilities	537	388
Income taxes payable	10,946	6,492
Provision for bonuses	5,216	5,786
Provision for bonuses for directors (and other officers)	129	169
Other	14,535	15,677
Total current liabilities	215,433	226,925
Non-current liabilities		
Bonds payable	60,300	45,000
Long-term borrowings	242,100	284,025
Long-term accounts payable—facilities	568	193
Retirement benefit liability	23,254	23,110
Provision for retirement benefits for directors (and other officers)	194	97
Provision for share awards	47	106
Provision for environmental measures	24	16
Provision for loss on business of subsidiaries and associates	32	49
Other	11,567	23,487
Total non-current liabilities	338,089	376,086
Total liabilities	553,523	603,012
Net assets		
Shareholders' equity		
Share capital	43,449	53,884
Capital surplus	44,095	55,901
Retained earnings	116,818	136,579
Treasury shares	(3,064)	(4,090)
Total shareholders' equity	201,297	242,275
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,799	4,226
Deferred gains or losses on hedges	9	22
Foreign currency translation adjustment	(5,443)	(8,645)
Remeasurements of defined benefit plans	470	1,353
Total accumulated other comprehensive income	(2,163)	(3,042)
Non-controlling interests	10,402	7,556
Total net assets	209,536	246,788
Total liabilities and net assets	763,059	849,801

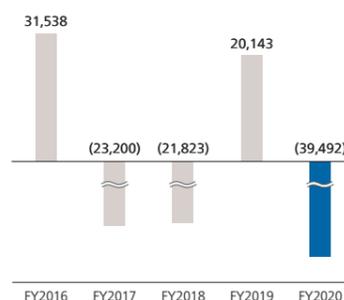
○ Net Debt to Equity Ratio



■ Net Interest-Bearing Debts (Millions of Yen)



■ Free Cash Flow (Millions of Yen)



Consolidated Statement of Income

Daio Paper Corporation and its Consolidated Subsidiaries

(Millions of Yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	546,433	562,928
Cost of sales	406,127	403,347
Gross profit	140,305	159,580
Selling, general and administrative expenses	109,677	122,706
Operating profit	30,628	36,873
Non-operating income		
Interest income	166	236
Dividend income	591	546
Share of profit of entities accounted for using equity method	—	121
Foreign exchange gains	—	930
Subsidy income	410	607
Ship lease income	417	674
Other	2,352	1,758
Total non-operating income	3,938	4,874
Non-operating expenses		
Interest expenses	3,201	4,311
Foreign exchange losses	1,028	—
Expenses for ship lease	524	1,180
Other	1,700	1,777
Total non-operating expenses	6,455	7,269
Ordinary profit	28,111	34,478
Extraordinary income		
Foreign exchange gains	—	2,088
National subsidies	126	869
Gain on sale of non-current assets	11	70
Gain on sale of investment securities	6,778	435
Insurance claim income	168	869
Other	483	9
Total extraordinary income	7,568	4,343
Extraordinary losses		
Loss on sale and retirement of non-current assets	1,499	1,796
Loss on tax purpose reduction entry of non-current assets	126	869
Loss on disaster	462	373
Impairment loss	1,742	2,575
Other	598	489
Total extraordinary losses	4,429	6,105
Profit before income taxes	31,251	32,717
Income taxes—current	12,289	11,564
Income taxes—deferred	(224)	(51)
Total income taxes	12,064	11,513
Profit	19,186	21,203
Loss attributable to non-controlling interests	(12)	(911)
Profit attributable to owners of parent	19,199	22,115

Consolidated Statement of Comprehensive Income

Daio Paper Corporation and its Consolidated Subsidiaries

(Millions of Yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	19,186	21,203
Other comprehensive income:		
Valuation difference on available-for-sale securities	(6,341)	1,400
Deferred gains or losses on hedges	29	12
Foreign currency translation adjustment	685	(3,539)
Remeasurements of defined benefit plans, net of tax	(83)	883
Share of other comprehensive income of entities accounted for using equity method	—	26
Total other comprehensive income	(5,709)	(1,215)
Comprehensive income	13,476	19,987
Comprehensive income attributable to:		
Owners of parent	13,539	21,236
Non-controlling interests	(62)	(1,248)

Consolidated Statement of Cash Flows

Daio Paper Corporation and its Consolidated Subsidiaries

(Millions of Yen)

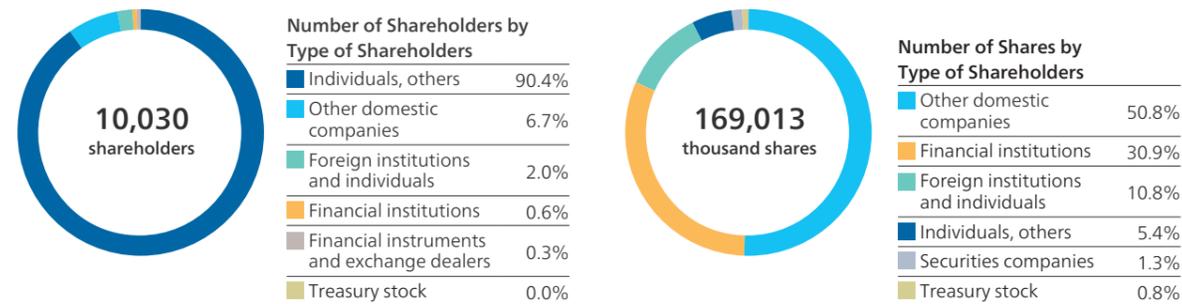
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	31,251	32,717
Depreciation	31,843	34,137
Impairment loss	1,742	2,575
Amortization of goodwill	3,559	4,382
Increase (decrease) in allowance for doubtful accounts	(51)	109
Share of loss (profit) of entities accounted for using equity method	—	(121)
Loss (gain) on sale of investment securities	(6,777)	(386)
Increase (decrease) in retirement benefit liability	220	320
Interest and dividend income	(757)	(782)
Interest expenses	3,201	4,311
Foreign exchange losses (gains)	776	(3,079)
Loss on tax purpose reduction entry of non-current assets	19	869
Subsidy income	(410)	(607)
Insurance claim income	(604)	(1,025)
Loss (gain) on sale of property, plant and equipment	23	(48)
Loss on retirement of property, plant and equipment	1,463	1,774
Decrease (increase) in notes and accounts receivable—trade	5,448	666
Decrease (increase) in inventories	3	(780)
Increase (decrease) in notes and accounts payable—trade	(5,653)	3,401
Increase (decrease) in other assets/liabilities	5,235	2,973
Increase (decrease) in accrued consumption taxes	2,192	(883)
Other, net	(78)	618
Subtotal	72,647	81,143
Interest and dividends received	940	917
Interest paid	(3,638)	(4,466)
Proceeds from subsidy income	917	1,546
Proceeds from insurance income	578	982
Income taxes paid	(4,133)	(16,206)
Income taxes refunded	700	293
Net cash provided by (used in) operating activities	68,012	64,210
Cash flows from investing activities		
Proceeds from settlement of forward exchange contracts from acquisition of subsidiaries	—	2,088
Net decrease (increase) in time deposits	(544)	89
Purchase of property, plant and equipment	(49,095)	(54,137)
Proceeds from sale of property, plant and equipment	513	263
Purchase of investment securities	(208)	(20)
Proceeds from sale of investment securities	8,141	1,427
Purchase of intangible assets	(6,722)	(3,893)
Loans receivable granted	(473)	(859)
Collection of loans receivable	474	744
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(48,370)
Other, net	45	(1,034)
Net cash provided by (used in) investing activities	(47,869)	(103,702)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,769)	(166)
Proceeds from long-term borrowings	45,110	105,278
Repayments of long-term borrowings	(49,878)	(59,040)
Redemption of bonds	—	(4,170)
Proceeds from sale of treasury shares	—	1,043
Proceeds from issuance of common shares assigned to non-controlling interests	—	25,011
Cash dividends paid	(1,569)	(2,447)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,888)	(596)
Other, net	(1,053)	(1,323)
Net cash provided by (used in) financing activities	(14,049)	63,589
Effect of exchange rate change on cash and cash equivalents	(116)	623
Net increase (decrease) in cash and cash equivalents	5,977	24,721
Cash and cash equivalents at beginning of period	103,407	109,384
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	(4,048)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	243
Cash and cash equivalents at end of period	109,384	130,301

Investor Information

Status of Shares (As of March 31, 2021)

Authorized Shares	300,000,000 shares
Number of Shares Issued	169,012,926 shares
Number of Shareholders	10,030

Shareholder Distribution

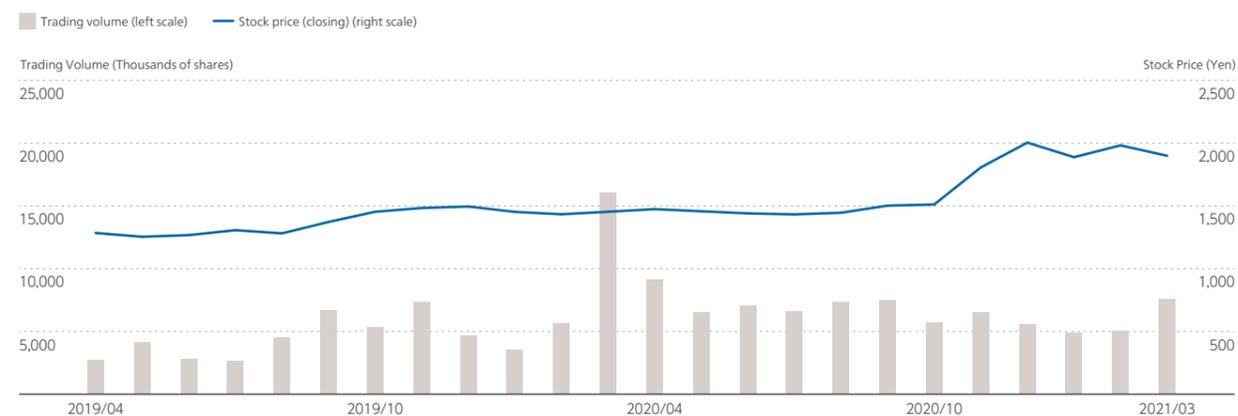


Major Shareholders

Name	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Hokuetsu Corporation	41,521	24.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,529	5.1
Daio Kaiun Co., Ltd.	7,112	4.2
The Iyo Bank, Ltd.	7,072	4.2
The Ehime Bank, Ltd.	6,920	4.1
Custody Bank of Japan, Ltd. (Trust Account)	6,920	4.1
Ehime Paper Manufacturing Co. Ltd.	5,331	3.2
Kami Shoji Co. Ltd.	4,700	2.8
The Norinchukin Bank	4,110	2.5
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	3,785	2.3

Notes: 1. The shares held by Custody Bank of Japan, 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 Trust for Delivery of Shares and Employee Stock Ownership Plan Trust).

Stock Price and Trading Volume



Corporate Data / Network

Corporate Information (As of March 31, 2021)

Established	May 5, 1943	Website	https://www.daio-paper.co.jp/en/
Capital	¥53.9 billion	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.
Number of Employees	2,664 (Unconsolidated), 12,658 (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)		

Production Bases (As of September 30, 2021)

1 Mishima Mill Shikokuchuo City, Ehime Prefecture	2 Kani Mill Kani City, Gifu Prefecture
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Business Bases of the Group Companies (Locations of Headquarters of Consolidated Subsidiaries)



Overseas Business Bases

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