### Daio Paper Group’s ESG Initiatives

#### Realization of the Management Philosophy through Business Activities

**Dedicated**
- Dedication to manufacturing

**Attentive**
- Bonds with local communities

**Integrated**
- Corporate culture providing safety and motivation to work

**Organic**
- Contribution to the global environment

Forestry property of Forestal Anchile LTDA. (59,000 hectares, approximately the same area as Tokyo’s 23 wards)

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#### The Daio Paper Group’s Code of Conduct

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

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

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

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

**Regional Awareness**
- Be good corporate citizens and earn the trust of the world where we work. We will take part in activities that contribute to society, including volunteer work, sporting events, and international standards. We will conduct all corporate activities with consideration for cultures and customs while championing the advancement of lifestyles, industries, and cultures around the world.

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

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

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

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#### Principal Value Creation Activities of the Daio Paper Group

<table>
<thead>
<tr>
<th>Daio Paper’s Principal Value Creation Activities</th>
<th>Code of Conduct</th>
<th>SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly cost competitive Mishima Mill</td>
<td>Sustainable Growth</td>
<td>Social Contribution to the Global Society</td>
</tr>
<tr>
<td>Multi-base production structure</td>
<td>Environment and Social Responsibility</td>
<td>Sustainable Society</td>
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<tr>
<td>Highly transparent procurement process</td>
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<tr>
<td>Reduction in the amount of incinerated sewage sludge ash</td>
<td>Safe Workplaces</td>
<td></td>
</tr>
<tr>
<td>Quality assurance of products</td>
<td>Integrity and Compliance</td>
<td></td>
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<tr>
<td>Research and development</td>
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Research and Development Leading to New Value Creation

Management Philosophy: Dedicated Dedication to Manufacturing

The Daio Paper Group is putting effort into research and development that leads to the creation of new value in paper and paperboard products for the purpose of achieving its management philosophy “Shaping an abundant and affable future for the world.”

Plastics have high environmental impact and are detrimental to the ecosystem. To support the transition to environmentally friendly biodegradable materials, we are undertaking R&D of plastic alternatives by leveraging our specialty paperboard manufacturing technology cultivated over the years. An example of this is the development of EliPla (eliminate plastic) Paper, a high-density heavyweight paper that combines rigidity with biodegradability.

Furthermore, we will take advantage of our strength as a full-range paper manufacturer to propose the reduction of plastic use in the flexible packaging materials sector, by proposing the use of paper in substitute of plastic films.

R&D to Realize a Sustainable Society

The Daio Paper Group seeks to offer added value by leveraging the excellent environmental properties of paper to realize an eco-friendly, sustainable society. For this purpose, we are developing new products such as oil-resistant and heat-sealable paper that can be used to make food packaging that displays the “paper mark”, the recycling identification mark for paper containers and packaging, as opposed to the “plastic mark”.

Development of Original Technical Skills to Improve Quality of Life (QOL)

With “improving the Quality of Life” as the concept of business development in the H&PC Business, Daio Paper conducts product development and undertakes measures that respond to societal needs in Japan and overseas under the motto: “Elleair watches over the comfort of people across generations in every situation, from home to school, work and more.”

The Daio Paper Group has situated its product development departments in its production factories to directly incorporate customer needs into production.

The product development departments conduct the following activities:

(1) Develop new concepts and product designs based on market research and customer feedback.

(2) Produce prototypes that incorporate the new concepts and designs through the following trial manufacture process, according to the degree of completion:
   (i) Manual production of prototypes
   (ii) Test production of prototypes with a test machine
   (iii) Production of prototypes with the actual production machine

(3) Laboratory tests of prototypes
   (i) Laboratory test of quality and selling points
   (ii) Testing using a test dummy machine
   (iii) Monitored product fit test (in an onsite fitting room)

We confirm the quality of products and obtain user feedback through interaction with parents and their children who have used the prototypes and/or products to pursue further improvement of quality.

Basic Approach

Product Development Flow (Example: Baby diaper)

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Product design concept</td>
</tr>
<tr>
<td>2</td>
<td>Manual production of prototypes</td>
</tr>
<tr>
<td>3</td>
<td>Test production with a test machine</td>
</tr>
<tr>
<td>4</td>
<td>Production with the actual machine</td>
</tr>
<tr>
<td>5</td>
<td>Product testing process</td>
</tr>
<tr>
<td>6</td>
<td>Product fit test</td>
</tr>
<tr>
<td>7</td>
<td>Monitoring</td>
</tr>
<tr>
<td>8</td>
<td>Roundtable discussion</td>
</tr>
<tr>
<td>9</td>
<td>Commercial production</td>
</tr>
</tbody>
</table>

Example of EliPla (eliminate plastic) Paper: picks for snacks

Heat-seal adhesive paper tape

Heat-seal adhesive paper (pillow pouch) (currently under development)

Towel hanger made of paper

Options of forest certification and use of thinned wood pulp

Low carbon footprint

Sustainable raw materials procurement through tree planting

Recyclable into recovered paper pulp

Paper as an Environmentally Friendly Material

Heat-seal adhesive paper tape

Development of EliPla Paper (eliminate plastic) Paper: towel hanger made of paper

About the Daio Paper Group
Daio Paper Group’s Value Creation
Daio Paper Group’s Value Creation Strategy
Value Creation Promotion Structure
Initiatives for Sustainable Value Creation
Financial Data / Corporate Information

Daio Paper Group’s Value Creation

Daio Paper Group’s Value Creation Strategy

Value Creation Promotion Structure

Initiatives for Sustainable Value Creation

Financial Data / Corporate Information
Support Activities Overseas

PT. Elleair International Manufacturing Indonesia (EIMI) started local production of disposable baby diapers in December 2015 with a view to achieving sustainable growth under the corporate philosophy of “to bring happiness to the babies and mothers of Indonesia”.

In addition to providing high quality and affordable baby diapers, EIMI conducts CSR activities to strengthen its bonds with the local communities and its contributions to them, in addition to PR activities to boost sales.

In its CSR activities, EIMI’s employees visit Posyandu, a monthly health service post, in the Cikarang district in southern Bekasi Regency, where its production factory is located, to explain its products and distribute product samples to mothers. It incorporates the feedback obtained from the mothers into its product development, etc.

App Supporting In-home Caregivers through Medical Care Station

Daio Paper launched a convenience care app nationwide on October 22, 2018 through “Medical Care Station,” a social media platform dedicated to medical and nursing care developed by Embrace Co., Ltd. in 2013, within the framework of the “Community-based Integrated Care Systems” promoted by the Ministry of Health, Labour and Welfare.

The event embodied the desire of the governor of Ehime Prefecture to dispel the negative image of chimneys as inorganic, artificial structures associated with pollution, and turn them into a source of pride for Daio Paper employees, their families, and the local residents in the community as symbolic structures of Japan’s leading papermaking city.

Collection of information and data

- Assessment of EIMI’s and other companies’ products through securing sufficient number of quality assessment personnel
- Establishment of development process that incorporates information on the needs of consumers and their levels of dissatisfaction
- Understanding of market trends, competitors’ moves, and lifestyle habits
- Sales increase through re-examination of sales strategy
- Sales increase by starting distribution to stores which do not carry our products
- Efficient personnel recruitment
- Establishment of favorable relationships with local medical and welfare organizations
- Establishment of sales strategy together with local distributors

Field work

- Reaching out directly to consumers (mothers and children)
- Reaching out to future mothers
- Visiting local communities, such as hospitals
- Taking part in local events
- Conducting plant tours

Insights to be gained from data gathered

- Understanding of consumers and their levels of dissatisfaction
- Understanding of market trends, competitors’ moves, and lifestyle habits
- Understanding of local medical and welfare organizations
- Understanding of sales strategy
- Understanding of local distributors’ strategy

Ehime Sansan Monogatari (Eastern Toyo Region Promotion Event)

As part of Ehime Sansan Monogatari (April 20 to November 24, 2019), a regional promotion event in Ehime Prefecture, a projection mapping event was held on May 5 using Daio Paper’s Elleair Tower and Cosmos Tower, which are chimneys of the Mishima Mill and prominent structures in Shikoku City, also known as the City of Paper.

The event embodied the desire of the governor of Ehime Prefecture to dispel the negative image of chimneys as inorganic, artificial structures associated with pollution, and turn them into a source of pride for Daio Paper employees, their families, and the local residents in the community as symbolic structures of Japan’s leading papermaking city.

Sponsorship of Child-rearing Support Projects and Operation of Sukusuku House

Since 2011, the Daio Paper Group has been a sponsor of the Child-rearing Support Project in the City of Paper, organized by Shikokuchuo City, in which vouchers for one year’s supply of baby diapers are distributed to households with babies less than one year old.

In 2015, we started to sponsor the Smiling Child-rearing Support Project, organized by Ehime Prefecture to mitigate the declining birthrate.

In April 2018, GOO.N Sukusuku House, the Daio Paper Group’s employer-provided childcare facility, opened under the Cabinet Office’s company-led childcare program. True to its slogan “Bring your child to daycare empty-handed,” the facility seeks to reduce the burden of childcare on mothers and actively supports its employees when they return to work after childcare leave through original services such as laundry service for children’s clothes and free-of-charge diapers.

Visit to the local community (Indonesia)
**Management Philosophy:**

**Integrated Corporate Culture Providing Safety and Motivation to Work**

**Development of Human Resources to Support Value Creation**

**Cultivate a corporate culture that offers new challenges and a sense of security in pursuit of new value creation**

Toshihiro Adachi

Executive Vice President and Representative Director

Responsible for Corporate Unit and Compliance;

General Manager of Business Administration Division, Corporate Unit

The Daio Paper Group is convinced that encouraging its employees to enhance their health and bring their unique abilities and sensibilities into full play at work will lead to sustainable growth of the Group. For this purpose, we will continue to champion “health and productivity management,” “diversity management,” and “self-directed human resource development” to create new value.

**Promoting Diversity Management**

Daio Paper introduced “GOO.N Sukusuku Leave” in FY2017, which is paid leave to support employees raising children, and opened the “GOOD.N Sukusuku House” in April 2018, a facility for employer-provided childcare services, to support employees raising children and increase their career opportunities. In FY2019, Daio Paper established the Diversity Committee consisting of the senior management, putting in place a structure for further development of diversity in the workplace, diversity in the appointment and promotion of its employees, and career opportunities for a diverse workplace.

Daio Paper will continue to provide support for female employees’ career development and support for a good balance between work and parenting/caregiving. We will also undertake measures to allow each employee to maximize their potential, such as supporting foreign national employees’ career development and promoting employment of persons with disabilities.

**Numerical Targets for Promoting Diversity Management**

<table>
<thead>
<tr>
<th>Target</th>
<th>2018 (target)</th>
<th>2019 (target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women in managerial positions</td>
<td>3.5%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Current situation: 1.7% (as of September 2019)

For more information on our initiatives for employees and diversity management, please visit our website.

[Initiatives for employees]

[Promoting diversity]

**Development of Human Resources to Support Value Creation**

Based on the idea that motivated employees would contribute to the sustainable growth of the Company, the Daio Paper Group is promoting diversity management that respects and leverages the diversity and personalities of employees, health management to ensure that employees can work safely and energetically, and self-directed human resource development.

**Health and Productivity Management**

Ensuring that employees maintain good health and work with vitality is essential for a company to maintain sound organizational operations and sustainable growth. In 2014, the Daio Paper Group announced the “Daio Paper Group Declaration of Health,” based on the philosophy that the well-being of its employees and their families is an asset for the Group and is working on the following initiatives:

1. Create a comfortable workplace environment;
2. Promote healthier lifestyle habits;
3. Promote mental healthcare, and;
4. Promote efforts to quit smoking.

In FY2018, Daio Paper obtained the highest rank in the DBJ Health Management Rating* for the third consecutive year and became the first company in the pulp and paper industry to be selected in the Health & Productivity Stock Selection Program in 2019. Going forward, we will continue to provide maximum support to promote the health of our employees and their families.

**Concrete Numerical Targets for Health and Productivity Management**

**Creating a comfortable workplace environment**

<table>
<thead>
<tr>
<th>Target</th>
<th>2016 (result)</th>
<th>2017 (result)</th>
<th>2018 (result)</th>
<th>2019 (target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce overtime work</td>
<td>21.1 hours/month</td>
<td>21.4 hours/month</td>
<td>22 hours/month</td>
<td>20 hours/month or less</td>
</tr>
</tbody>
</table>

**Improvement of lifestyle habits**

<table>
<thead>
<tr>
<th>Target</th>
<th>2016 (result)</th>
<th>2017 (result)</th>
<th>2018 (result)</th>
<th>2019 (target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieve 100% take-up rate for medical checkups</td>
<td>99.6%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Enhancing mental healthcare**

<table>
<thead>
<tr>
<th>Target</th>
<th>2016 (result)</th>
<th>2017 (result)</th>
<th>2018 (result)</th>
<th>2019 (target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve participation rate in stress level tests</td>
<td>93.9%</td>
<td>98.8%</td>
<td>99.9%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Promotion of efforts to quit smoking**

<table>
<thead>
<tr>
<th>Target</th>
<th>2016 (result)</th>
<th>2017 (result)</th>
<th>2018 (result)</th>
<th>2019 (target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce smoking rate</td>
<td>33.8%</td>
<td>31.0%</td>
<td>31.2%</td>
<td>25% or less</td>
</tr>
</tbody>
</table>
Management Philosophy: Organic Contribution to the Global Environment
Earnest Efforts toward Conserving Natural Resources and Reducing Environmental Loads

DAIO Global Environment Charter
The Daio Paper Group aims to realize a sustainable society by earnestly promoting measures to address environmental problems through its global business activities in harmony with the global environment.

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

Promotion of Measures to Mitigate Global Warming
The Daio Paper Group has been promoting the conversion from boilers fired by fossil fuels such as coal and heavy oil to boilers fired by non-fossil fuels (biomass fuels). As a result, the biomass energy ratio of the Daio Paper Group increased from 37% in FY1990 to 46% in FY2018.

Daio Paper is constructing a biomass power generation plant at Mishima Mill that will utilize a byproduct of kraft pulping as fuel, with operations slated to launch in 2020. We plan to sell the electricity generated to electric utilities under the Feed-in Tariff (FIT; fixed-price purchase scheme for renewable energy) scheme.

Furthermore, in light of the Group’s vision for the future and in order to achieve the target of the Paris Agreement (26% reduction of the greenhouse gas emissions intensity by FY2030 compared with FY2013), the Sustainability Committee deliberates on specific measures for reducing the use of coal energy and promoting a shift to biomass energy.

Effective Use of Wood Resources
Forest thinning increases the amount of sunlight that penetrates through the canopy of the forest. This leads to the growth of thicker tree trunks and roots, the growth of miscellaneous small trees on the forest floor, and the forest’s increased resistance to wind and flood damage.

Thinned wood left behind in the mountains and forests would be swept away by heavy rain, causing damage and impeding vegetation growth on the forest floor. Therefore, Daio Paper is increasing the purchase volume of thinned wood to prevent thinned wood from being left untended.

Environmental Management Promotion Framework
The 16 manufacturing companies of the Daio Paper Group are classified into three divisions by industry to develop and implement measures to prevent the recurrence of environmental accidents and complaints, to respond to revisions to environmental laws and regulations, and to conduct activities to improve the environment.

The Environment Subcommittee supervises the 49 factories of the Group’s 16 manufacturing companies, and ensures that the factories convey and share environmental risks and issues with their division and implement measures to prevent environmental accidents by addressing those problems before they emerge.

Based on the environmental self-inspection list, which is common to all Group companies, employees of each company perform self-checks on the compliance status for each law and regulation once a year, and the Environment Subcommittee assures the accuracy of the results of environmental self-inspections conducted by each company. These activities allow the Daio Paper Group to ensure legal compliance as well as maintain its employees’ compliance awareness.

Reduction and Effective Use of Waste
The Daio Paper Group is promoting the reduction of final disposal amount of solid waste, by switching to intermediate waste treatment companies that recycle waste for the disposal of industrial waste produced in the Group.

The total final disposal amount of industrial waste produced by the Group amounted to 4,000 tons (1.2% of the total industrial waste) in FY2018. We have set a target of a total final disposal amount of less than 1% of total industrial waste by FY2020 and will pursue initiatives to reduce both the amount of waste generated and the final disposal amount.

Utilizing the Daio Paper Group’s recovered paper processing technology, we are expanding and modifying facilities that recycle hard-to-recycle recovered paper, which was previously difficult to process into electricity through in-house thermal recycling.

By cooperating with our suppliers (recovered paper wholesalers), we will continue to increase the collection of hard-to-recycle recovered paper and their effective utilization.

Environmentally Friendly, Sustainable Procurement of Raw Materials
Forest certification is a certification by a third party that ensures that only wood from tree plantations and wood that are harvested legally while considering the environment are used. Use of forest certification is a means to ensure that we procure raw materials in accordance with the Basic Policy.

Our Chilean subsidiary, Forestal Anchile Ltda., has acquired forest certification. We also encourage business partners such as our woodchip suppliers to acquire forest certification.

Examples of hard-to-recycle recovered paper
- Magazines with CD or DVD inserts
- Papermaking parent roll cores with metal cap inserts