The Third Medium-term Business Plan
(April 2018 ~ March 2021)

Move on:
Reform and Soar Above

May 31, 2018

Notes regarding figures and expressions:
1. Amounts are rounded off to the nearest 0.1 billion yen; totals may not sum due to rounding.
2. Fiscal year (FY) represents the 1-year period from Apr 1 to Mar 31. (FY2018 is the fiscal year from Apr 1, 2018 to Mar 31, 2019.)

Disclaimers regarding translation:
1. This document is an English translation of the original Japanese document dated May 31, 2018 and is only for reference purposes. In the event of any discrepancy between the original Japanese document and this translated document, the Japanese document shall prevail.
2. Translations of brand names and product names not yet launched in English-speaking regions are not official and are subject to change without notice.
1. Overview of the Second Medium-term Business Plan

2. Daio Paper Group’s vision

3. Strategic transformation of business portfolio

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      ② Net sales and operating income (targets) by business segment
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   (2) Key strategies
      The big picture of the key strategies
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      ② Global expansion and strengthening of profitability of Home & Personal Care
      ③ Logistics reform to support domestic growth of Home & Personal Care
      ④ Early commercialization of cellulose nanofiber (CNF)

5. Building the foundation for sustainable growth
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   (2) Reform of business process via IT investments geared toward business expansion
   (3) Reform of working styles
1. Overview of the Second Medium-term Business Plan

- Achieved net sales target through firm implementation of the principal strategies of the Second Medium-term Business Plan ("2nd MTBP")
- Fell short of other targets (such as ordinary income) due to changes in business environment, e.g. sharp increase in prices of raw materials

<table>
<thead>
<tr>
<th>Principal business goals and results</th>
<th>Principal strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>(billions of yen)</em></td>
<td><strong>2nd MTBP goals</strong></td>
</tr>
<tr>
<td>Net sales</td>
<td>500</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>25</td>
</tr>
<tr>
<td>Sales ratio</td>
<td>5 %</td>
</tr>
<tr>
<td>Net interest-bearing debt</td>
<td>Under 250</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>28 %</td>
</tr>
<tr>
<td>Net D/E ratio</td>
<td>1.5</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>113 JPY/USD</td>
</tr>
<tr>
<td>Dubai crude oil</td>
<td>55 USD/barrel</td>
</tr>
</tbody>
</table>

- Structural shifting of Paper business
- Strengthening Containerboard & Corrugated Container business
- Further growth and acceleration of Home & Personal Care business
- Thorough cost reduction
- Pursuing efficiency and diversity in human resource utilization
- Further improvement of financial strength
2. Daio Paper Group’s vision

The Daio Paper Group aims to increase its corporate value sustainably in harmony with the environment and local communities by working towards resolving ESG issues through business activities based on its management philosophy.

**Management philosophy**

Shaping an abundant and affable future for the world

**D** Dedicated
- Dedication to manufacturing

**A** Attentive
- Bonds with local communities

**I** Integrated
- Corporate culture that offers new challenges and a sense of security and trust

**O** Organic
- Contribution to the global environment

**ESG issues**

Initiatives to tackle issues, Creation of social value

- **E** Environmental
  - Contribute to recycling-oriented society by reducing environmental load

- **S** Social
  - Respond to declining birthrate and aging society, coexist in harmony with local communities

- **G** Governance
  - Establish sound governance structure to support sustainable growth

**Business activities**

Business development and growth strategies capitalizing on Daio’s strengths

1. Integrated manufacturer
   - From newsprint to diapers

2. Unique management strategy
   - Thoroughly “Customer First”

3. Environmentally conscious
   - Recovered paper usage ratio of 64%

Sustainable increase in corporate value in harmony with the society
3. Strategic transformation of business portfolio

- Strategically transform business portfolio and become a sustainable corporate group capable of continuous growth.

**Net sales by segment**

**Net sales composition in 10 years (Outlook)**

<table>
<thead>
<tr>
<th>Years</th>
<th>Paper</th>
<th>Containerboard &amp; Corrugated Container</th>
<th>H&amp;PC Domestic</th>
<th>H&amp;PC Overseas</th>
<th>New businesses, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012–2014 (FY2014)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2015–2017 (FY2017)</td>
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<tr>
<td>2018–2020 (FY2020)</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outlook in 10 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Long-term vision
- Above 50%
- H&PC Overseas
- H&PC Domestic
- Above 30%
4. The Third Medium-term Business Plan (1) Numerical targets

① Financial targets

<table>
<thead>
<tr>
<th>(billions of yen)</th>
<th>1st MTBP (FY2014)</th>
<th>2nd MTBP (FY2017)</th>
<th>3rd MTBP (FY2020)</th>
<th>Long-term vision (Outlook in 10 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>450.2</td>
<td>531.3</td>
<td>635</td>
<td>800–1 tn yen</td>
</tr>
<tr>
<td>Operating income</td>
<td>21.8</td>
<td>11.1</td>
<td>32</td>
<td>80–100</td>
</tr>
<tr>
<td>(Operating margin)</td>
<td>(4.8 %)</td>
<td>(2.1 %)</td>
<td>(5.0 %)</td>
<td>(10 %)</td>
</tr>
<tr>
<td>H&amp;PC overseas business net sales ratio</td>
<td>4.9 %</td>
<td>7.7 %</td>
<td>15 %</td>
<td>Above 30 %</td>
</tr>
<tr>
<td>ROE</td>
<td>10.0 %</td>
<td>2.2 %</td>
<td>8 %</td>
<td>Above 12 %</td>
</tr>
<tr>
<td>Net D/E ratio</td>
<td>1.9</td>
<td>1.6</td>
<td>1.6</td>
<td>Under 1.0</td>
</tr>
</tbody>
</table>

Ordinary income (Ordinary margin)
- 1st MTBP: 21.8% (4.8%)
- 2nd MTBP: 12.8% (2.4%)
- 3rd MTBP: 28.5% (4.5%)

CAPEX (3-year cumulative)
- 1st MTBP: 78.3
- 2nd MTBP: 109.3
- 3rd MTBP: 158.0 ※1

Depreciation (3-year cumulative)
- 1st MTBP: 80.0
- 2nd MTBP: 87.2
- 3rd MTBP: 105.8

Net interest-bearing debt
- 1st MTBP: 292.5
- 2nd MTBP: 280.0
- 3rd MTBP: 350.0 ※2

JPY/USD
- 1st MTBP: 109.8
- 2nd MTBP: 110.9
- 3rd MTBP: 112

Dubai crude oil
- 1st MTBP: 84
- 2nd MTBP: 56
- 3rd MTBP: 62 USD/barrel

※1 : Daio Paper plans to use own funds and debt financing (borrowings from financial institutions, bond issues) to fund CAPEX.
※2 : Daio Paper will mitigate impact to financial position through initiatives such as shortening of cash conversion cycle (from current 87 days to 77 days).
## 4. The Third Medium-term Business Plan (1) Numerical targets

### ② Net sales and operating income (targets) by business segment

<table>
<thead>
<tr>
<th>Business segment</th>
<th>2nd MTBP (FY2017)</th>
<th>3rd MTBP (FY2020) Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net sales (bn yen)</td>
<td>OP income (bn yen)</td>
</tr>
<tr>
<td>Paper &amp; Paperboard</td>
<td>313.6</td>
<td>0.7</td>
</tr>
<tr>
<td>H&amp;PC</td>
<td>197.0</td>
<td>8.1</td>
</tr>
<tr>
<td>(Breakdown) Overseas</td>
<td>41.1</td>
<td>-1.3</td>
</tr>
<tr>
<td>Domestic</td>
<td>155.9</td>
<td>9.4</td>
</tr>
<tr>
<td>Other businesses (incl. adjustments)</td>
<td>20.8</td>
<td>2.3</td>
</tr>
<tr>
<td>Total</td>
<td>531.3</td>
<td>11.1</td>
</tr>
</tbody>
</table>
Aim to achieve **consolidated operating income of 32 bn yen (+20.9 bn yen from FY2017)** in FY2020 by implementing initiatives centered on “structural reform”, the main pillar of the growth strategy, during the 3rd MTBP.

**Key initiatives of structural reform**
- Shift of Paper & Paperboard’s product mix (rebuild machine, shut down machine)
- Increase usage ratio of hard-to-recycle recovered paper
- Strengthen H&PC production (install new machines)
- Logistics reform
- Electric power selling from biomass power generation under the FIT scheme

**Consolidated operating income improvement plan (Assumptions for FY2020)**
- Exchange rate: 112 JPY/USD
- Dubai crude oil: 62 USD/barrel
4. The Third Medium-term Business Plan (1) Numerical targets

## 3-year cumulative CAPEX: 158 bn yen

<table>
<thead>
<tr>
<th>Business</th>
<th>Category</th>
<th>CAPEX amount</th>
<th>Main objectives</th>
</tr>
</thead>
</table>
| **Paper & Paperboard** | Structural reform                 | **37 bn yen**| • Increase profit from transformation of production portfolio to adapt to structural changes in demand  
• Reduce cost by increasing usage of hard-to-recycle recovered paper  
• Increase profitability from kraft pulp production capacity increase |
| **H&PC**          | Growth & structural reform        | **52 bn yen**| [Domestic]  
• “Quick delivery” to Tokyo metropolitan area, the largest source of final demand for household paper  
• Expand sales of adult diapers (boost retail channel sales)  
• Expand sales of feminine care products  
[Overseas]  
• Start full-scale sales of premium toilet rolls with the export of jumbo rolls from Japan to China  
• Strengthen supply structure of baby diapers  
• Construct and start production at second factory in China to prepare for further business expansion |
| **New businesses**| **FIT power generation, CNF**    | **19 bn yen**| • Secure stable earnings from power generation business under the feed-in tariff (FIT) scheme  
• Early commercialization of CNF |
| **IT investments**| –                                 | **7 bn yen** | • Business process reform, DCM/SCM reform |
| **Others**        | –                                 | **43 bn yen**| • Ordinary investments |
4. The Third Medium-term Business Plan (2) Key strategies
The big picture of the key strategies

Radical cross-business structural reform of Paper & Paperboard and Home & Personal Care

- **[Paper & Paperboard] Structural reform**
  - Make full use of Mishima mill’s “three strengths”
    - 1. Kraft pulp with competitive edge
    - 2. Top-class recovered paper processing technology in Japan
    - 3. Location next to an international trade port
  - Shift from “graphic paper” to “packaging paper”
    - 1. Stable supply of graphic paper
    - 2. Strengthen production of packaging paper
  - Increase export of containerboard and kraft paper to Asia

- **[H&PC] Global expansion and strengthening of profitability**
  - **Household paper**
    - Domestic
      - Strengthen supply structure
      - Establish dominant No.1 position
      - Start production for new machine at Kawanoe mill
      - Strengthen supply structure for domestic household paper market
    - Overseas
      - Expand sales of premium toilet rolls in China
      - Convert jumbo rolls (which are produced by new machine at Kawanoe mill) at EICN
      - Expand sales of household paper in Asia
  - **Absorbent products**
    - Domestic
      - Develop products and implement initiatives to address social needs
    - Overseas
      - Expand sales area and channels of baby diapers
      - Accelerate multi-category expansion
      - Expand sales of adult diapers, feminine care products and wet wipes

New businesses
- Biomass power generation under the FIT scheme
- Cellulose nanofiber (CNF)
Kawanoe mill, which is located beside Mishima mill, have pipes and power transmission lines connected to Mishima mill. As such, Mishima mill will supply highly cost competitive kraft pulp in slurry form, as well as energy such as steam and electric power to Kawanoe mill. The operations of Mishima mill and Kawanoe mill will be integrated.
4. The Third Medium-term Business Plan (2) Key strategies

① Radical cross-business structural reform of Paper & Paperboard and Home & Personal Care 〈1〉

Initiatives that capitalize on Mishima mill’s three strengths

- Make full use of the three strengths of Mishima mill to establish Daio Paper’s competitive advantage

1. Kraft pulp with competitive edge
   ➢ Maximize profit
   - Produces both softwood pulp (highest production volume in Japan) and hardwood pulp (second highest)
   - Locational advantage of coastal mill in the procurement of imported woodchips
   - Increase production capacity of kraft pulp

2. Top-class recovered paper processing technology in Japan
   ➢ Reduce cost by making effective use of hard-to-recycle recovered paper
   - Make full use of original automated sorting technology in the recovered paper processing process
   - Increase usage ratio of hard-to-recycle recovered paper

3. Mishima mill’s location next to an international trade port
   ➢ Develop new markets
   - Export household paper, containerboard and kraft paper to Asian countries, where demand is particularly strong

Transform production portfolio

- To prepare for the demand structure of the future, push forward the following two reforms to increase production of products that will drive growth:

  <Paper & Paperboard>
  1. Shift from “graphic paper” to “packaging paper”

  <H&PC>
  2. Strengthen production structure of household paper
4. The Third Medium-term Business Plan (2) Key strategies

① Radical cross-business structural reform of Paper & Paperboard and Home & Personal Care 〈2〉

Paper & Paperboard: Shift from “graphic paper” to “packaging paper”

- Make effective use of Mishima mill’s swing machine, and maintain stable supply structure
- Continue to promote close cooperation with members of the regional distributors’ partnership “Sakura Terrace”
- Increase production efficiency and cost competitiveness to strengthen competitive advantage

- Strengthen production structure of containerboard
  - Rebuild Mishima mill’s paper machine into a containerboard machine of leading production capacity in Japan (planned for Apr 2020)
  - Shift white top linerboard production from Taisei Paper to Mishima mill (planned for Apr 2020)
  - Shut down Taisei Paper’s containerboard machine (planned for Apr–Jun 2020)
    → Realize a containerboard “one-stop delivery” system (to deliver all types of containerboard in one shipment) at Mishima mill
  - Implement production adjustments for machine at Mishima: shift from production of containerboard and specialty kraft paper to production of kraft paper
  - Strengthen cost competitiveness by making effective use of hard-to-recycle recovered paper

- Capitalize on Mishima mill’s locational advantage and expand export sales of paperboard and kraft paper to Asia, where demand is particularly strong
H&PC: Strengthen production structure of household paper

- Export household paper jumbo rolls to Elleair International China (Nantong) ("EICN"), convert to premium toilet rolls at EICN to sell in the Chinese market
  - Install new toilet roll converting machine at EICN (Oct 2018)

- Realize the optimal product mix to respond to market environment and meet consumer needs with the start-up of the new machine at Kawanoe mill

- Realize “quick delivery” of high value-added products to the Tokyo metropolitan area, the largest source of final demand
  - Install new household paper converting machine in Gyoda city, Saitama pref. (Oct 2018)

- Strengthen supply structure of high value-added products and accelerate nationwide distribution of the product brands acquired through M&A (Cotton Feel, Shower Toilet), etc.

- Install new household paper machine at Kani mill (planned for Apr 2020) to further strengthen supply structure for the domestic market, in light of the expansion of household paper exports which would lead to a shortage for the domestic market

- Install converting machines for wet tissues and others at Taisei Paper, of which containerboard machine is to be shut down, in order to turn it into a production factory dedicated to the H&PC business
## 4. The Third Medium-term Business Plan (2) Key strategies

### ② Global expansion and strengthening of profitability of Home & Personal Care 〈1〉Household paper

### H&PC Household Paper Business Expansion

<table>
<thead>
<tr>
<th>Overseas</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accelerate multi-category business expansion</strong></td>
<td><strong>Strengthen supply structure and establish dominant No.1 in share</strong></td>
</tr>
</tbody>
</table>
| From Kawano mill to China (EICN)  
Start low-cost export of jumbo roll | Start-up of Kawano mill’s new machine and  
Improve production efficiency |
| Install new converting machine at EICN  
Convert at and sell from EICN | Install new household paper converting machine in Saitama prefecture  
“Quick delivery” to the Tokyo metropolitan area |
| Capitalize on brand equity of baby diapers to  
Develop toilet roll market | Strengthen supply structure of high value-added products  
Expand sales and profit through stable supply |
| Increase sales of wet wipes and others in Thailand and other Southeast Asian countries  
Expand product line-up | With the brands acquired through M&A  
Accelerate synergy realization with nationwide distribution |
H&PC Absorbent Products Business Expansion

**Overseas**

1. Install more baby diaper machines
2. Develop products that meet each country’s needs
3. Proactively approach traditional trade shops and open up stores on EC platforms
4. Expand sales of feminine care products and adult diapers

**Domestic**

1. Strengthen connection between institutional diapers and diapers for retail consumers
2. Alleviate anxieties of active mid-lifers and elderly people
3. Product development that reflects users’ voices

- **Expand sales area and channels, accelerate multi-category business expansion**

- **Expand sales of premium products**

- **Increase export sales**

- **Expand sales channels**

- **Accelerate multi-category business expansion**

- **Develop products and implement initiatives to address social needs**

- **Expand customer base of adult diapers for retail consumers**
  - Utilize Daio Paper’s original app, provided through “Medical Care Station” (an SNS platform exclusive to medical and nursing care professionals), within the framework of the “Community-based Integrated Care Systems”

- **Increase sales of products for light incontinence**

- **Strengthen sales of baby diapers**

- **Accelerate multi-category business expansion**

4. The Third Medium-term Business Plan (2) Key strategies

② Global expansion and strengthening of profitability of Home & Personal Care (2) Absorbent products
4. The Third Medium-term Business Plan (2) Key strategies

② Global expansion and strengthening of profitability of Home & Personal Care 〈3〉Overseas initiatives

Net sales by country/region

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>Thailand and neighboring countries</th>
<th>Indonesia</th>
<th>Turkey, South Korea, Taiwan, Russia and others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
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<td></td>
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<tr>
<td>2017</td>
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<td>2018</td>
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<td>2019</td>
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<tr>
<td>2020</td>
<td></td>
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</tbody>
</table>

Initiatives by country/region

- **China**: Increase sales of baby diapers in the super premium zone, promote multi-category business expansion with household paper and adult diapers.
- **Thailand and neighboring countries**: Strengthen sales of baby diapers, and promote multi-category business expansion with feminine care products and household paper in the Indochinese peninsula.
- **Indonesia**: In addition to increasing sales to hyper/supermarket and minimarket channels, strengthen sales toward traditional trade shops and EC channels.
- **Turkey, South Korea, Taiwan, Russia and others**: Accelerate multi-category business expansion and product development that captures the needs of each country.

FY2020 net sales target: 100 bn yen
China Construct and start operations of a second factory on the site beside existing factory

Baby diapers

Further increase sales of super premium zone

- Expects market to continue growing in light of the end of the one-child policy and rising income level
- Increase sales of the super premium “Angel series” and the Made-in-Japan highest-grade “Guangyu series”
  → Plan to install more baby diaper machines
- Strengthen tie-ups with major EC platforms

Adult diapers

Increase sales by expanding sales channels

- Strengthen product proposal activities aimed at high-end elderly care facilities in Beijing and East China region, etc.

Household paper

Develop premium zone in household paper market

- Expects toilet paper market to expand on the back of the “Toilet Revolution”
- Install new household paper converting machine at Chinese factory (EICN) in Oct 2018
- Promote sales in the premium zone
4. The Third Medium-term Business Plan (2) Key strategies

② Global expansion and strengthening of profitability of Home & Personal Care 〈5〉Overseas initiatives

Thailand and neighboring countries (Vietnam, Malaysia and others)

Increase sales of baby diapers and accelerate multi-category business expansion in each country in the Indochinese peninsula

- In addition to baby diapers, accelerate multi-category business expansion with feminine care products, wet wipes and related products, etc.
- Strengthen sales in each country in the Indochinese peninsula, which is experiencing remarkable economic growth
  → Install more baby diaper machines

Indonesia

Further increase sales of baby diapers through expanding sales channels

- Expects domestic consumption to grow as Indonesia is a huge market with the fourth largest population in the world
  → Install more baby diaper machines
- Strengthen sales to traditional trade shops (warung)
- Increase sales in the rapidly expanding EC market
- Consider construction of a second factory

Turkey

Established representative office and started sales of baby diapers in Sep 2017; begun considering the construction of a factory

South Korea, Taiwan, Russia and others

Develop products that meet the needs of each country and pursue further sales increase and multi-category business expansion in countries where export sales are conducted
4. The Third Medium-term Business Plan (2) Key strategies

③ Logistics reform to support domestic growth of Home & Personal Care (start operations in Apr 2018)

- Strengthen logistics function from the perspectives of both hardware and software, and improve efficiency of storage, distribution and cargo handling
- Strengthen supply structure as the top household paper manufacturer in Japan to support sales and profit growth

**Large-scale logistics warehouse**

**Consolidate external warehouses into large-scale warehouses**
(Total floor area: approx. 175,000m²)

**Consolidation increases storage efficiency**

by **10%**

**The increase in transportation capacity would reduce drivers’ waiting and loading time**

by **half**

**Shift to pallet distribution**

**Develop dedicated pallets, revise dimensions and number of cases per pallet**

75% reduction in loading and unloading times

(Test operations of pallet distribution of household paper slated to start from Jun 2018)
Further expansion of CNF business

Ref: Target market size of CNF related materials (year 2030) 1 trillion yen
Source: METI

4. The Third Medium-term Business Plan (2) Key strategies

④ Early commercialization of cellulose nanofiber (CNF)

Functional products with Daio Paper’s cellulose nanofiber “ELLEX”

- Toilet cleaning wipes with CNF content “Kirekira!”
  <Improved wiping property and surface strength>
  (Launched Apr 2017, updated Oct 2017)

- Artificial bone graft material (Nov 2016)

Cement-based materials
- 【Building material】 (Prevent cracks, etc.)
- 【Electric appliances】 (Reduce weight, improve strength)

Resin composite materials
- 【Cosmetics】 (Retain moisture, etc.)
- 【Paint, food】 (Thicken, etc.)
- 【Automobile parts】 (Reduce weight, improve strength)

Thickeners

Establish supply structure for distribution of samples

Begin mass production

Expand supply, strengthen competitive advantage

- Make full use of the characteristics of ELLEX and speed up the development of applications
- Work on improving technology and begin mass production

[Characteristics of ELLEX]
① High cost competitiveness
② Variation in fiber size
③ Comprehensive pulp line-up
### ESG initiatives

Based on the management philosophy of “Shaping an abundant and affable future for the world”, promote initiatives to address ESG issues through business activities.

<table>
<thead>
<tr>
<th>Category</th>
<th>Major initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental</strong></td>
<td><strong>Contribute to recycling-oriented and sustainable society by reducing environmental load</strong></td>
</tr>
<tr>
<td></td>
<td>• Commence biomass power generation under the FIT scheme (planned for Jul 2020)</td>
</tr>
<tr>
<td></td>
<td>• Promote transparent procurement of wood-based raw materials by ensuring traceability from logging to distribution</td>
</tr>
<tr>
<td></td>
<td>• Reduce amount of sewage sludge ash by recycling recovered paper deinking sludge into filler (chemical used in papermaking)</td>
</tr>
<tr>
<td></td>
<td>• Promote initiatives to reduce carbon dioxide emissions based on the “Daio Global Environment Charter”: effectively use hard-to-recycle recovered paper, save energy, reduce waste, etc.</td>
</tr>
<tr>
<td></td>
<td>• Implement Environmental Accounting, and Material Flow Accounting to monitor the Group’s contributions to the environment</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td><strong>Respond to declining birthrate and aging society, coexist in harmony with local communities</strong></td>
</tr>
<tr>
<td></td>
<td>• Improve infrastructure at the Group’s forestry property (Chile)</td>
</tr>
<tr>
<td></td>
<td>• Support home-based caregivers by providing a continence care app through “Medical Care Station”, a medical and nursing care SNS platform, within the framework of the “Community-based Integrated Care Systems” promoted by the Ministry of Health, Labor and Welfare</td>
</tr>
<tr>
<td></td>
<td>• Create a workplace environment that offers employees challenges and growth potential (health and productivity management, diversity management, human resource development)</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td><strong>Establish sound governance structure to support sustainable growth</strong></td>
</tr>
<tr>
<td></td>
<td>• Conduct evaluation of the effectiveness of the Board of Directors (incorporate third-party opinion into the composition and operations of the Board of Directors)</td>
</tr>
<tr>
<td></td>
<td>• Review risk management framework and make decisions and implement concrete risk control measures according to the type of risk through a Compliance Committee</td>
</tr>
</tbody>
</table>
5. Building the foundation for sustainable growth

(2) Reform of business process via IT investments geared toward business expansion

Strengthen the Group’s management infrastructure during the 3rd MTBP (NEXT.DAIO Project)

- Enhance IT infrastructure to improve efficiency of group management
- Continuously promote the standardization of common operations, and construct a information system infrastructure that will continue to be relevant 10~15 years ahead

Outline of the NEXT.DAIO Project

1. Reform business process (Business Process Reengineering)
   - Share and consolidate operations of Personnel/General Affairs, Accounting, and Procurement within the Group
   - Enhance speed of management
   - Reinforce internal control

2. Reform DCM · SCM
   - Improve precision of sales/production planning
   - Improve inventory turnover rate and logistics efficiency
   - Improve customer service

3. Renovate core system (Implement ERP)
   - Improve work productivity, from procurement to production, sales and shipment
   - Promote labor-saving
   - Improve intra-Group data integration and operational efficiency with cloud-based unified data management

NEXT.DAIO Project: Strengthen Group Management Infrastructure

Improve and strengthen management efficiency and structure for sustainable profit to achieve the 3rd MTBP and the Long-term vision
Diversity management

- **Realize diverse and flexible working styles**
  - As part of the initiatives to create a workplace environment that ensures that female employees who are engaged in manufacturing and logistics operations could work with a peace of mind, Daio Paper established an on-site childcare facility “GOO.N Sukusuku House” (Shikokuchuo city) in Apr 2018.

- **Provide support to balance work and career advancement with childcare**
  - “GOO.N Sukusuku Leave (childcare leave)” for male employees, management training for managers with female subordinates.

- **Promote women’s participation and advancement in the workplace**
  - FY2020 targets: ratio of women in managerial roles — 3.5%, ratio of women in career-track position — 12.5%.
    Long-term targets: women in managerial roles — 30%, women in career-track position — 40%.

- **Promote mid-career recruitment to facilitate expansion of overseas business**

Health and productivity management

- **Push forward initiatives such as “increase employee’s health-consciousness”, “create a comfortable workplace environment”, “promote mental healthcare”, “promote efforts to stop smoking”**

- **Certified as a “White 500” for Health and Productivity Management, obtained highest rank in “DBJ Health Management Rating”**
The Third Medium-term Business Plan
Financial targets

Net sales 635 bn yen
Operating income 32 bn yen (5.0%)
H&PC overseas net sales ratio 15%
ROE 8%
Net D/E ratio 1.6

Cautions regarding forward-looking statements

The strategies, plan, targets and other forward-looking statements included in this document are derived by Daio Paper Corporation based on beliefs as well as assumptions made using information currently available to it, and are subject to contingencies, risks and uncertainties.

As such, actual future performance and results could differ materially from the statements included herein as a result of latent risks, factors not yet known to the Company or not currently considered material to the Company and its subsidiaries by the Company.