

Overview and Progress of the First to Fifth Medium-Term Business Plans

Since FY2012, the Daio Group has focused on structural reforms under its successive Medium-Term Business Plans (MTBPs).

Under our newly formulated Long-Term Vision, "Daio Group Transformation 2035," with FY2035 as the target year, we aim to become a corporate group that continues to grow sustainably while strategically transforming our business portfolio to achieve consolidated Group sales of 1.2 trillion yen and an operating margin of 10%.

Long-Term Vision >> pp.05-06

Daio Group Transformation 2035

Plan toward our aspiration of an abundant and affable future

Fulfillment of our purpose

Management Philosophy

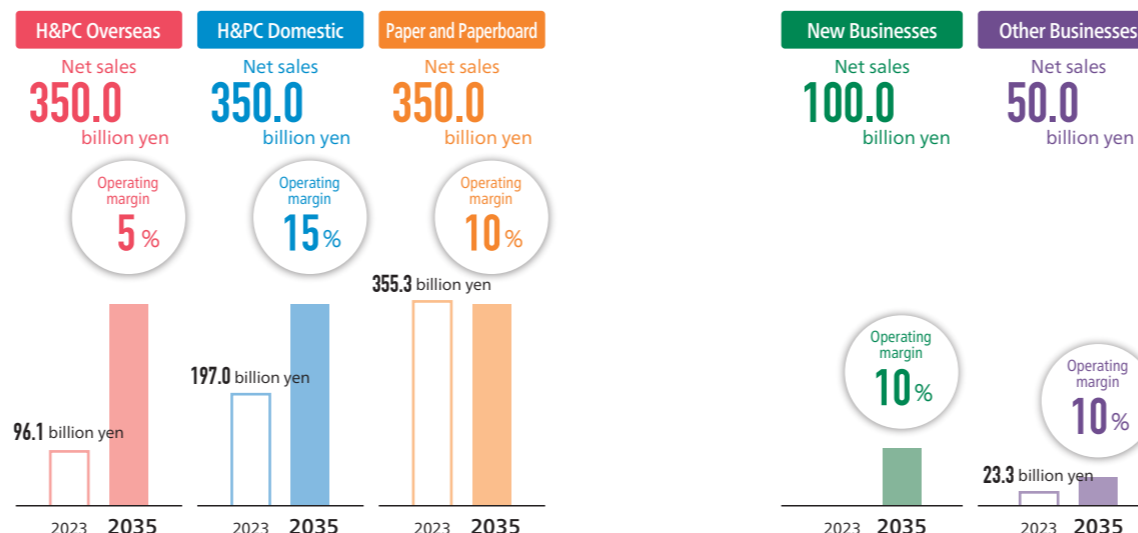
Shaping an abundant and affable future for the world

Four focus themes toward 2035

01 Area Domestic focus Global presence, including Japan	02 Strengths Manufacturing / sales / factories / facilities Adaptability to environmental changes; R&D and marketing capabilities	03 Energy Fossil fuel (coal) Woody fuel and community-sourced waste-derived fuel for regional sustainability
04 Source of value creation Human resources Corporate culture		<ul style="list-style-type: none"> Investment in securing and developing human resources that drive transformation Revamp of corporate culture and work-style mindset

Achieving consolidated sales of **1.2 trillion yen** and an operating margin of **10%**

▼ Vision for FY2035 sales and operating margin by business



FY2024–FY2026 5th MTBP

Three years dedicated to building strength to advance beyond the 6th MTBP and achieve our Long-Term Vision

Under the 1st to 4th MTBPs, we maintained and enhanced our competitive advantages by shifting our production and sales efforts to products in growing demand, such as household paper products and containerboard, making the most of highly cost-competitive pulp from the Mishima Mill. Additionally, recognizing the inevitable decline in future demand for paper and paperboard in Japan, we have focused on strengthening our presence overseas, primarily in the Home & Personal Care (H&PC) business to establish it as the new pillar of our business. With a focus on disposable baby diapers, we established production factories in China, Thailand and other countries and worked to build a system for local consumption of local products. Additionally, under the 3rd MTBP, we carried out M&A in Brazil and other countries. While implementing these business strategies, the Daio Group is also taking actions to combat the urgent global challenge of climate change and other ESG issues and to contribute to the creation of a sustainable society as aimed for by the SDGs. Through these initiatives, the Group aims to realize its management philosophy of "Shaping an abundant and affable future for the world."

Customers
 High-quality, high-value-added products and services

Employees and their families
 Safety- and security-first workplace environment

Suppliers
 Growing together

Local communities
 Lifestyle, industrial and cultural development

Shareholders and investors
 Stable dividend and improvement of share price

Three Well-beings

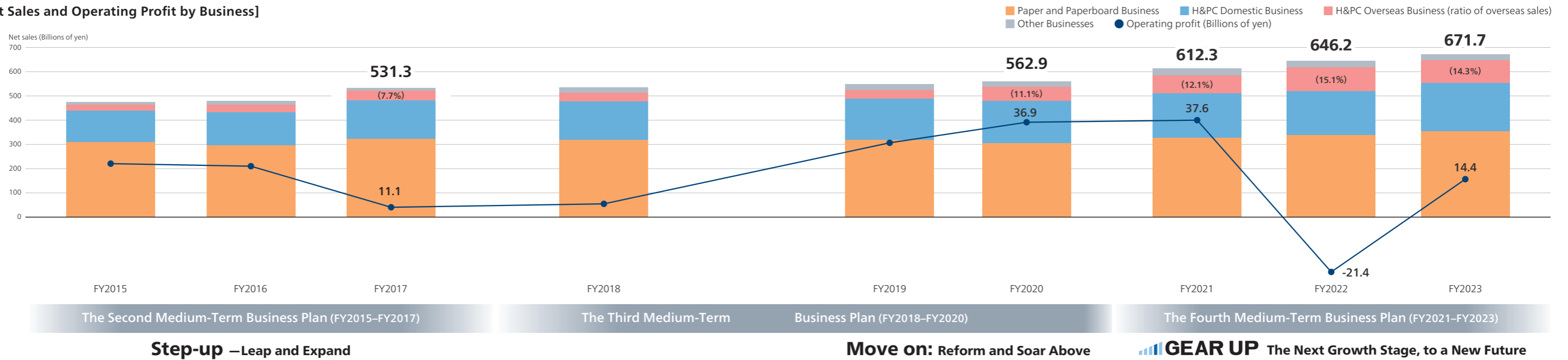
Hygiene
 Protect well-being of the body

Life
 Enhance well-being of lifestyles

Regeneration
 Restore well-being of the earth

Review of the Previous Medium-Term Business Plans

[Net Sales and Operating Profit by Business]



Basic Policies

- Restructuring of the paper business
- Strengthening of the containerboard and corrugated container business
- Further growth and acceleration of the Home & Personal Care (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 CNF

- Establishing a strong and resilient business portfolio
- Improving financial strength
- Responding to climate change

Review

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

(Billions of yen)	Target	Result
Net sales	500.0	531.3
Ordinary profit	25.0	12.8
Net interest-bearing debt	250.0	280.0
Equity ratio	28.0%	25.9%
Net debt to equity (D/E) ratio	1.5	1.6

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

(Billions of yen)	Target	Result
Net sales	615.0	562.9
Operating profit*	32.0	36.9
H&PC overseas net sales ratio	15%	11.1%
ROE	8.0%	10.1%
Net debt to equity (D/E) ratio	1.6	1.3

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

Failed to achieve the targets despite net sales continuing to reach record highs

(Billions of yen)	Target	Result
Net sales	720.0	671.7
Operating profit*	51.0	14.4
H&PC overseas net sales ratio	18.8%	14.3%
ROE	10.0% or more	1.9%
Net debt to equity (D/E) ratio	1.0	1.5

Step-up – Leap and Expand

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

Review

Under the Second Medium-Term Business Plan, the Group promoted the restructuring of the paper business and changed the product mix to maximize profit. It also worked to further strengthen the containerboard and corrugated container business by starting operation of the No.3 paper machine at Iwaki Daio Paper. In the H&PC Domestic Business, the Group acquired the paper products business of Nisshinbo Holdings, achieving an increase in market share of household paper products. The Group also worked to increase sales of high value-added products by leveraging the strength of the elleair brand. The Group

also expanded its domestic supply capacity for absorbent products by commencing operation of Elleair Product's Fukushima Factory. As for the overseas business, the Group not only expanded its production facilities and broadened the product lineup to increase sales in Thailand, China and Indonesia but also increased exports from Japan to Korea, Russia, Taiwan, etc. Furthermore, in the cellulose nanofiber (CNF) business, a new business expected to become a driver of future growth, the Group worked to expand the CNF product lineup by starting the operation of a pilot plant for the production of dry powder-type CNF.

Issues

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

Move on Reform and Soar Above

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

Review

Under the Third Medium-Term Business Plan, the Group launched a radical cross-business structural reform of the Paper & Paperboard Business and the H&PC Business. The Group resumed operation of the Kawano Mill in October 2018 to produce household paper by using pulp that was made available by shifting from paper to containerboard, and also strengthened the paper products business taken over 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 a growth strategy, the H&PC Overseas Business focused its efforts on expanding sales of premium toilet paper in China. Furthermore, the Group gained operation bases in the new markets of South America and MENA through the acquisition of Santher S.A. (Brazil) and EITR (Turkey). In new businesses, the Group commenced the biomass power generation business utilizing the feed-in tariff (FIT) scheme in July 2020. Also, progress was seen in the commercialization of CNF as material for table tennis rackets, parts of electric racing cars, etc.

Issues

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

GEAR UP The Next Growth Stage, to a New Future

The Fourth Medium-Term Business Plan (FY2021–FY2023)

Review

Under the Fourth Medium-Term Business Plan, amid major changes in the external environment, we aimed for further structural reforms and made proactive, strategic moves toward establishing a strong and resilient business portfolio. In September 2023, we made a full-scale entry into the pet care business under the brand name of "elleair Pet kimiomi." In addition, Santher in Brazil grew in business performance to drive the H&PC Overseas Business. Meanwhile, some issues have remained

to be carried over to the Fifth Medium-Term Business Plan. We must continue to address key issues such as boosting the operating margin of the H&PC Business (especially turning the H&PC Overseas Business profitable), reviewing our coal-centered energy policy, and improving our financial position.

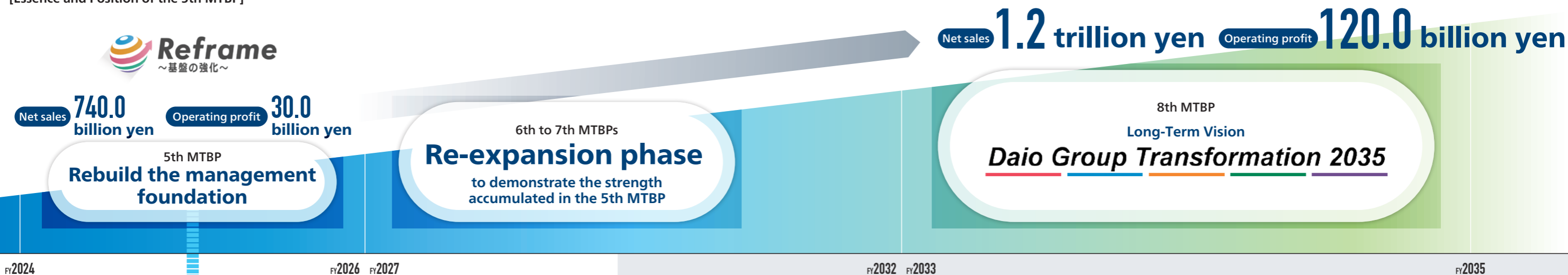
Issues

- Boosting the operating margin of the H&PC Business (especially turning the H&PC Overseas Business profitable)
- Reviewing the coal-centered energy mix, which was the main factor behind lower earnings in FY2022
- Improving our financial position

Overview of the Fifth Medium-Term Business Plan

During the three-year period of the Fifth Medium-Term Business Plan (MTBP), we will build up our strength over the three years of the Fifth Medium-Term Business Plan (MTBP) to prepare for further expansion beyond the 6th MTBP and achieve our Long-Term Vision.

[Essence and Position of the 5th MTBP]



Under the 5th MTBP, we are focusing on rebuilding the management foundation to achieve the Long-Term Vision.

Theme	Policy
Strengthen operating cash flow generation capabilities	Focus on increasing operating profit
Implement investments carefully selected for future growth	Further promote environmental responsiveness to enhance cash generation capabilities >>> pp.66-80
	Enhance new businesses for future cash flow growth >>> pp.50-52
Enhance the financial foundation	Strengthen the people and organizations driving our transformation
	Allocate funds appropriately and bolster governance to support the enhancement of the financial foundation

Targets for net sales and operating profit set in the 5th MTBP

Business segment	4th MTBP (FY2023)			5th MTBP (FY2026)		
	Net sales (Billions of yen)	Operating profit (Billions of yen)	Operating margin	Net sales (Billions of yen)	Operating profit (Billions of yen)	Operating margin
Paper and Paperboard Business	355.3	16.0	4.5%	350.0	10.0	2.9%
H&PC Business	293.1	(4.1)	–	360.0	18.5	5.1%
(Breakdown) Domestic	197.0	7.7	3.9%	230.0	14.5	6.3%
Overseas	96.1	(11.8)	–	130.0	4.0	3.1%
Other Businesses (including adjustments)	23.3	2.5	10.7%	30.0	1.5	5.0%
Total	671.7	14.4	2.1%	740.0	30.0	4.1%

Focus on increasing operating profit

- H&PC Overseas Business**
 - Overhaul strategy of existing sales areas
 - Identify segments where winning strategies can be found and establish a model to achieve both sales growth and profitability
 - Formulate plans for expansion for the Long-Term Vision
 - Research potential countries for new entry
 - Consider entering new countries through M&A
 - Strengthen our people and organization
 - Design systems to develop and strengthen human resources
 - Concentratedly redeploy personnel from other departments, expand hiring of experienced personnel, promote local employees to senior management positions and delegate authority

- H&PC Domestic Business**
 - Focus on growth categories
 - Concentrate development and marketing expenditures on the family care (household paper) and adult care categories
 - Expand the pet care business >>> p.50
 - Focus on expanding our presence and aim to increase value market share during the 5th MTBP period
 - Implement upfront brand investment in TV commercials, events, etc.
 - Explore new categories
 - Research potential alternative businesses in categories with expected demand decline, particularly in baby and feminine care

- Paper and Paperboard Business**
 - Further reinforce the packaging field
 - Increase the ratio of highly processed final products (packages) to shift from the composition centered on sales of base paper and offset the decline in sales volume and sales of newsprint and graphic paper
 - Daio Package, Daio Paper's Direct Sales Department, and Daio Miura to work together to pursue new packaging-related opportunities
 - Consider M&A of packaging-related companies in addition to corrugated container companies
- Strategic business alliance with Hokuetsu Corporation**
 - Strengthen the business foundation and deepen and expand areas of collaboration with an eye to the future

Strengthen the people and organizations driving our transformation

[Policy]	[Initiatives]	[Specific measures]
<ul style="list-style-type: none"> Develop personnel who are open to change and differences and who are willing to take on challenges Create a culture that embraces change and differing opinions Create a culture that can generate innovation from diversity Establish a structure that supports challenges Secure and allocate the right personnel in key areas to strengthen 	<ol style="list-style-type: none"> Establish a system that rewards out-of-the-box ideas and initiatives Change the mindset of managers and employees Develop and secure global human resources Build a system whereby aspirations to take on new challenges are more clearly reflected in career development Increase the headcount of the H&PC Business and new businesses 	<ul style="list-style-type: none"> Review the evaluation system Increase the training budget and enhance training systems Review the career path system Strengthen hiring of experienced personnel and enhance the Personnel Department for the implementation of our strategies

Allocate funds appropriately and bolster governance to support the enhancement of the financial foundation

- Restructure the investment and loan screening system**
 - Establish an investment and loan committee as an advisory body to the President
 - Improve investment efficiency through thorough deliberation and enhanced effectiveness verification of investments and loans

Home & Personal Care Unit

Overseas Business Group

● Message from the General Manager of the Business Group

We will strengthen the foundations of our existing businesses and explore new markets to accelerate our global expansion through increased marketing investments and M&A



Makoto Saito

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

Toward realizing our Long-Term Vision

The Overseas Business Group in the Home & Personal Care (H&PC) Unit is devoting its efforts to fulfilling Daio Group Transformation 2035, the Group's current Long-Term Vision, with a focus placed on the pillars of "Acceleration of global expansion," "Coexistence with local communities," and "Realization of a recycling-oriented society," which are included in the Group's material issues. Acceleration of global expansion requires us in the H&PC Overseas Business to solve an important challenge of building a system for contributing to the Group's profits. Therefore, under the Fifth Medium-Term Business Plan (MTBP), we aim to restructure our business profitability model. Specifically, to strengthen the foundations of our existing businesses, we will thoroughly evaluate unprofitable operations at both the country and product category level to improve our profitability. Building on this, we will accelerate our global expansion through marketing investments and M&A. Our top-priority for acquisitions are companies that specialize in absorbent products, such as disposable diapers and sanitary pads, followed by companies with a strong synergy with the pet care business, which we have recently entered. To achieve coexistence with local communities, we are strengthening the foundation for business continuity in each country by organizing factory tours for local residents, supporting blood donation drives, providing sanitary pads for free, and deepening collaboration with educational institutions. Toward realization of a recycling-oriented society, we are promoting the reduction of plastic use by such means as using thinner packaging films and plant-based materials for our products and reducing packaging. The Long-Term Vision challenges the Daio Group's overseas business to achieve a net sales target of 350.0 billion yen. We expect to be able to cover around 60% of that amount by thoroughly implementing our initiatives to strengthen the foundations of our existing businesses and build a profit-earning system. We are confident that we will be able to meet the full target by securing the remaining 40% through M&A activities.

Views on the current market environment (opportunities and risks)

Major risk factors for us in the market environment include the growing instability of our supply chain due to the war in Ukraine and large fluctuations in foreign exchange rates. Meanwhile, opportunities can be found in developing products and promotional strategies that meet the needs of the new generation of consumers. Gen Z consumers tend to prioritize selecting products that best fit their needs over brand loyalty. This tendency has made it difficult for companies to survive using conventional methods. To address this, we must segment consumers more precisely and tailor our product development and promotional strategies to resonate with each group. By executing targeted strategies, we have the potential to lead in various product categories. Therefore, we are committed to focusing our efforts on marketing strategies to seize these opportunities. Furthermore, since making a full-scale entry into overseas markets by establishing a local manufacturing and sales company in Thailand in 2011, the Daio Group has expanded its overseas business centered on disposable baby diapers. However, the recent global decline in birth rates necessitates a review of our strategy. Beyond strengthening our sanitary pad business, we plan to enter new segments such as pet care products, as well as scale out the export sales of containerboard and fluff pulp, initiatives already started in South Korea. This approach will guide our future business development.

Results of the Fourth Medium-Term Business Plan and contribution to the Fifth Medium-Term Business Plan

Under the 4th MTBP, the China business had a massive impact on the overall performance of the Daio Group due to various adverse factors, including the COVID-19 pandemic and boycotts of Japanese products in China triggered by the release of advanced liquid processing system (ALPS)-treated water from the earthquake-affected nuclear power station. Our Turkey business also fell short of its export targets due to the historically severe hyperinflation and the war in Ukraine. Meanwhile, we achieved

[Notable products]

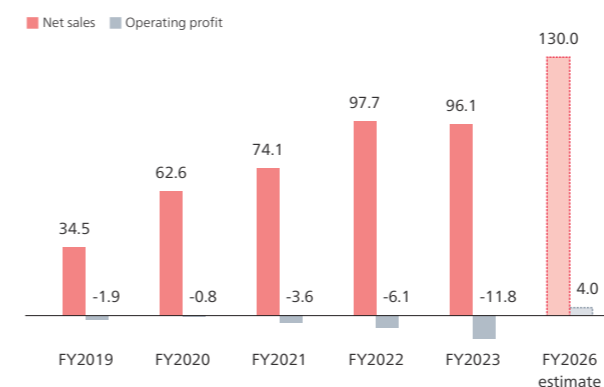


● Development of the product lineup for each country

With a view to realizing its management philosophy of "Shaping an abundant and affable future for the world," the Daio Group is developing its product lineup for each country to fulfill its vision of Three Well-beings: Hygiene, Life, and Regeneration. One example from its product lineup is the "reviva" series, a series of environmentally friendly products marketed in Brazil that uses pulp derived from post-consumer items, such as milk cartons, resulting in smaller quantities of water and chemicals used and a smaller amount of waste generated in its production process. Another example is the GOO.N Slim Pants, produced in Thailand and exported to Vietnam. By switching from cardboard cases to film packaging for secondary packaging, we have increased the load capacity per container by approximately 1.5 times. Through this initiative, we aim to reduce GHG emissions from transportation. In urban areas of China, the rising adoption of bidet toilets, or shower toilets, highlights a growing focus on hygiene. Many consumers seek comfort and cleanliness even when they're on the go. To cater to this demand, we have launched flushable wet toilet tissue.

some successful outcomes, such as high growth in our Brazil business, which manufactured and marketed high-value-added products leveraging our proprietary production technologies, in addition to conventional standard products, and the sanitary pad business in Thailand turning profitable. In the 5th MTBP, the top priority for the Overseas Business is restructuring the profitability model. While maintaining the current momentum of our strong Brazil business, we will continue our efforts to strengthen the foundation of our profitability with the aim of restoring our China business, the most important challenge for us to solve.

[Net sales and operating profit of the Overseas Business Group, H&PC Unit (billions of yen)]



Human resource development

One of the challenges we face is the aging of our global human resources. Therefore, our top priority is enhancing training opportunities for young employees and promoting local employees to senior management positions based on their ability and aptitude. We are working to achieve this by providing young employees with global training and delegating authority to local employees. The qualities that we require our employees to have include not only language proficiency but also a flexible mindset that embraces different cultures, an attitude of respecting diversity, and a strong motivation to

lead the Company's growth. We will create opportunities for human resource development while reviewing the career path system. Furthermore, we are observing significant growth in the competence of local employees in the overseas markets where we have been operating for an extended period. We are currently building systems whereby local employees can be assigned to top positions, already producing some successful outcomes in South Korea and Brazil. We will continue to promote personnel localization in other countries with the aim of developing young talent with respect for diversity and an entrepreneurial mindset.

Contribution to sustainability management

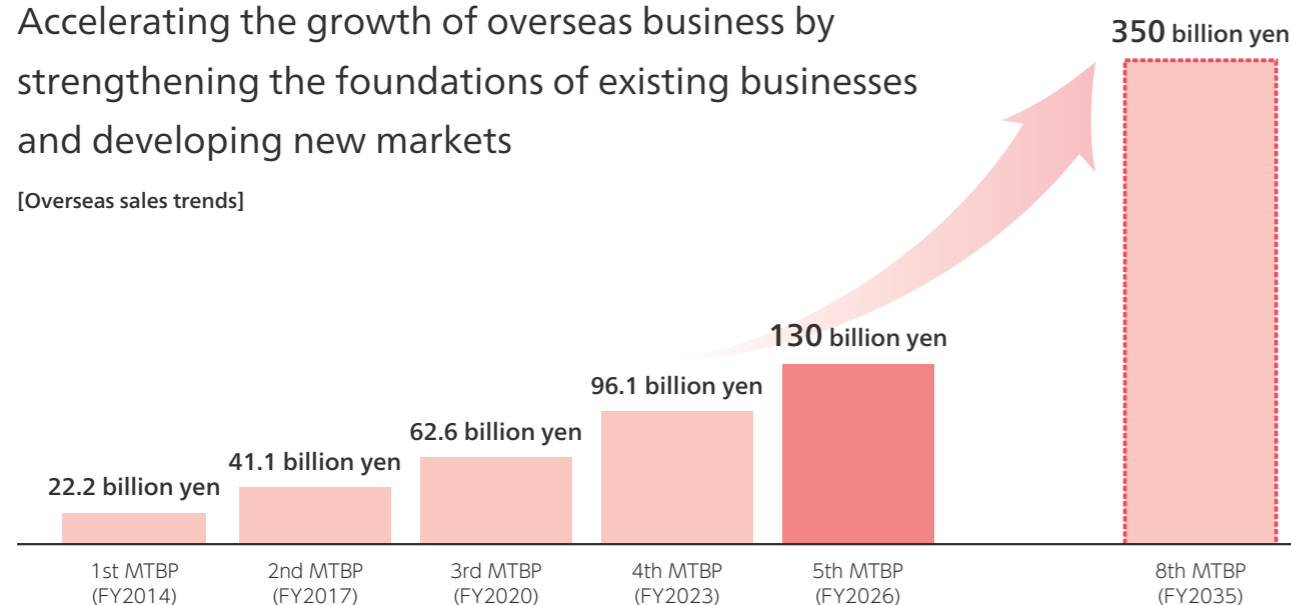
We are working to scale out the sustainability initiatives of our domestic divisions to our overseas divisions. One of those initiatives is reducing the use of product packaging materials by such means as using thinner product packaging films, reducing film used for the handles of packages for e-commerce products, and switching from cardboard cases to film packaging for secondary packaging. Additionally, as a solution to reuse disposable diaper production rejects in the manufacturing process, we separate polymers from pulp and extract them for reuse in Brazil. We also supply Daiki Co., Ltd., a Daio Group company in Japan, with production rejects from our factories in Thailand and Indonesia as raw materials mainly for paper cat litter. Furthermore, for solutions through products, we have launched products with a lower environmental impact in Brazil, including toilet paper made from recycled milk cartons. An example of our social contribution activities is in Thailand, where period poverty has become a focus of public concern just as in Japan, and we collaborate with local governments in providing free sanitary pads to schools and prisons. Another example is in China, where we work with Nantong University, located near our factory, to provide education on period products and disposable diapers and vocational training. We will remain committed to developing products that offer greater convenience to people and help reduce environmental impact, and to realizing inclusive local communities.

Material issue: Acceleration of global expansion

Global Expansion to Realize Our Long-Term Vision

Accelerating the growth of overseas business by strengthening the foundations of existing businesses and developing new markets

[Overseas sales trends]



1 Strengthening of the foundations of existing businesses

China

● Baby Care

Continuously launching new products to keep up with changing local trends

We are pursuing a product policy tailored to Chinese consumer and distribution trends. Our business performance is showing signs of recovery compared to the large drop in sales in the second half of the previous year, due to the launch of new products for quality-conscious loyal users and new Generation Z users, as well as products exclusively for baby specialty stores.



GOO.N Beautiful Illusion Series (New super-premium product)



GOO.N Journey of Wonders, Feathered Illusions Series (New product exclusively for baby specialty stores)

● Feminine Care

Developing sales channels in priority areas and strengthening brand investment

By prioritizing Shanghai, Beijing, Shandong, and Jiangsu—regions with high demand and high added value needs—we are working to improve brand recognition through the development of sales channels and targeted brand investment. To appeal to Generation Z, we offer slim-type products and those with deodorant functions. We are also expanding our range of disposable period underwear to capitalize on their growing demand. Our goal is to attract new users and position feminine care as a core pillar alongside baby care.



elis Effortless Absorption sanitary pad (slim type)



elis Fantasy Fanny sanitary pad (for young adults) Launch of additional products with a deodorant function



elis Starry Night True Love disposable period underwear

Brazil

Cultivating high-value-added products and improving profitability (Baby and Feminine Care)

- The sales volume of disposable baby diapers increased significantly due to the launch of premium pants-type diapers in fall 2022 and the additional launch of standard pants-type diapers in February 2023.
- For feminine care products, we completely redesigned the packaging of our nighttime sanitary pads (mesh-type) in April 2024 to strengthen our high-added-value products.
- This fiscal year, we will continue to cultivate high-value-added products to further improve profitability.



Personal pants-type baby diaper Premium (left) / Standard (right)

Sym sanitary pad Reinforced products for nighttime use through rebranding

Developing new products and categories to meet unmet and potential needs

- The sustained effects of price revisions can be attributed to the introduction of differentiated, value-added household paper products, such as long-lasting toilet tissues and deodorizing toilet tissues.
- In terms of environmentally friendly products, we offer the reviva series, a series made from pulp derived from recycled natural fibers from long-life paper cartons, such as milk cartons. We are working to minimize water and chemical usage, as well as reduce waste generated in our production process.
- In response to the anticipated intensification of competition in the household paper product market, we have begun market research to launch new categories with the aim of further promoting multi-category business expansion.



Personal toilet tissue Scented-type (left) / Long-lasting type (right)

reviva A series made from natural fibers from long-life paper cartons Toilet tissue (top) / Sheet-type towel (middle) / Roll-type towel (bottom)

ASEAN

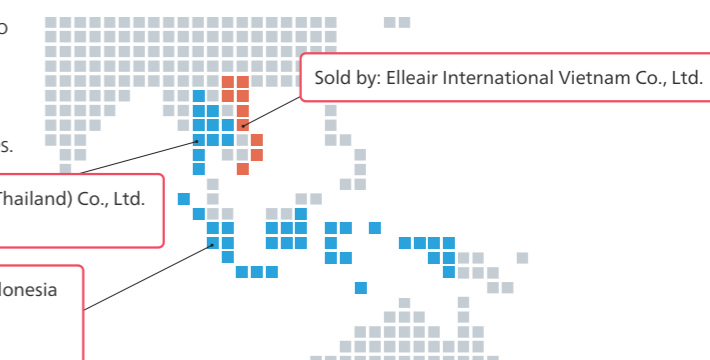
Restructuring business to achieve profitability in ASEAN countries by leveraging our three bases in Thailand, Indonesia, and Vietnam

[Trends in market size by area and category (value)] (million USD/year)

		Indonesia	Thailand	Vietnam	The Philippines	Malaysia	Myanmar	Singapore	Cambodia	Laos	Total for major ASEAN countries
Disposable baby diapers	2023	2,166	642	867	473	203	166	91	10	3	4,620
	2026	3,251	784	1,086	551	201	182	101	12	4	6,171
Average annual growth rate (CAGR)		14%	7%	8%	5%	0%	3%	4%	6%	4%	10%
Period products	2023	407	293	457	241	211	110	46	19	21	1,805
	2026	556	328	543	256	242	108	49	20	22	2,124
Average annual growth rate (CAGR)		11%	4%	6%	2%	5%	-1%	2%	3%	2%	6%
Disposable adult diapers	2023	262	156	61	26	30	8	16	4	1	564
	2026	569	192	75	33	38	11	20	6	2	945
Average annual growth rate (CAGR)		30%	7%	8%	8%	8%	10%	7%	10%	9%	19%

* Based on EUROMONITOR 2023 Retail Tissue & Hygiene retail prices * For one year from January to December

We have begun restructuring our business by reviewing our production structure, product development, and sales policies to better suit each ASEAN market. This approach is based on thorough assessments of the market size, needs, growth potential, logistics costs, and other factors of each country, without being bound by existing production and sales structures.



Manufactured and sold by: Elleair International (Thailand) Co., Ltd. Product type: Baby care, sanitary pads, wet wipes

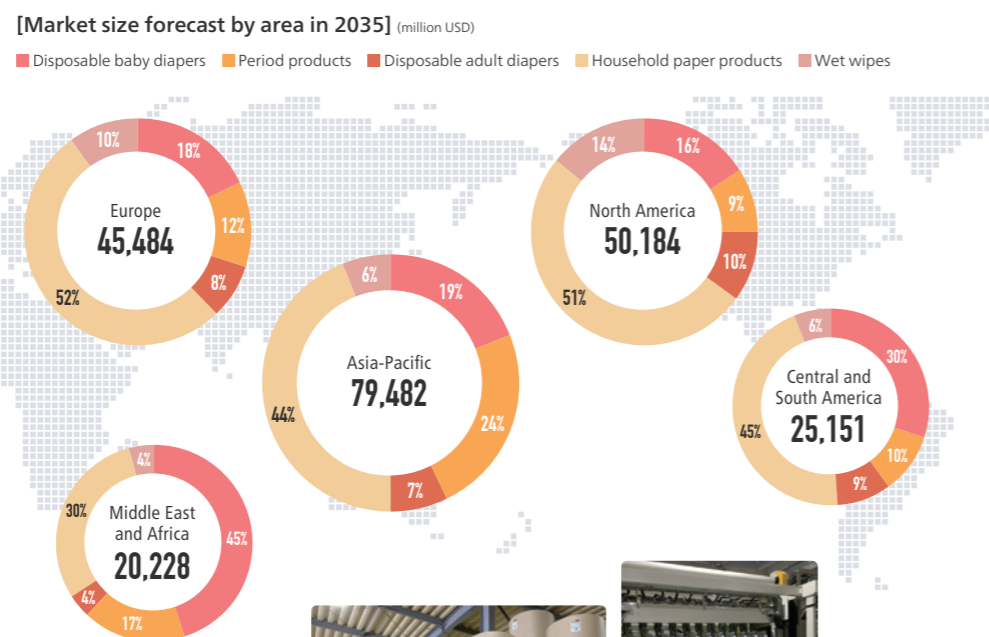
Manufactured by: Elleair International Manufacturing Indonesia Sold by: Elleair International Trading Indonesia Product type: Baby care

2 Acceleration of growth

Development of new markets

Launching an overseas strategy project team to strengthen entry into new countries and categories

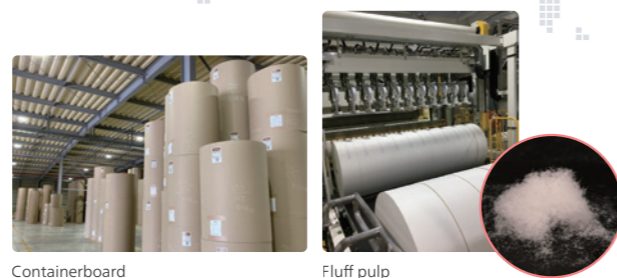
- We analyze the market and the competitive environment in each country and region, taking into account changes in the business environment and the diversification of needs and channels.
- We identify fields where we can find winning strategies to establish business models that can improve profitability.
- We conduct research into new countries/regions and categories, aiming to expand our overseas business through both existing and new businesses, with M&A being used as an option.



* Source: Estimated and created by our company based on EUROMONITOR 2022 Retail Tissue & Hygiene retail prices

Promoting multi-category business expansion in new areas

Exploring the potential to sell paper, paperboard, and fluff pulp produced at the Mishima Mill in countries where we have overseas subsidiaries (South Korea, China, and ASEAN countries), we have already begun selling containerboard and fluff pulp in South Korea.



Development of global human resources

Encouraging global career development and promoting local employees of overseas bases to senior management positions

Japan

Development of global human resources

- Clearly outline career paths, including options for overseas posting
- Enhance training programs for language, intercultural understanding, etc. (Start an overseas language study program for young employees in FY2024)

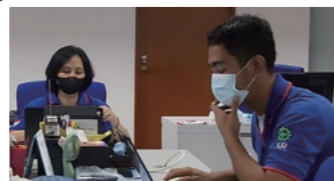
Establishment of a global talent pool

- Increase the number of employees with overseas posting experience through appropriate personnel rotation
- Shift human resources to overseas-related departments (e.g., assignment of marketing personnel to overseas posts in FY2023)

Overseas

Gradual promotion of localization

- Promote local employees to senior management positions based on their abilities and aptitude
- Promote delegation of authority to increase motivation and improve organizational capabilities



3 Sustainability activities in overseas business

Hygiene

Support for hygienic living for people around the world

Brazil

Sheet-type kitchen towels

By switching from roll-type to sheet-type products, the need for towel holders is eliminated. This enables kitchen towels to be easily placed outside the kitchen, expanding their use as disposable cleaning sheets throughout the home and promoting hygienic living.

China

Flushable wet toilet tissue

This wet-type toilet tissue is portable and flushable as well as gentle to the skin, allowing people to maintain cleanliness wherever they go.

Life

Improvement of quality of life for people around the world

Thailand

Scented disposable baby diapers

Adding scent to disposable diapers allows people to stay comfortable even in hot and humid environments that are prone to unpleasant odors.

Thailand

Sanitary pads for sensitive skin

The skin care function is improved, allowing users with sensitive skin to use this product with peace of mind.

Regeneration

Eco-friendly products / Reuse of resources and use of renewable energy

Ultrasonic bonding technology eliminating the need for hot-melt adhesive

Thailand **China**

Green energy generated by solar panels

Brazil **Turkey** **China**

Baby diapers that use 25% less plastic material (compared to conventional products)

The use of plastic raw material has decreased through the reduced use of hot-melt adhesive, the blending of plant-based bio-PET,* and other initiatives. * Product sold in China

Thailand **Indonesia** **China**

Reuse of pre-use disposable diapers and other production rejects

Supplied to Daiki Co., Ltd., our Group company, as recyclable materials for paper-based cat litter

Thailand **Brazil**

Equipment for recovering fluff pulp and SAP (super absorbent polymer)

On average, 30 t of fluff pulp and 12 t of SAP are recovered for reuse from 100 t of disposable diaper production rejects per month (maximum processing capacity of 300 t/month).

Coexistence with local communities

Activities conducted to deepen mutual understanding with local communities in order to continue business in the countries where we operate

Thailand

Free period products provided to schools and government facilities

Indonesia

Ceremonial goats donated to two municipalities near our mills in conjunction with the Islamic festival of Idul Adha

China

Factory tour conducted as part of career guidance and menstrual education for 50 third-year students who are about to start working at the request of the Japanese Language Department of Nantong University, close to our factory

Brazil

Exhibited products and provided samples at a local event (Japan Festival in Bragança Paulista) to build relationships with the local community after Santher's integration into our Group

Home & Personal Care Unit

Domestic Business Group

● Message from the General Manager of the Business Group

Aiming to build a strong revenue base resilient to changes in the business environment by strengthening the elleair brand, developing new products, and exploring new business opportunities



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

Toward realizing our Long-Term Vision

The Home & Personal Care (H&PC) Domestic Business Group plays an important role in driving our sales as our growth engine. To achieve our Long-Term Vision, we will focus particularly on household paper products such as facial tissue and toilet tissue, further strengthening the elleair brand and solidifying our leading market position. In the domestic absorbent products business, which handles disposable diapers and sanitary pads, we plan to further increase our market share by differentiating our products through added value and leveraging the elleair brand to better communicate our brand value to consumers. When it comes to branding, we place emphasis on promotion. Recently, advertising methods have become increasingly diverse, making it difficult to achieve strong results through advertising and promotion using mass media alone. Going forward, we will use digital channels such as retail media and social networking sites to find the most cost-effective method. Moreover, we will continue to focus on the pet care business, into which we fully entered in September last year, as our next pillar of profitability.

Overall demand for paper in Japan has been on a downward trend due to the declining population. Meanwhile, the COVID-19 pandemic and the increase in the elderly population have led to increased demand for paper towels, sanitizing wet wipes, and disposable adult diapers. It is not uncommon to see a significant increase in demand for specific products depending on the market environment and usage scenarios and applications. That is why we will carefully read these trends and do our utmost to bring to market products that are suited to the times, aiming to realize our Long-Term Vision.

Views on the current market environment (opportunities and risks)

The main changes in the external environment we are facing include exchange rate fluctuations, rising raw material and fuel prices, and logistical issues. To address these risk factors, we are making a company-wide effort to implement efficient

cost management based on the premise of ensuring product superiority and maintaining quality. Specifically, we are working to switch materials, improve production efficiency, and optimize our production areas. We are also taking steps to ensure profitability by revising product prices as necessary, thereby appropriately passing on increases in raw material and fuel prices and logistics costs to the product prices. In terms of logistical issues, we are working to reduce work hours and alleviate labor shortages by switching to pallet transport to improve efficiency, establishing relay logistics bases, and introducing AGFs (automated guided forklifts). We are also promoting the elimination of film packaging materials to move away from plastic, aiming to contribute to reducing CO₂ emissions while quickly addressing emerging issues. Through these efforts, we will provide better products at fair prices, thereby improving our corporate competitiveness and addressing labor shortages and environmental issues. We will continue to strengthen our structure to enable us to quickly respond to changes in the environment.

Results of the Fourth Medium-Term Business Plan and contribution to the Fifth Medium-Term Business Plan

The Fourth Medium-Term Business Plan period was a difficult time because we faced drastic changes in the business environment, such as the COVID-19 pandemic and rising raw material and fuel prices. However, even under such circumstances, as a leader in the industry, we were able to turn profits by revising prices to overcome deflation, optimizing production, sales, and logistics, reducing costs, and entering new businesses. In the Fifth Medium-Term Business Plan, we will focus on strengthening our financial base, rather than aiming for more business expansion than necessary. This is not a measure aimed at maintaining the status quo, but rather one aimed at strengthening the company's structure with a view to future expansion. In this context, we will continue to focus on efforts to diversify our business and increase the pillars of profitability. Specifically, we will expand the

[Notable products and initiatives]



● Development of the product lineup

To achieve our management philosophy of "Shaping an abundant and affable future for the world," we have worked to reduce plastic in products from an environmentally friendly perspective. Our efforts include shortening the bottle length for sanitizing wet wipes to reduce the amount of plastic used, and switching to paper for the exterior packaging of "Kirekira! Toilet Cleaning Wipes." We have also begun efforts to use production rejects and scraps for paper-based cat litter produced by our Group company, as well as to reuse film waste, with the goal of developing products that further promote material recycling.

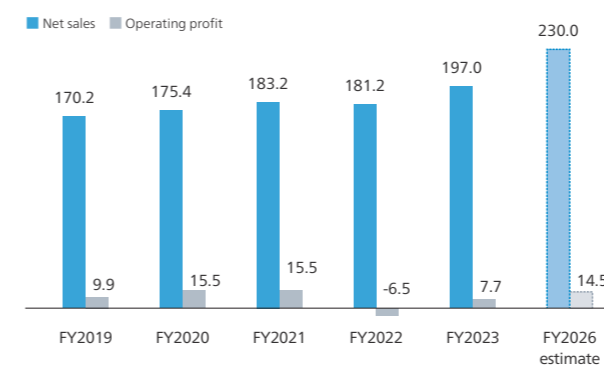
Moreover, to solve the issue of period poverty, we have continued the "Sanitary Pad Scholarship" initiative, which distributes sanitary pads to students free of charge for one year, since 2022. We have also launched "Attento Diapers for Yourself," which was developed based on the concept of lowering the psychological barrier to wearing disposable adult diapers. Through these efforts, we aim to realize the Daio Group's vision of "Three Well-beings."

converted product business while maintaining household paper products as our core business, and secure our pet care business. We will also actively invest in human resources who support these efforts to strengthen the structure of the entire business group, aiming to achieve sustainable growth.

Review of FY2023 and outlook for FY2024

Although our business group fell into the red in FY2022 due to factors such as a shrinking market caused by the declining population, the weak yen, and rising raw material and fuel prices, we achieved a V-shaped recovery in FY2023. This can be seen as a result of our success in capturing product demand, which coincided with heightened awareness of hygiene following the COVID-19 pandemic, while revising prices and cutting costs in response to logistical issues, exchange rate fluctuations, and rising raw material and fuel prices. In FY2023, we achieved an operating profit of 7.7 billion yen, an improvement of approximately 14 billion yen compared to the previous year. In FY2024, with the aim of achieving a profit of 10 billion yen, we will implement various measures while flexibly responding to changes in the social environment.

[Net sales and operating profit of the Domestic Business Group, H&PC Unit (billion yen)]



Human resource development

To further support the growth of young employees, we will review our training system and focus on developing independent and self-reliant human resources. For example, we are considering a training plan that includes a fixed-term training program at our mills and factories to learn about our manufacturing process, to enable employees to confidently communicate the strengths of our products in their sales activities. Another training plan is to transfer employees to overseas subsidiaries with the aim of cultivating human resources with an international perspective who can think about things from multiple angles. Although we will not see immediate results, we will continue to develop a training system that allows employees to systematically gain experience, with the aim of helping them advance in their careers five or 10 years from now.

Contribution to sustainability management

We would like to fulfill our social responsibility as a company by reducing our environmental impact and engaging in social contribution activities. These efforts include reviewing packaging materials, promoting the recycling of used disposable diapers, and engaging in social contribution activities aimed at "coexistence with local communities," one of our material issues, including tackling period poverty and providing sanitary pads overseas. To achieve sustainability management, environmentally conscious product design is essential. We promote the development of environmentally friendly products, working on material recycling, such as using production rejects and scraps generated during the production of household paper products as raw materials for paper-based cat litter, and using recycled film for product packaging. We believe that through such product development, we can provide consumers with environmentally friendly options and promote sustainable consumption, thereby advancing our sustainability management. We will continue to strive to solve the social issue of reducing environmental impact while fulfilling our social responsibility.

Paper & Paperboard Unit

Paper & Paperboard Business Group

● Message from the General Manager of the Business Group

Expanding sales and developing new businesses by increasing the added value of paper from a market-oriented perspective, with the theme of shifting from quantity to quality

Atsushi Ishida

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



Toward realizing our Long-Term Vision

The Paper & Paperboard Unit has set a sales target of 350 billion yen and an operating margin target of 10% for FY2035. These targets appear to be geared toward maintaining the status quo. However, given the current situation where the market is shrinking due to rising production costs caused by the global rise in raw material and fuel prices and exchange rate fluctuations, as well as reduced demand for paper due to the advance of digitalization and the establishment of remote work, these targets are not easy to achieve. What is needed in this situation is to introduce a new business model that changes our way of selling and to expand our business by proposing added value. For example, we will strengthen our business model of processing paper to add value for sale, rather than simply selling paper as a raw material as in the past. There is high demand in the market for highly processed paper products such as cutlery, packaging, and pulp molds, and our strength in manufacturing a wide variety of paper can thus be leveraged. In particular, since market demand for packaging is increasing, there is still room to develop new markets depending on our proposals. Moreover, to achieve our Long-Term Vision, we need to enhance our efforts to procure raw materials in a manner that supports a recycling-oriented society, including collecting recovered paper generated by our customers and conducting joint deliveries using our logistics network. By promoting such business development, we hope to create a virtuous cycle that will enable us to maintain sales even if the sales volume of paper and paperboard declines.

Views on the current market environment (opportunities and risks)

Due to the revision of the Act on Promoting Green Purchasing, minimum required recovered pulp content rate has been reduced from 60% or higher to 40% or higher, creating an environment that makes it easier to promote the effective use

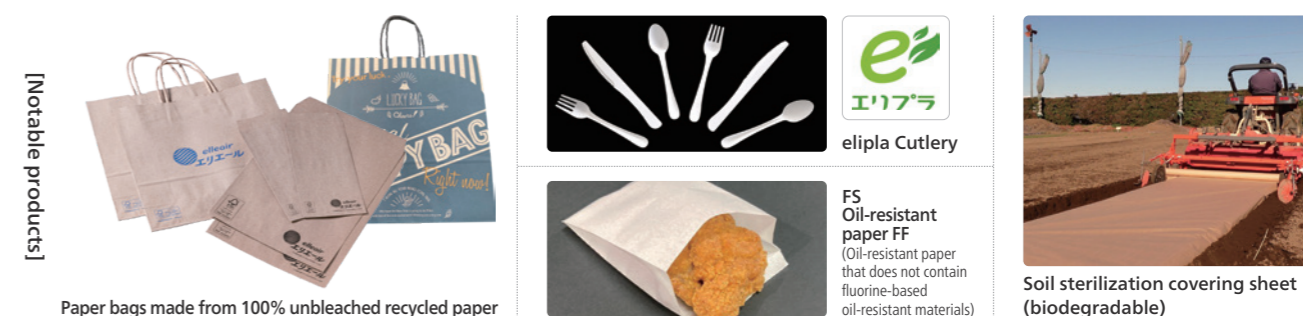
of recovered paper. This has increased the number of products eligible for green purchasing in our lineup, enabling us to meet the needs of environmentally conscious customers, which is a major milestone in creating market opportunities. We are taking advantage of this opportunity to make effective use of recovered paper. Most recently, we have installed a machine, developed by Daio Engineering Co., Ltd., at our mill, which is capable of separating waste from valuable materials with high accuracy before converting recovered paper into pulp.

Results of the Fourth Medium-Term Business Plan and contribution to the Fifth Medium-Term Business Plan

Under the Fourth Medium-Term Business Plan, we have streamlined our sales structure and promoted a cross-category, multi-product sales style in response to a shrinking market, resulting in a certain degree of profitability. Meanwhile, the production volume of paper itself has fallen due to market risks. However, we see this as a positive sign that we have been able to review our sales structure to achieve integrated cross-sectional management and revamp our sales style. For the Fifth Medium-Term Business Plan, we will strengthen our efforts to raise profit margins, primarily by increasing the added value of paper, and shift from quantity to quality. To this end, we will not only focus on basic sales of delivering paper that meets customer needs, but also try new sales styles including proposing solutions that can help expand customer sales.

Review of FY2023 and outlook for FY2024

Our results in FY2023 were tough due to rising raw material and fuel prices and exchange rate fluctuations. Since our top priority has been to keep our paper machines running at full capacity, we have been reluctant to revise our product prices, considering the risk of a decrease in sales volume caused by price hikes, even as raw material and fuel prices have soared.



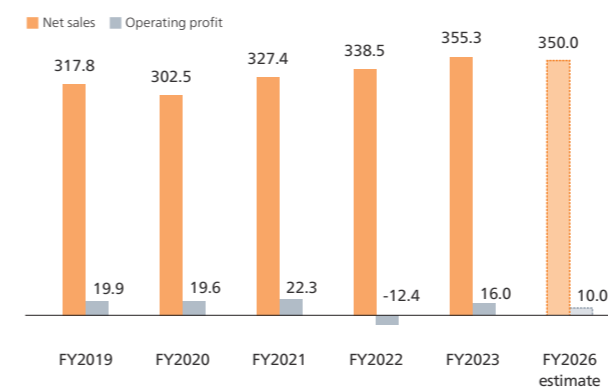
● Development of the product lineup

We handle paper for print media, such as newspapers and magazines, paper for packaging applications, which is drawing attention as an alternative to plastic, and corrugated container products, which are widely used in e-commerce. Recently, we are focusing on the development of environmentally friendly products. In particular, we have significantly expanded the product lineup of the elipla series, a series of products that contribute to plastic-free and low-plastic lifestyles, since its initial launch.

In recent product development, we have been working to expand our product lineup by adding value to conventional paper. For example, we have developed a soil sterilization covering sheet (biodegradable) as an alternative to plastic in collaboration with Agro-Kanesho Co., Ltd., thereby contributing to reducing the environmental impact on agriculture. Another example is that, apart from our conventional oil-resistant paper, we have developed a new oil-resistant product that does not use fluorine and does not require lamination, in order to meet new market needs.

However, we must change our industry and our company so that we can revise prices if raw material and fuel prices rise sharply. To implement price revisions, we need to quickly develop businesses and structures that can ensure sales by increasing added value, as I mentioned earlier. Since the yen is continuing to weaken more than expected, we will specifically consider price revisions this fiscal year. In the domestic market, we cannot generate profits by employing a sales style that relies on selling large quantities; at the same time, we believe there is still potential to pursue volume in overseas markets. We plan to generate operating profit by pursuing quality (high profitability) in the domestic market, and pursuing quantity in overseas markets with room for new development.

[Net sales and operating profit of the Paper & Paperboard Business Group (billion yen)]



Human resource development

Our current vertical organization has enabled us to develop sufficient human resources specialized in a single field. Meanwhile, we will need to develop human resources with a wide range of knowledge in the future. Although we face

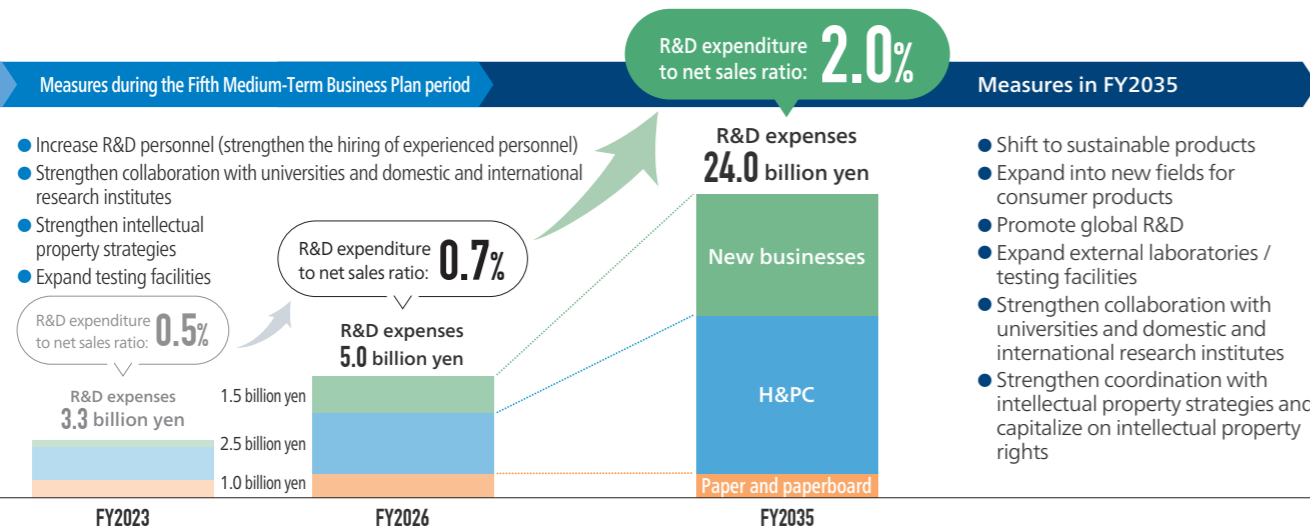
issues such as a lack of young talent entering our industry and rising turnover rates, we will develop human resources who will play key roles in the new era by promoting a cross-category, multi-product sales style, and implementing planned job rotation with a view to strengthening cooperation with Group companies. At the same time, we will promote job-based employment targeting experienced individuals with high levels of expertise, while focusing on creating an environment and structure in which diverse human resources can thrive, thus making the most of their individuality. Although there are opinions that the Paper & Paperboard Business Group should strengthen its overseas business and develop human resources required for that purpose, we do not distinguish between domestic and global human resources. Since the essence of manufacturing and sales policies remains the same regardless of the country, I believe that anyone can be successful if they hone their ability to assess the local market, even if they lack confidence in their language skills.

Contribution to sustainability management

We will strive to help people rediscover the value of paper while emphasizing that paper is a highly recyclable and environmentally friendly material. By finding new applications and expanding the scope of paper use, we will pursue initiatives that can contribute to solving social issues, considering social and environmental effects from multiple angles. Specifically, we will work to improve the efficiency of logistics when transporting paper and use household waste as biomass fuel. We also plan to use our infrastructure to promote waste reduction and the conversion to and use of green energy in cooperation with local governments and companies. We will continue to focus on these efforts, actively using new technologies and networks in addition to our existing resources, in order to create demand and realize a sustainable society.

Research and Development

To turn its product development and advanced material creation capabilities into new strengths, the Daio Group will increase investment in R&D personnel and facilities in order to advance into new fields for consumer products and develop applications for new wood-based materials.



H&PC Business

With "realizing needs" as our guiding principle, we formulate product concepts based on consumer needs, issues, and levels of dissatisfaction identified through fixed-point and ad-hoc surveys, and develop products that consider market environment, differentiation from other companies, and our own technology. By integrating insights from our marketing, sales, production, and logistics teams, we refine our product concepts so they effectively solve consumer issues, create tangible benefits, and are appealing to both retailers and consumers. After deciding on the product concepts, we create several prototypes and conduct multiple home use tests (HUTs) with the target audience to improve the products. Only products that surpass our internal standards for overall customer satisfaction and purchase intention in the final HUT are launched. Even after the products are launched, we continuously follow up with customers to identify and address any issues, initiating product update process as necessary.

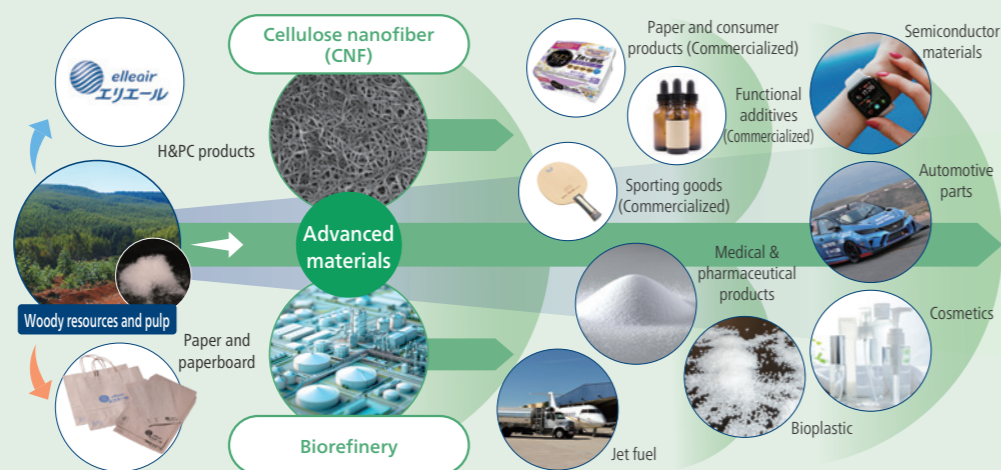
We are also advancing the development of core technologies. For example, the sanitary pad "elis Suhadanokimochi" uses technology developed through joint research with the Graduate School of Tohoku University. During and beyond the period of the Fifth Medium-Term Business Plan ("MTBP"), we will continue to create new value through consumer-focused product development, aiming to enter new growth fields both at home and abroad and further expand sales of consumer products.

[New products released in FY2023] (examples)



Advanced materials field (cellulose nanofiber/biorefinery)

Toward the realization of a decarbonized society, the Daio Group is developing new wood-based materials to replace fossil-based fuels and materials. During the 5th MTBP period, we will focus on investing in two fields: cellulose nanofiber (CNF) and biorefinery, aiming to strengthen our R&D structure.



Material issue: Strategic transformation of our business portfolio



Pet care business

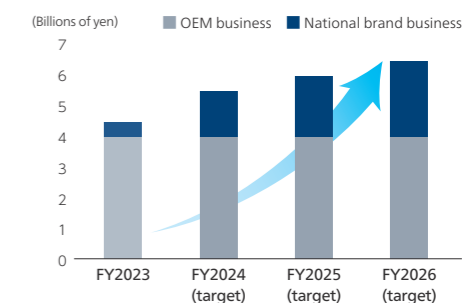
In recent years, pets have evolved to become cherished as "companion animals," sharing their lives with us as beloved family members. Comparing the average monthly cost of keeping a pet in 2018 and 2023, the cost increased by 37% for dogs and 28% for cats.^{*1} In addition to changes in pet-keeping styles, the average lifespan of pets is also increasing. This is expected to result in an increase in the cost of keeping a pet, leading to further expansion of the pet care product market. The Daio Group aims to create a society where pets and the families who live with them can lead happier lives by using the

product development capabilities and production technologies it has cultivated to provide value-added products that make living more comfortable. In the production of cat litter, one of our pet care products, we use production rejects and scraps generated during the production of household paper products and disposable diapers, thereby contributing to the realization of a recycling-oriented society. During the 5th MTBP period, the Daio Group will establish its presence in the growing pet care product market and grow its pet care business.

[Policies in the 5th MTBP]

- Acquiring and nurturing brand users** Propose and develop products so that as many people as possible will try our brand, becoming brand users, and use multiple types of products
- Developing new products through deeper partnerships** Further deepen relationships with business partners (Kitasato University School of Veterinary Medicine, OEM contractors, etc.) and introduce new products created by combining their capabilities with the Group's marketing and product development capabilities
- Strengthening communication** Strengthen communication with pet owners through direct touchpoints (digital/EC, in-store, awareness-raising event for "keicho shiiku" (pet care through attentive listening)^{*2} etc.)

[Sales target]



[Pet care business initiatives]

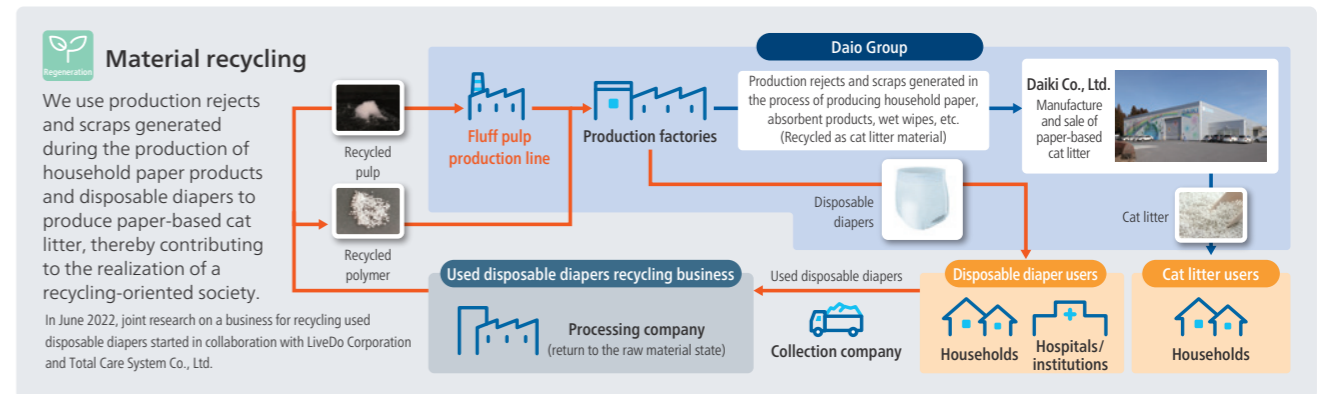
Joint research with Kitasato University School of Veterinary Medicine

To build a brand that can realize a happier life, we are involved in joint research with Kitasato University School of Veterinary Medicine, which is engaged in advanced education and research based on "animal life science," aiming to foster the coexistence of humans and animals. We develop products from the perspective of pets to ensure that they can live healthily and comfortably in a natural state. Currently, we offer products in five categories of cat litter and sheets for system toilets, cat litter for regular litter box, diapers, pet sheets, and wet wipes, emphasizing "kindness to pets" and "addressing the diverse needs of pet owners."

Activities to promote "keicho shiiku" (pet care through attentive listening)

The concept of the "elleair Pet kimiomoi" brand is that deepening knowledge about pet behavior and carefully reading the signs and behaviors exhibited by pets will lead to the realization of a society where pets and people can coexist harmoniously. By promoting "keicho shiiku" (pet care through attentive listening), we aim to achieve the brand theme, "Kindness for You, Better Future Together". In response to the desire of many pet owners to understand their pets' feelings and thoughts better than they currently do, we will widely share the principles and practical methods of "keicho shiiku."

Awareness-raising event



*1 Reference: "2023 Nationwide survey on actual conditions in dog and cat breeding: Trends in the cost of keeping dogs or cats" by the Japan Pet Food Association
 *2 The concept of carefully observing the signs that animals give off and understanding their true meanings as pet owners
 * Initiatives for achieving Target 5 of Goal 12 and Target 16 of Goal 17

Material issue: Creation of new businesses

Application development of cellulose nanofibers



Cellulose nanofiber (hereinafter, "CNF") is a wood-based material that has the properties of being both high strength and lightweight. The New Energy and Industrial Technology Development Organization (NEDO) predicts that the CNF market will reach 6 trillion yen by 2050. We have established a manufacturing process by making full use of the facilities, technologies, and know-how that we have cultivated as a pulp and paper manufacturer, as well as our three CNF pilot plants, and are developing applications that take advantage of the diverse functions of CNF that are not found in pulp and paper.

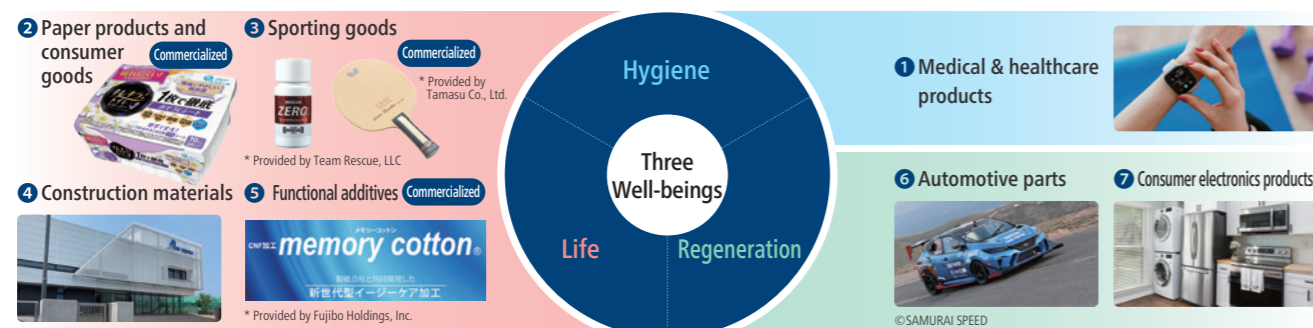
Among the different types of CNF, there are particularly high expectations for composite resin, and demand for CNF is growing as a material that can contribute to the realization of a low-carbon society by reducing the weight and amount of plastic materials used.

Based on our vision of "Three Well-beings," we are aiming to commercialize products using CNF in seven fields, including medical & healthcare products, paper products, consumer goods, and automotive parts, and have so far achieved commercialization in three fields.

By FY2025, we aim to expand our CNF business by operating a commercial composite resin plant on a scale that will enable the social implementation of CNF and increasing production capacity to 2,000 t per year, 20 times the current level. CNF is expected to be used in a variety of fields, and prototype evaluation is progressing, particularly for automotive parts and consumer electronics products, in which its lightweight properties can be used. However, it has the drawback of being more expensive than conventional materials. This mass production will reduce manufacturing costs and stabilize supply, promoting its adoption in a wide range of products. We will actively expand the applications of CNF in various fields while continuing the joint research and development of semiconductor materials (with Tohoku University, the University of Tokyo, and the National Institute of Advanced Industrial Science and Technology) and other activities. In particular, we aim to expand the use of CNF as an automotive part by using its advantages, such as its contribution to lightweight design and material recyclability, as well as its plant-based origin, in order to increase its sales volume.

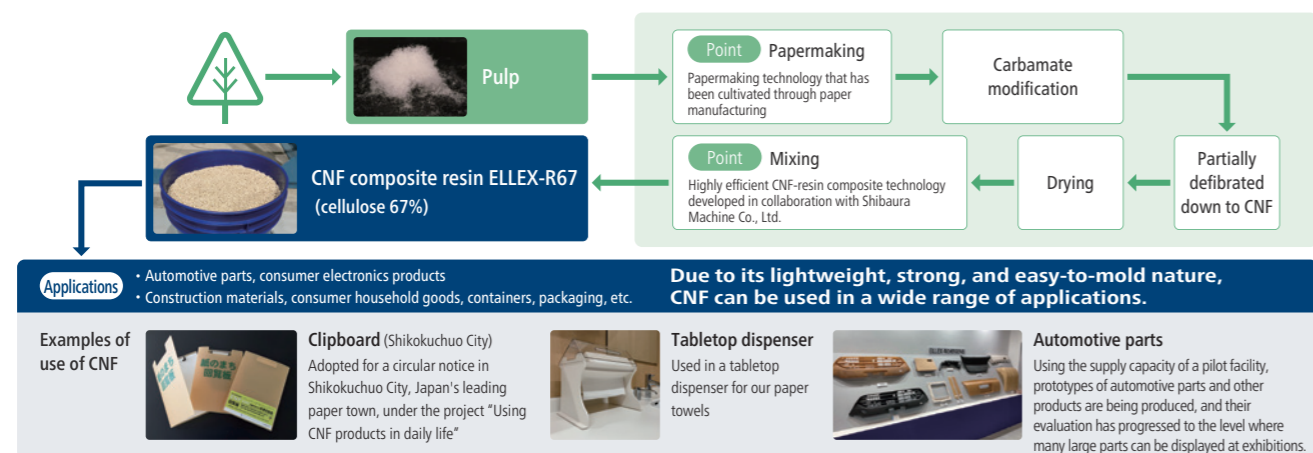
<https://www.daio-paper.co.jp/en/development/cnf/>

[FY2030 targets in seven fields]



	FY2018 results	FY2019 results	FY2020 results	FY2021 results	FY2022 results	FY2023 results	FY2026 target	FY2030 target
CNF commercialization fields	1	1	2	2	2	3	5	7

[A comprehensive manufacturing process for CNF composite resin, from wood to commercialization]



* 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

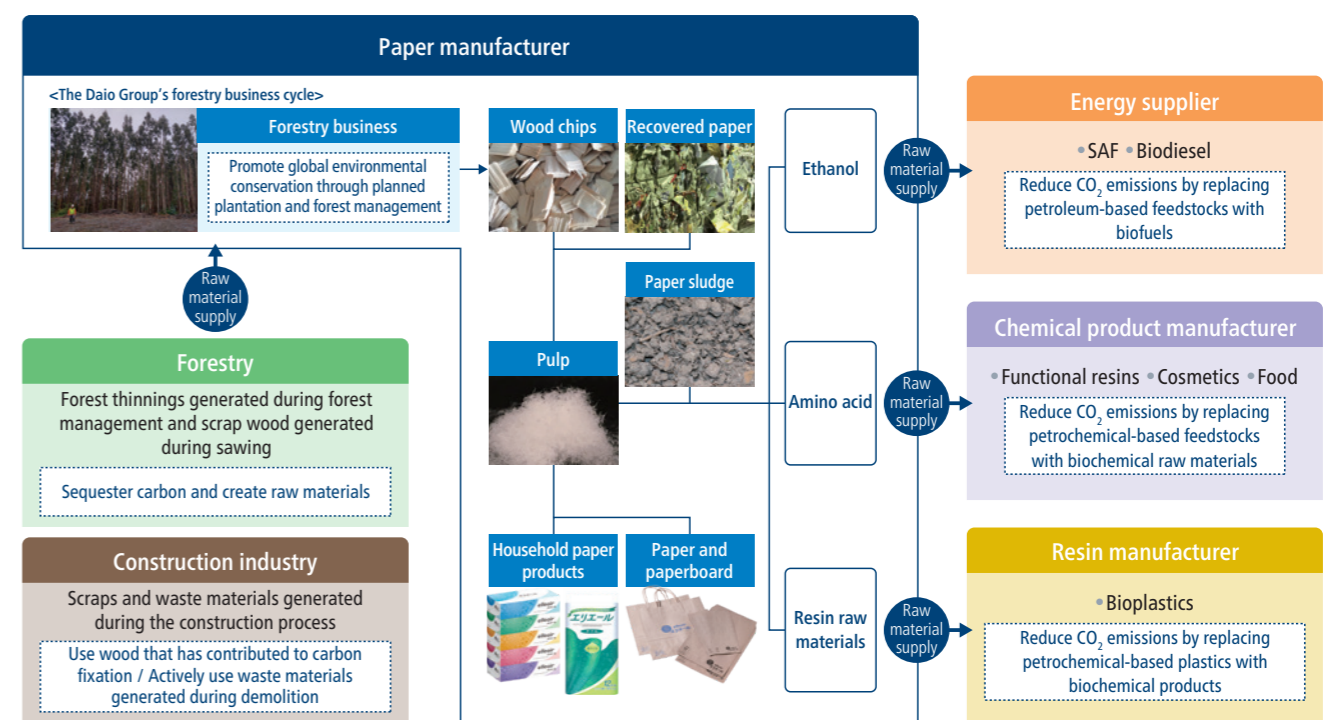
Biorefinery



In the biorefinery field, we have launched a production demonstration project toward commercialization with the main goal of establishing technology to develop new businesses using pulp, the raw material for papermaking. In particular, in our project that focuses on the saccharification and fermentation process, which has been adopted as a NEDO project, our efforts are concentrated on the efficient utilization of surplus pulp, recycled pulp, and paper sludge waste generated by the papermaking industry. By using a reaction flow that employs a microbial recycling process for the saccharification and fermentation process, we aim to produce ethanol, bio-resin raw materials, and even amino acids. Our immediate goal is to

conduct demonstrations on a scale of tens of thousands of kl/year by FY2030, in order to realize mass production at a reasonable cost. We will also advance the development of biomass products, including processes other than the saccharification and fermentation process, with the aim of expanding into a wide range of products. Going forward, we will build a sustainable business foundation by obtaining product certification and expand our scope of business to encompass upstream and downstream supply chain activities. Through this biorefinery business, we aim to reduce our environmental impact and make effective use of resources, thereby contributing to the realization of a low-carbon society.

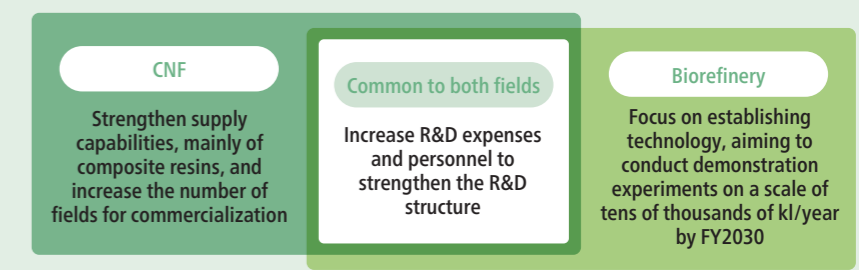
[Industrial architecture for the biorefinery business]



Sales target of new businesses



Initiatives during the 5th MTBP period



* Initiatives for achieving Target 2 of Goal 7, Target 4 of Goal 9, Target 2 of Goal 12, Target 2 of Goal 13, and Target 1 of Goal 15