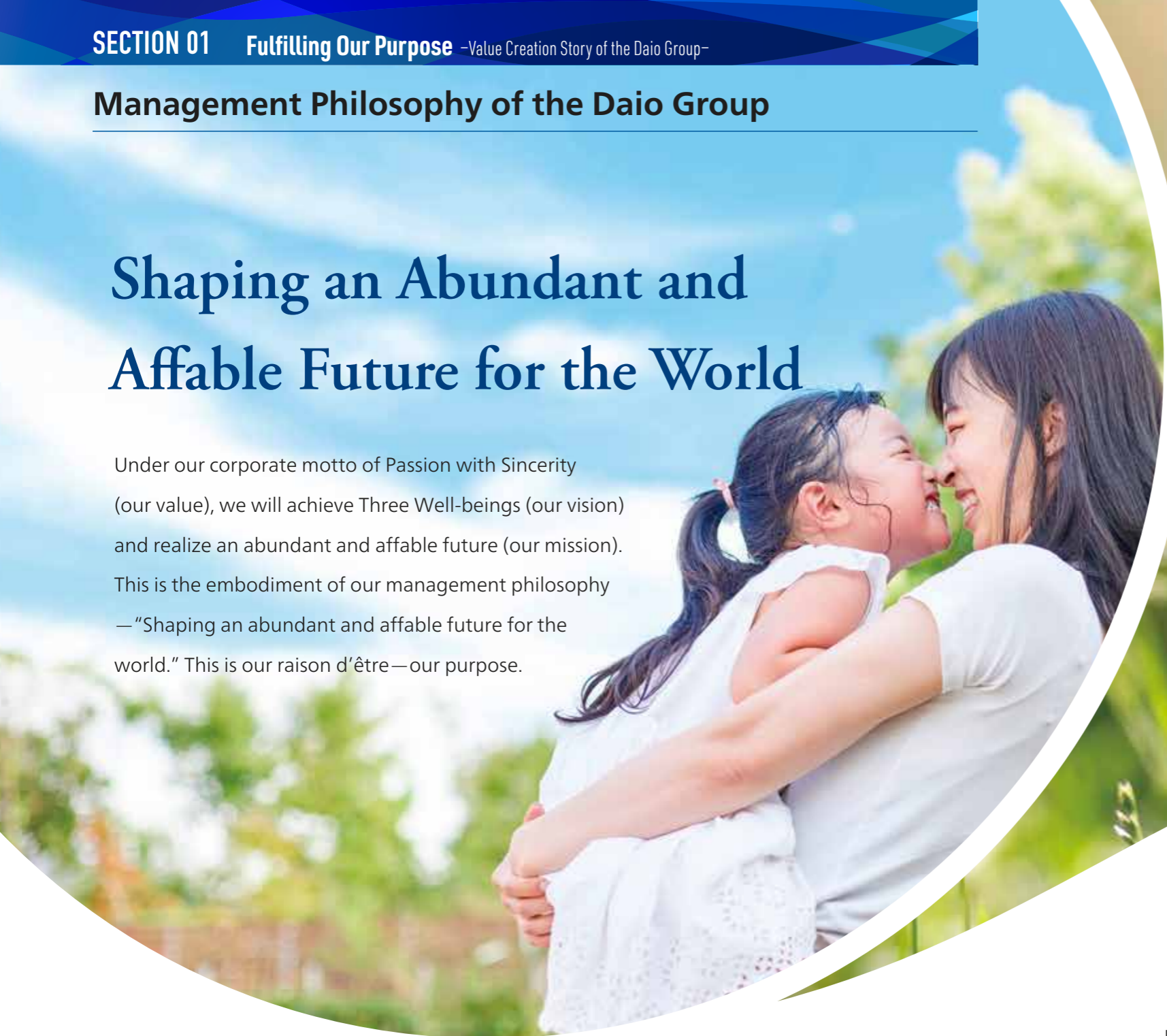


Management Philosophy of the Daio Group

Shaping an Abundant and Affable Future for the World

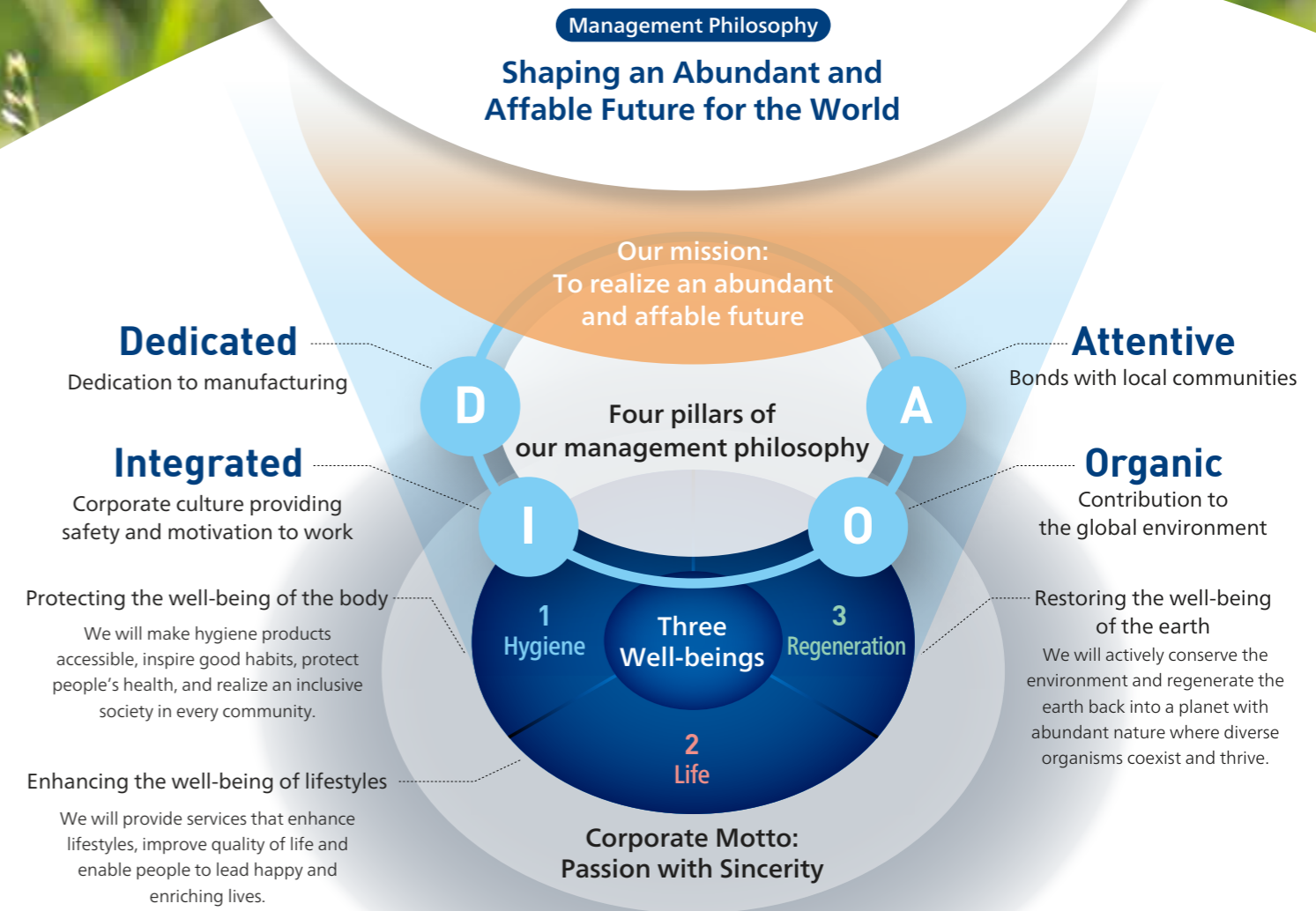
Under our corporate motto of Passion with Sincerity (our value), we will achieve Three Well-beings (our vision) and realize an abundant and affable future (our mission). This is the embodiment of our management philosophy —“Shaping an abundant and affable future for the world.” This is our raison d’être—our purpose.



The four pillars of our management philosophy form the foundation to realize our goal of an abundant and affable future. The embodiment of these four principles will “shape an abundant and affable future for the world.”

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

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



Message from the President and CEO

Looking back on FY2022

Looking back on FY2022, the external environment was extremely challenging for Daio Paper with soaring resource prices resulting from the protracted situation in Russia and Ukraine and successive price hikes for food and other daily necessities, which put pressure on household budgets, coupled with unprecedentedly high raw material and fuel prices and the rapid depreciation of the yen. As I mentioned in last year's Integrated Report, we are now in the era of VUCA (volatility, uncertainty, complexity, and ambiguity), but the past year has been particularly challenging for us due to continuing high procurement prices for major raw materials and fuels such as coal, fuel oil, wood chips, and pulp, and rising logistics and packaging material costs, as well as the historic depreciation of the yen. All these combined have resulted in a significant

Building a resilient business foundation and achieving a V-shaped recovery by accelerating the shift of focus to the Home and Personal Care Business and the shift away from coal

Yorifusa Wakabayashi

President and Representative Director
Chief Executive Officer

increase in the production costs of paper products, converted products, and all other products for our company, which imports a lot of raw materials and fuels from overseas. In addition to these factors, a disaster loss from the boiler breakage accident that occurred at our subsidiary Iwaki Daio Paper Corporation in September 2022, and the restructuring costs including the restructuring of the production system had a massive adverse impact on our performance. As a result, for FY2022, although net sales increased 5.5% year-on-year to 646.2 billion yen, hitting a record high for 10 consecutive years, operating profit fell to a loss of 21.4 billion yen, and we posted the first operating loss since listing on the stock exchange in 1979. Ordinary profit and profit attributable to owners of parent posted losses of 24.1 billion yen and 34.7 billion yen, respectively. I am ashamed of these severe financial results. By business segment, the Paper and Paperboard Business implemented measures to pass on increased production costs to selling prices, but was unable to absorb the full impact of the soaring raw material and fuel prices, resulting in an increase in sales and a decrease in profit, thereby posting a segment loss. With regard to the Home and Personal Care (H&PC) Business, although net sales increased year-on-year due to price revisions in overseas operations and the impact of foreign exchange rates, the increased production costs caused by the rising pulp and packaging material prices could not be offset by self-reliant efforts such as price revisions, energy conservation, and cost reductions, both in Japan and overseas. As a result, the H&PC Business posted increased sales and decreased profit, resulting in a segment loss.

Since the First Medium-Term Business Plan (hereinafter "MTBP") in FY2012, we have steadily increased our business performance through three successive MTBPs, under which we implemented various measures to drive growth such as capital investment. These efforts bore fruit, and one year ago, in FY2021, we recorded our highest ever profits. However, in FY2022, the second year of the 4th MTBP, our performance took a sharp downturn, making it difficult to achieve

the numerical targets in the final year of the 4th MTBP. Under these circumstances, we have initiated measures to restore our business performance as soon as possible and strengthen our resilience. In FY2023, the effects of these measures will materialize throughout the year, and we will achieve a V-shaped recovery, as well as year-on-year increases in both sales and profit.

Shifting focus from the Paper and Paperboard Business to the H&PC Business

In order to strengthen our resilience even in this severe business environment, we have announced the following four measures: phased price revisions, thorough cost reductions, further promotion of structural reforms, and a shift in investment policy during the 4th MTBP period, and have implemented specific activities accordingly. We have already completed price revisions of the products in the Paper and Paperboard Business and also of the household paper products. As for cost reductions, we have reviewed our coal suppliers and procurement items, and streamlined our organization through restructuring and integration. Regarding the review of wood chip sourcing areas, we plan to increase the ratio of domestic materials by 10% from the current level by FY2026. With regard to structural reforms, we carried out a major revision of our energy policy, and in March 2023, commenced in-house consumption of biomass-generated power that had been sold under the feed-in tariff (FIT) scheme. In addition, we shut down the No. 3 paper machine (for manufacturing newsprint) at the Mishima Mill and restructured the production systems of the Newsprint Sales Division and the Paper Sales Division. For the H&PC Domestic Business Group, in addition to promoting structural reforms by establishing a new organization dedicated to improving S&OP (sales and operations planning) in April 2023, we started in-house production of fluff pulp in July this year. With regard to investment policy, we have decided to make a major shift from the initial policy for the 4th MTBP period, giving priority to energy-related

investments.

Comparing the current situation with that envisioned in the original 4th MTBP, although we had planned to welcome the epoch-making moment in which the sales ratio of the H&PC Business would exceed that of the Paper and Paperboard Business during the 4th MTBP period, the current situation is far from what we initially expected. We have concluded that in order to get to the envisioned ideal state, we need to further strengthen the H&PC Business. Positioning FY2023 as the year to start building a foundation for growth from the 5th MTBP onward, we have clarified our policy of shifting the focus largely from the Paper and Paperboard Business to the H&PC Business. We will reallocate resources to the H&PC Business in all aspects of people, equipment, and money (capital investment). However, this is in no way meant to make light of the existing Paper and Paperboard Business. Due to structural reforms centered on the Mishima Mill and a review of the sales structure, the Paper and Paperboard Business is now more than able to compete with its competitors. Going forward, we will pursue further efficiency by shifting from quantity to quality, and after solidifying our business foundation in Japan, we will shift to a business model that seeks to generate profits from overseas operations centered on the H&PC Business, using the stable earnings from the Paper and Paperboard Business as a source of funds. Although demand for paper and paperboard is not as strong as it used to be, we are seeing a certain level of demand, and we will secure solid profits by selling our value-added products.

H&PC Domestic Business enters the pet care products market while maintaining its competitiveness

The H&PC Business is our core business, and is a growth field that will drive our company in the future. In Japan, demand for health care is growing due to the aging of the population, and economic activities are expected to revive as the COVID-19 pandemic gradually subsides. However, we expect a contraction in demand for

baby care and feminine care products due to a decline in the number of births, and a significant decline in demand for sanitizing wet wipes and face masks, whose sales had been boosted by special demand from the COVID-19 pandemic. As we position the H&PC Business as our core business, we must find and nurture new growth opportunities while ensuring profits even in categories where market contractions are inevitable in Japan. To this end, in addition to carrying out structural reform of the S&OP process to leverage digital transformation to advance the automation of production and logistics planning, we commenced in-house production of fluff pulp in July of this year as a structural reform in terms of costs. While regaining competitiveness through these structural reforms, we will enter the pet care products market this fall as a new initiative. Pet care products specifically refer to absorbent pads, cat litter, diapers, wet wipes, etc. The average lifespan of both dogs and cats, which are the most common pets, has been increasing, and people feel closer to and regard their pets as family members rather than as objects to “keep.” The market for pet care products is expected to grow to about 145 billion yen by 2026, far exceeding the individual markets for baby care and feminine care products. If we can successfully develop the pet care product business into a pillar of our domestic business by leveraging the strength of the Elleair brand, it would open up the possibility of horizontally expanding that successful experience to overseas markets, including China, which is a “pet superpower.” Furthermore, in this field, not only can we apply the technology we have cultivated in the absorbent product business, we can also make maximum use of the cat litter manufacturing technology and know-how of Daiki, whose shares we acquired in 2022. We are also considering a recycling business model that contributes to the global environment, such as producing pet care products using rejects from the production of sanitary paper and disposable diapers. As consumers become increasingly environmentally conscious, this recycling business model could become an element that differentiates us from our competitors.

Positioning H&PC Overseas Business as a growth driver

We aim to achieve net sales of 800 billion yen to 1 trillion yen and an operating margin of 10% in FY2026, the final year of the 5th MTBP. We envision that the H&PC Overseas Business will account for more than 30% of the Group’s consolidated sales, and we will more vigorously promote the shift to overseas business as a driver of future growth. Currently, we are actively directing efforts to improve profitability, with priority on the productivity of the factories in China and Brazil, which are huge markets. In China, our core business is baby care and feminine care. In the baby care business, we will further strengthen our presence in the super-premium market. At the same time, we will promote the development of the standard market by enhancing the lineup of products for users in second- and third-tier cities in China, while leveraging the high recognition of the DaWang brand that we have cultivated to date. In the feminine care business, as the zero-COVID policy has ended and sales activities at stores have resumed, we will expand our product lineup and accelerate sales by taking advantage of the production capacity of the new machine, which commenced operation in 2022. In Brazil, following the premium strategy for toilet tissue, which we have been pursuing, we are working to enhance profitability by strengthening the premium category in absorbent products, and it has been going very well. In September 2022, we launched premium diaper pants in the baby care category, and sales of this new product have steadily increased, taking an 8% share in the premium market in terms of volume in just six months. Our next step is to promote the development of premium products in the feminine care category. In Southeast Asia, we are working to rebuild and strengthen our business structure to capture growing demand. The demand for disposable baby diapers in ASEAN is 2.6 times that of the Japanese market, and the population is expected to continue to grow. In the past, our activities have been

limited to Indonesia and Thailand, where we have bases. Going forward, we intend to enhance our presence by shifting our strategy to extend the coverage of our operations to the neighboring countries of our current bases. To promote this strategy, we established a sales subsidiary in Vietnam in July 2023. Vietnam is expected to have the third largest demand for disposable baby diapers in ASEAN, after Indonesia and the Philippines. So, starting with disposable baby diapers, we will work to increase our presence in the ASEAN region, with a view to expanding into the sale of feminine care products in the future.

Shifting the focus of human resources as well

In executing the strategy to shift focus to the H&PC Business, human resources will be critical. Based on our belief that people are valuable assets, we have been working to create an environment in which each individual can demonstrate their full potential. In order to successfully shift focus to the H&PC Business, we will promote a personnel strategy based on the two pillars of increasing the number of employees





central role in implementing strategies to enhance the diversity of human resources. This includes strengthening measures to ensure female employees can participate actively in the workforce, and encouraging male employees to take childcare leave, with the target of a 100% acquisition rate. Also, as a measure to improve employee engagement, surveys are conducted to visualize engagement, identify operational issues at each unit, and make improvements. Through structural reforms, we will promote the integration of some group companies, and seek to create a synergistic effect through increasing personnel exchanges, thereby leading to new developments.

Actively promoting sustainability and accelerating the shift away from coal

in the H&PC Business, and strengthening the internal development of global human resources who can play an active role overseas. More specifically, we will shift human resources from the Paper and Paperboard Business to the H&PC Business, and the Paper and Paperboard Business will be operated by a small number of highly skilled employees to support the Company as a revenue base. In addition, we will strengthen the development of global human resources by giving young employees the opportunity to experience overseas assignments as part of their career path, in addition to providing language training. We are planning to dispatch approximately 100 people overseas for training. We are encouraging motivated people under the age of 35 to step forward through open recruitment, self-nomination, or peer-nomination. We are considering personnel measures that would allow employees to experience an overseas assignment at least once early in their career, return to Japan to acquire further business expertise, and subsequently experience working overseas again, but this time as a manager at an overseas subsidiary or an acquired company. Promoting diversity is also essential for the advancement of overseas business. The Diversity Promotion Department plays a

I believe that sustainability initiatives can present major risks and at the same time business opportunities for our company. I feel a sense of urgency in that unless we accelerate our sustainability efforts, our survival could be at stake, and any delay in our efforts will only lead to our decline. In terms of organizational structure, we have upgraded the Sustainability Promotion Department to the Sustainability Promotion Division, to step up our sustainability efforts even further.

Daio Paper upholds the management philosophy of "Shaping an abundant and affable future for the world," and has set the vision of becoming a company that helps realize a sustainable society and solve social issues through its business activities. Unfortunately, we are currently using a large amount of coal, which emits greenhouse gases (GHG). Unless we resolve this situation, I fear that we may not even be able to pass down our company itself to future generations. This sense of crisis that I feel is, of course, shared with our employees. I stress to employees that our generation must avoid actions that could negatively impact the future, including exacerbating global warming through GHG emissions, which could impede the achievement of even the 1.5°C scenario set forth in the Paris Agreement.

To achieve carbon neutrality by 2050, we had planned to shut down a total of three coal-fired boilers, one every 10 years, in 2030, 2040, and 2050. However, with the Japanese government moving to introduce a carbon pricing system as early as FY2028, we believe that if we do not accelerate the shift away from coal, it could have a significant negative impact on our business performance. Therefore, in March of this year we switched to using power generated by our biomass-fired boiler internally, instead of selling it externally under the FIT scheme, and shut down the No. 3 paper machine at the Mishima Mill to improve our energy balance. This decision was very difficult for me, but I would like to take a major turn toward shutting down coal-fired boilers as soon as possible. However, it is not so easy to promote decarbonization while continuing the business of providing products to customers. Therefore, we are promoting various initiatives, such as reducing CO₂ emissions through the use of black pellets as an alternative fuel to coal, and accelerating the construction of waste-to-energy boilers. Furthermore, with regard to the fuel for waste-to-energy boilers, in addition to procuring RPF (Refuse Paper & Plastic Fuel: a fuel made from waste paper and waste plastic), which is the mainstream fuel for waste-to-energy boilers, we are considering the use of compost produced through in-vessel composting, which is being carried out by Mitoyo City in Kagawa Prefecture. In-vessel composting is a beneficial solution for municipalities as it allows them to sidestep the high costs associated with waste incineration. As a company who seeks to procure the compost as fuel for waste-to-energy boilers, I believe that we can forge a mutually advantageous relationship with the municipality.

To shape an abundant and affable future for the world

The Daio Group states that with our founding spirit of "Passion with sincerity leads to greatness" in mind, we strive to achieve the Three Well-beings of Hygiene (protect the well-being of the body), Life

(enhance the wellbeing of lifestyles), and Regeneration (restore the well-being of the earth) in order to realize our management philosophy of "Shaping an abundant and affable future for the world." We will accomplish the Three Well-beings through the four pillars of our management philosophy: "Dedication to manufacturing," "Bonds with local communities," "Corporate culture providing safety and motivation to work," and "Contribution to the global environment." We believe that our management philosophy embodies the goal of sustainability management. Our ultimate goal is to improve hygiene and the standard of living globally by distributing our products worldwide, thereby enriching the lives of people around the world. At present, we are working to realize sustainable growth in order to deliver, through our products, the social value of hygiene and improved living standards to countries across the world, including the African continent, which we have not yet entered at the moment.

In our interactions with investors, we have often been praised as a company with the ability to transform. We must leverage this strength to accelerate our sustainability management. On the other hand, we are aware of the need to improve PBR as quickly as possible as it is currently below 1x. Our financial results deteriorated significantly in FY2022. Therefore, in order to improve PBR, it is important above all to steadily implement our growth strategies and thereby enhance our corporate value as quickly as possible. We are also strengthening management through figures within the Company, such as examining capital efficiency and cost-effectiveness by business segment, and conducting detailed analyses for investment execution. Also, we are sharing ROIC trees with frontline staff to raise their awareness of important financial KPIs. In FY2023, we will first focus on improving our financial strength, and then steadily promote the shift to the H&PC Business to bring us closer to our target for the next step, the 5th MTBP.

History of the Daio Group

—Relentless pursuit of value creation through speedy decision-making and execution, and global expansion by leveraging brand power—

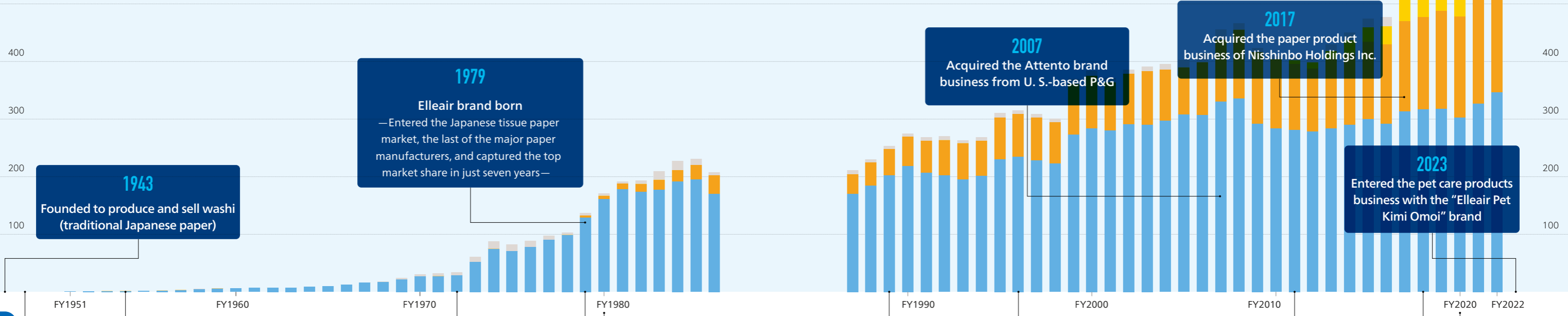
“What is made by Daio is sold only by Daio sales representatives” —this saying has been passed down in the Daio Group, and in keeping with this, Daio’s sales representatives visit customers directly one by one to understand their needs and the quality required by them, and communicate such firsthand information to the production team to create what customers truly want. The Daio Group has grown to the present day through this unique system that is not seen in other paper manufacturers.

In addition, its culture of responding to social needs and fostering manufacturing by visiting actual sites and listening to customers' voices is still carried on today as its basic stance of emphasizing *genba* (actual place), *genbutsu* (actual object) and *genjitsu* (actual situation) based on the *San Gen* (three actuals) *Shugi* principle. Furthermore, the Group quickly senses and responds to market changes, and continues to strategically transform its business portfolio through speedy decision-making and execution, thereby actively expanding its global presence.

(Billions of yen)

600
500
400
300
200
100

■ Paper and Paperboard Business ■ H&PC Business ■ Overseas H&PC Business ■ Other



Transformation of our business portfolio



Ceremony for the completion of a paper mill



Kawanoe Mill serving as the core of linerboard production



Construction of the New Mishima Mill



Facial tissue and toilet tissue at launch



Disposable baby diapers and sanitary napkins at launch



A stretch of forest owned by Forestal Anchile



Iwaki Daio Paper



Elleair International China (Nantong)



Kawanoe Mill, which was converted into a household paper mill



Santher (Brazil)

1947

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

1954

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

1972

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

1979

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

1980

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

1989

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

1996

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

2011

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

2018

As part of its production structure reform, Daio Paper converted the Kawanoe Mill into a household paper mill with a view to not only supplying household paper products to the Japanese market but also to Asian countries, including China. A household paper machine was added at the Mill in 2021.

2020

In order to accelerate its global expansion, Daio Paper acquired hygiene product manufacturers in Brazil and Turkey.

Fulfilling Our Purpose

—Value Creation Story of the Daio Group—

Achieving Sustainable Growth

—Strategy for Continuing to Provide Value—

Responding to Social Issues

—Foundation for Sustainable Growth—

Data and Information

—Financial and Corporate Data—



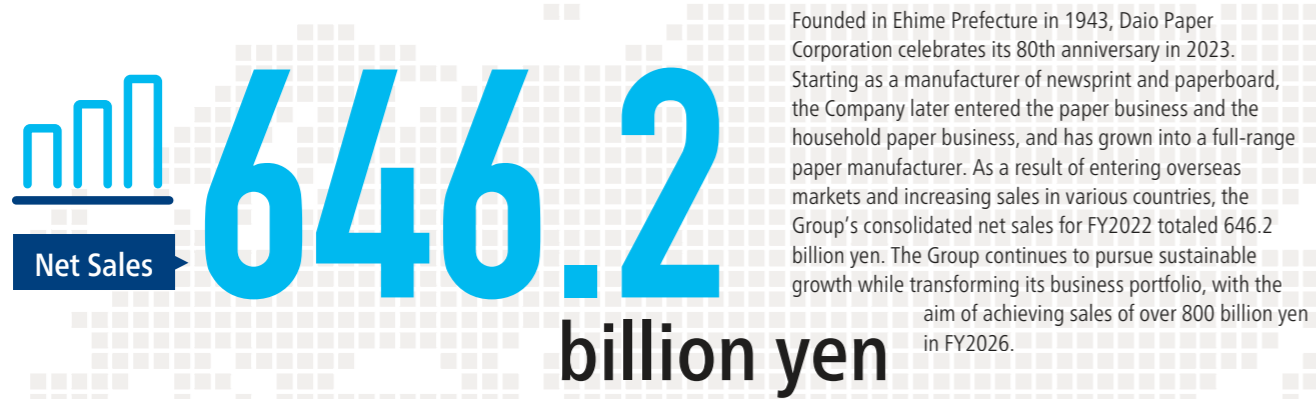
Expanding Daio's presence around the world

(Billions of yen)

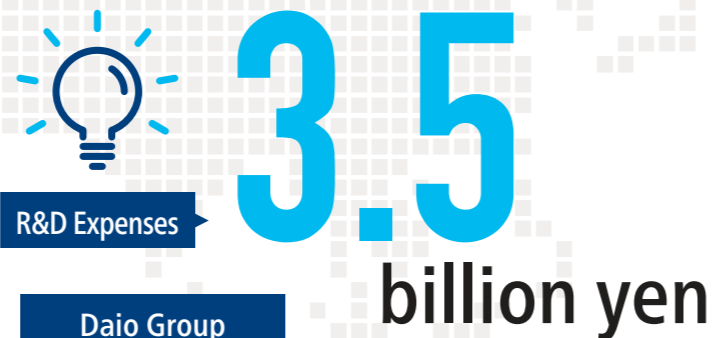
600
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200
100

At a Glance

The Daio Group manufactures and sells a full range of paper products including newsprint, printing paper and packaging paper, and consumer household goods including facial tissue and other household paper products, disposable baby and adult diapers, and feminine care products.



In FY2022, the Daio Group spent 3.5 billion yen on research and development. With the aim of achieving sustainable growth, the Group has continued to conduct research and development to address environmental and social issues as well as consumer needs. The Group has been working to develop products that can contribute to decarbonization and reducing the use of plastic, including paper products and a new material, cellulose nanofiber (CNF), from renewable wood resources.

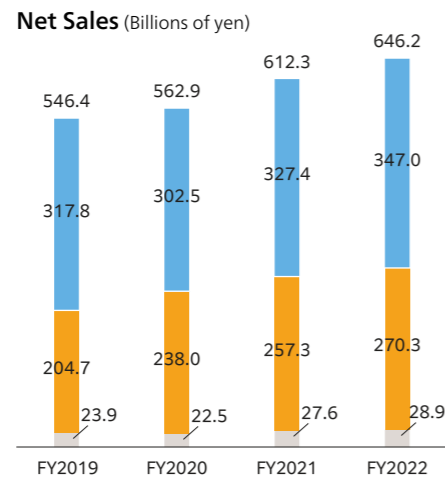


In Japan, a total of 24 bases—comprising production bases and Group company business bases—operate various businesses. Outside Japan, the Group has nine bases in eight countries, including Thailand, China, and Indonesia.

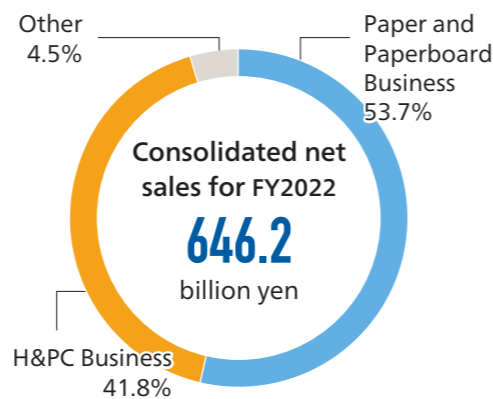
*Bases: Daio Paper Corporation and its consolidated subsidiaries (headquarters) (as of August 31, 2023)

Business Description

- Paper and Paperboard Business**
Production and sale of newsprint, printing and publication paper, communication paper, packaging paper, containerboard and corrugated container products, pulp, etc.
- H&PC Business**
Production and sale of household paper such as facial tissue, disposable baby and adult diapers, feminine care products, wet wipes, etc.
- Other Businesses**
Transportation, engineering, management of sports clubs and golf courses, etc.



Net Sales Composition by Segment



Fulfilling Our Purpose

—Value Creation Story of the Daio Group—

Achieving Sustainable Growth

—Strategy for Continuing to Provide Value—

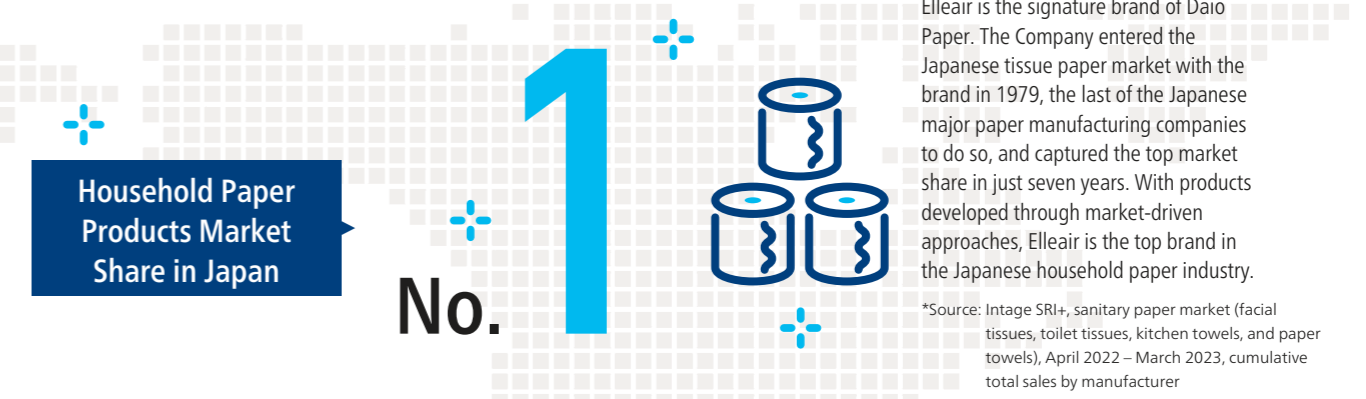
Responding to Social Issues

—Foundation for Sustainable Growth—

Data and Information

—Financial and Corporate Data—

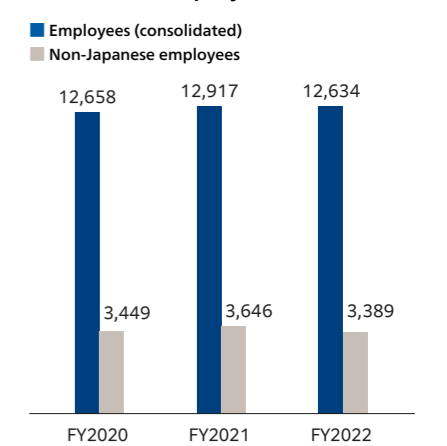
We operate our businesses while leveraging our various tangible and intangible assets to achieve sustainable growth and provide value for stakeholders.



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

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

Number of Employees (Consolidated)



Strengths of the Daio Group

Production capability

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

Competitive Advantage 1

Product Value Chain

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

The Daio Group has built a product value chain capable of efficient production to provide a timely response to changes in paper demand to achieve sustainable growth. The Mishima Mill, our core paper mill, is one of the world's largest coastal paper mills and engages in the integrated production of paper and paperboard with in-house produced pulp. Its annual production output is about 2.1 million metric tons, which accounts for about 9% of Japan's annual paper and paperboard production. The Mishima Mill has one of Japan's largest pulping facilities, which is connected through a network of pipes to 18 paper machines and feeds the appropriate types of pulp to each machine according to the quality of paper to be produced. This system enables us to flexibly switch between different product types to always meet changing market demand. In July 2023, we converted a paper machine at the Mishima Mill into a facility that produces roll pulp for conversion into fluff pulp, which is an essential raw material for diapers and absorbent products. By producing in-house some portion of the fluff pulp that was previously imported, we will further strengthen our stable supply system for absorbent products.

Competitive Advantage 2

Environmentally Conscious Company

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

Since its establishment, the Daio Group has been engaged in environmental conservation through various initiatives, including utilizing a high percentage of recovered paper, lowering energy consumption, and recycling industrial water. We own 590 km² of forested land—roughly the same area as Tokyo's 23 special wards—in Chile, South America, and are practicing sustainable forest management there. About half of this, 280 km² of land, is preserved as natural forest to conserve biodiversity. In addition, we now use a higher percentage of recovered paper than the average in the industry as a result of our efforts to increase our use of hard-to-recycle recovered paper, which was previously disposed of as waste. We also aim to achieve zero waste emissions by separating hard-to-recycle recovered paper into material (pulp) and fuel (such as plastic film mixed in with recovered paper) and utilizing both. In addition, we have partnered with Livedo Corporation and Total Care System Co., Ltd. to jointly develop a technology for recycling used disposable diapers, and we are producing paper cat litter at Daiki Co., Ltd. using scraps from production rejects. Through these activities, we aim to establish an environmentally friendly business model and reduce our environmental impact.

Competitive Advantage 3

Market-driven Business Strategy

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

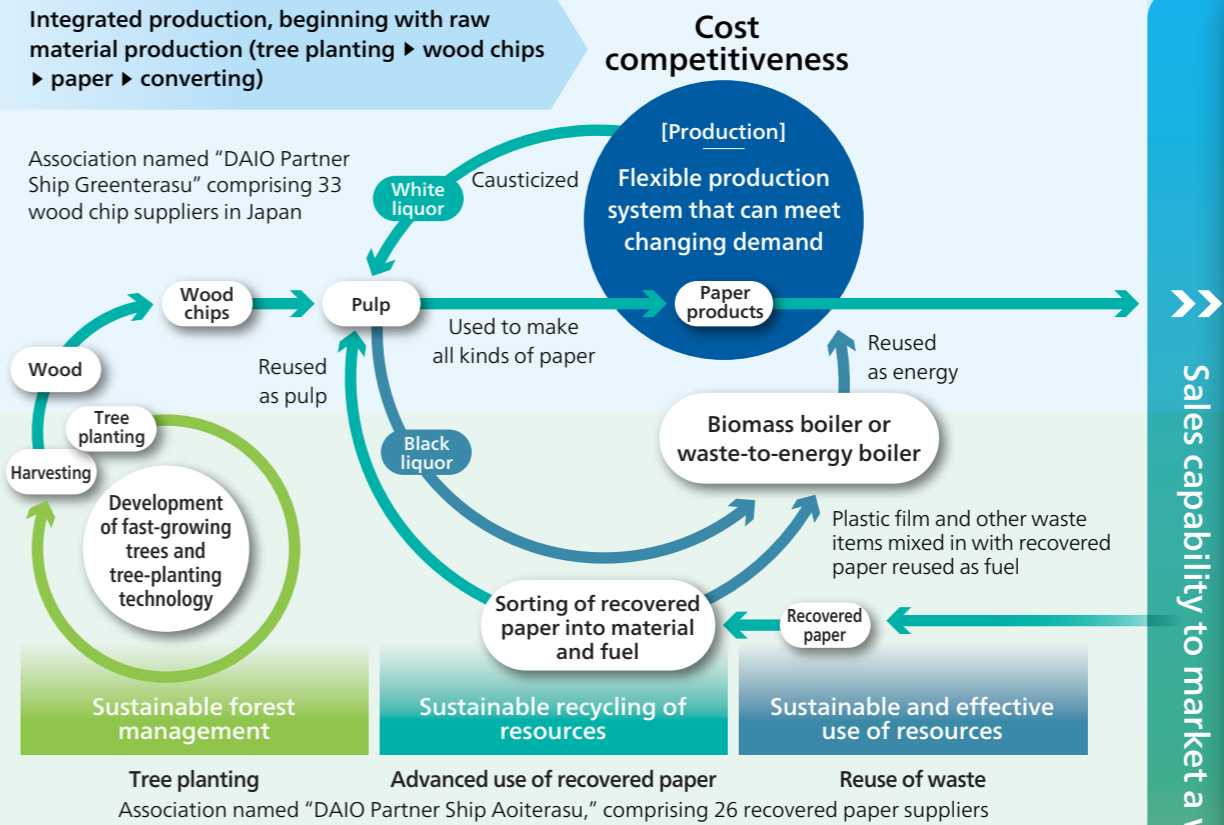
As a manufacturer that aspires to know its customers best, the Daio Group has devoted its efforts to expanding its sales networks and training its sales representatives based on its basic stance: "What is made by Daio is sold only by Daio sales representatives." All sales representatives are encouraged to grasp market trends through their day-to-day marketing activities with customers, thereby contributing to speedy product development and proposals that meet customer needs. Crucial to our innovation activities, integrated operations of development, production and sales drive progress in our priority issues: the development of plastic-reducing technologies and environmentally-friendly products/services, and the development and implementation of new businesses such as CNF¹ and RFID². This management strategy is implemented not only in Japan but also worldwide, and it contributes to broadening our lineup of high-performance and high-quality products that fit the local culture and customs of each country/region and to enriching the lifestyles of local consumers. In addition, toward the achievement of the targets in the 4th MTBP, we are strengthening our intellectual capital—the seeds of an abundant and affable future—in step with our key strategies of further global expansion and innovation in priority fields. We aim to enhance our corporate and brand value across the globe by implementing intellectual property strategies that contribute to the achievement of our business goals.

Intellectual Property Strategies to Enhance Corporate Value >> pp.55-56

*1 CNF: Cellulose nanofiber
 *2 RFID (Radio Frequency Identification): Contactless electronic smart tag
 *3 Number of intellectual property rights owned as of the end of March 2023
 *4 The number of intellectual property rights owned and applications submitted may not match previously published figures due to changes in internal tabulation standards and other factors.
 *5 Number of applications submitted in FY2020. The number of patent applications filed abroad is the number of PCT applications.
 *6 Number of kinds of products registered in our database
 *7 Source: Intage SRI+, sanitary paper market (facial tissues, toilet tissues, and kitchen towels), April 2022 – March 2023, cumulative total sales by manufacturer

Sales capability

The Group strives to increase its brand power, sales capability, and corporate value based on its market-oriented sales policy embodied by the slogan, "What is made by Daio is sold only by Daio sales representatives."



Brand power

No.1^{*7} market share in Japan

Facial tissue:

27.4%

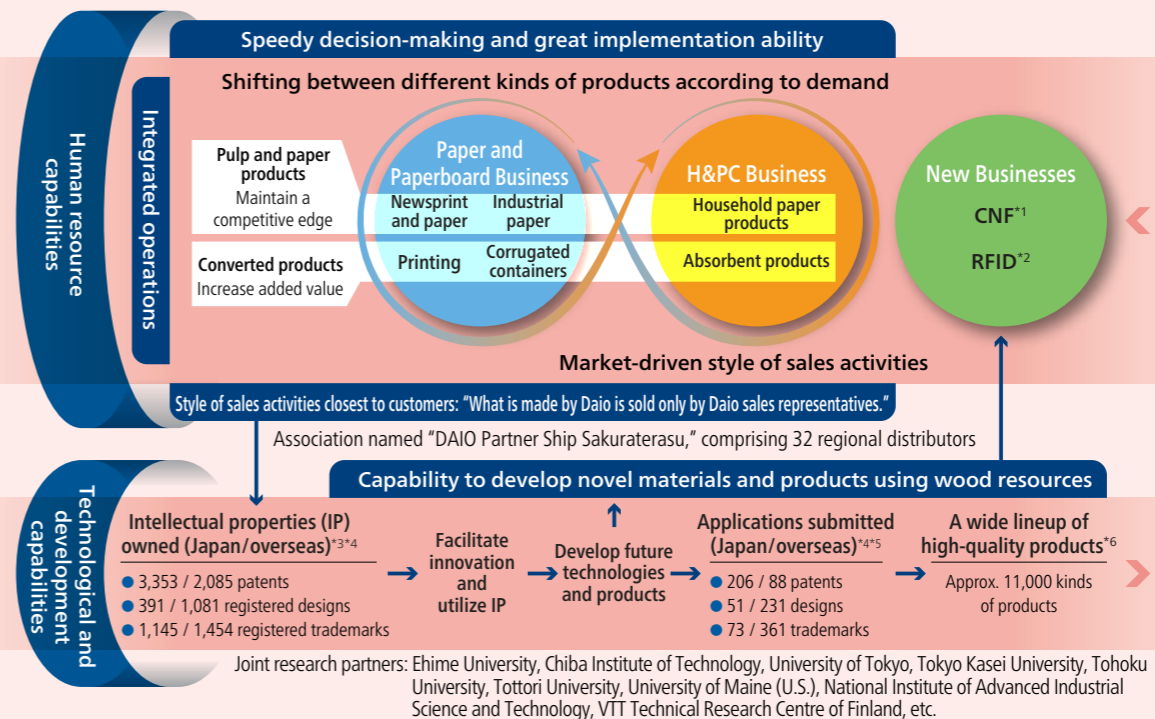
Toilet tissue:

30.8%

Kitchen towels:

28.6%

Sales capability to market a wide range of products



Core competence

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

Material Issues of the Daio Group

The Daio Group observes social trends from a global perspective and reviews key issues that it should tackle to increase its corporate value over the medium to long term, not only from the perspective of the current situation but also from a future-oriented perspective, in order to focus on its goal. We have identified our priority material issues by taking the following steps.

STEP 1 Understand the environment surrounding the Group and social issues, and from among these, identify and organize those issues expected to have an impact on the Group's corporate value

STEP 2 Analyze and organize important themes

STEP 3 Identify material issues

(1) Issues of stakeholder concern

We detected issues of considerable concern to stakeholders from among issues related to the Group's operations and among social and other issues through dialogue with stakeholders.

(2) Important issues for the Group

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

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

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

(1) Business strategies

We analyzed and organized the issues of stakeholder concern and important issues for our Group selected at Steps 1-(1) and 1-(2) to determine which issues are important themes related to our business strategies.



(2) Social issues

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

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

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

(2) Determining material issues through discussions at important meetings

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



Issues of stakeholder concern (examples)

Identified through dialogue

- Current sales and future potential of environmentally conscious products
- Risks entailed by the global business expansion and the progress being made in this effort
- Progress in the development of advanced cellulose nanofiber (CNF) technologies and their application
- Relationships with local communities (such as social contribution activities)

- CSR procurement and supply chain management
- Progress in diversity initiatives and human resource development
- Establishment of a powerful governance system and risk management
- Decarbonization and other responses to climate change, use of recovered paper, and water resource management
- Conservation of biodiversity and forests
- Responses to the impact of the COVID-19 pandemic, etc.

Important issues for the Group (examples)

Picked out from among our risks and opportunities, and analyzed

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

- that can respond to business globalization
- Respect for human rights and the safety and health of employees and their family members
- Responses to international CSR requirements and risk management
- GHG emissions reduction by FY2050
- Decrease in the amount of plastic used and exploration of alternative materials
- Reduction and reuse of industrial waste and water resource management
- Sustainable forest management and paying due attention to biodiversity

Forecasting from the perspective of the near future

Material issues

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

Backcasting from the perspective of our goal

Our goal (future vision)

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



Our goal: An abundant and affable future

Risks and Opportunities of the Daio Group

As social and market conditions change, we believe that in order to continue to provide value to society through our business, it is not enough to develop plans and countermeasures based on current predictability. In order to sustainably provide value, the Daio Group has analyzed medium- to long-term

issues that could affect the creation of value and has identified various risk factors. Viewing these risk factors as opportunities to create future businesses, we have reflected them in our medium- to long-term business strategy planning.

Material issues	Changes in the social environment, market trends, etc.	Major risks and opportunities expected to have a significant impact on our business		Strategy	
		Risks	Opportunities (including responses)		
<p>Strategic transformation of our business portfolio</p> <p>Acceleration of global expansion</p> <p>Creation of new businesses</p>	<ul style="list-style-type: none"> Progress of digitalization Growth of the EC market Changes in lifestyles Decrease in Japan's population / Population outflow abroad Economic growth in emerging countries Population growth in developing countries / Increase in infectious diseases and deaths due to poor sanitation / Poverty issues Changes in consumer preferences 	<ul style="list-style-type: none"> Decrease in demand for graphic paper Decrease in demand for household paper and feminine care/baby care products Growing recognition that disposable products are bad for the environment <p>Establishment of a foundation for business expansion in Africa, where we are considering expanding in the future</p>	<ul style="list-style-type: none"> Transformation of our business portfolio Increase in demand for paper for packaging and transport applications Entry into the pet care products market Expansion of overseas business through M&A / Increase in the value of companies grouped through M&A Dissemination of hygiene products and habits Support for women's independence (vocational training, etc.) Increase in demand for environmentally friendly products and services (natural materials, reuse, resource saving) <ul style="list-style-type: none"> Plastic-free and low-plastic products Application development of cellulose nanofibers (CNF) Use of intellectual capital 	<ul style="list-style-type: none"> Daio Group's Vision and Medium-Term Business Plans >>> pp.33-34 Paper & Paperboard Business Group Paperboard Sales Division and Packaging Paper Sales Division >>> pp.45-46 Entry into the pet care products market >>> p.61 Home & Personal Care Unit Overseas Business Group >>> pp.49-50 Overseas Business Initiatives in Preparation for the Fifth Medium-Term Business Plan >>> pp.51-54 Elis Heart Support Project >>> p.62 Paper & Paperboard Business Group Paperboard Sales Division and Packaging Paper Sales Division >>> pp.45-46 Application development of cellulose nanofibers >>> p.62 Intellectual Property Strategies to Enhance Corporate Value >>> pp.55-56 	<p>We recognize that the progress of digitalization and a decline in Japan's population will lead to a decrease in demand for paper and consumer household goods, which will have a major impact on our business. In Japan, we will secure profits by allocating human resources and investments to the Home and Personal Care Business and use these profits to develop overseas businesses and new businesses. We will quickly solve the material issues of transformation of our business portfolio, acceleration of global expansion, and creation of new businesses so that our business can survive and sustainably grow. We will also align the initiatives of our material issues, such as the dissemination of hygiene products and habits to people around the world and support for women's independence, with solutions to social issues in order to achieve our goal of realizing an abundant and affable future.</p>
<p>Coexistence with local communities</p> <p>Establishment of sustainable supply chain</p>	<ul style="list-style-type: none"> Aging society with a declining birthrate Increasing need to extend healthy life expectancy Decline of local economy Growing public concern about human rights and environmental issues Environmental and other pollution 	<ul style="list-style-type: none"> Decrease in demand for baby care products Survival risk facing the Mishima Mill and local companies Existence of companies that do not consider human rights and the environment in the supply chain Difficulty in operating mills due to complaints from local residents 	<ul style="list-style-type: none"> Increase in demand for products and services for an aging population <ul style="list-style-type: none"> Providing products and services that extend healthy life expectancy, reduce the burden on caregivers, etc. Establishment of a community-based integrated care system based on regional collaboration Creation of an industrial cluster centered on our company / Promotion of local production and consumption Creation of a sustainable supply chain Environmental communication and improvement of relationships with local communities / Social contribution activities 	<ul style="list-style-type: none"> Realization of comfortable and effective support for incontinence care >>> p.63 Initiatives through a community-based integrated care system >>> p.28 Establishment of sustainable supply chain >>> p.64 	<p>We recognize that we cannot continue our business unless we consider the interests of all stakeholders, including local communities. Many business partners, along with the local government and residents of Shikokuchuo City, Ehime Prefecture, which is home to our core paper mill, the Mishima Mill, contribute to the growth of our business. We will give consideration to all stakeholders and continue to develop and grow together with them while coexisting with local communities.</p>
<p>Respect for human rights, development of human resources, and compassion for employees</p>	<ul style="list-style-type: none"> Decrease in working-age population / Japan's lag in gender equality Decline in Japan's industrial competitiveness Emphasis placed on company climate and culture, work style, welfare, etc. when choosing a company 	<ul style="list-style-type: none"> Shortage of human resources Decline in the company's competitiveness Increase in employee turnover and decrease in employee concentration, productivity, and motivation due to the workplace environment <p>Ultimately leading to the deterioration of business performance and corporate image</p>	<ul style="list-style-type: none"> Promotion of diversity <ul style="list-style-type: none"> Development of human resources Health and productivity management Work style reform Safety and health Enhancement of systems such as the Group Long-term Disability (GLTD) Benefit plan Improvement of the workplace environment 	<ul style="list-style-type: none"> Integrated Corporate culture providing safety and motivation to work >>> pp.65-68 	<p>We recognize that enhancing human capital by recruiting and securing excellent human resources, developing human resources, and promoting diversity will have a significant positive impact on the growth of our business. We believe that by offering our employees opportunities for growth and creating an environment where they can take on challenges, they can unleash their full potential. This, in turn, drives innovation, paving the way for the sustainable growth of the Company.</p>
<p>Fair and highly transparent management</p>	<ul style="list-style-type: none"> Corporate governance strongly required as a corporate social responsibility 	<ul style="list-style-type: none"> Survival risk facing the company due to misconduct and scandals 	<ul style="list-style-type: none"> Establishment of a corporate governance system aimed at building a fair and equitable corporate structure 	<ul style="list-style-type: none"> Corporate Governance >>> pp.81-88 	<p>In the past, we have had the experience of putting our company's survival at risk due to issues such as falsification of recycled pulp content and violation of the Company Act in 2011. We are committed to fair and highly transparent management and we vow to never repeat the mistakes of the past.</p>
<p>Response to climate change</p> <p>Realization of a recycling-oriented society</p> <p>Forest conservation and maintenance of biodiversity</p>	<ul style="list-style-type: none"> Global warming Increase in the number of natural disasters due to climate change Marine pollution caused by waste plastic Increase in waste output / Diversification of waste quality Forest destruction, reduction, and loss Extinction of endangered species Heightened public awareness of conservation of the global environment 	<ul style="list-style-type: none"> High CO₂ emissions Transition risks / Physical risks Use of plastic CO₂ emissions from product disposal (Scope 3 / Category 12) Misconception that the company's operations contribute to deforestation and negatively affect the ecosystem 	<ul style="list-style-type: none"> Initiatives to reduce CO₂ emissions Increase in demand for environmentally friendly products and services Development of and replacement with alternative materials (use of paper technology) Recycling of disposable diapers Advanced use of recovered paper (use of hard-to-recycle recovered paper) Development and sales of high-purity sorting machines (machines that sort crushed waste plastic pieces) Sustainable forest management (tree planting and expansion of plantation areas) Protection of approximately half of the owned forest land as natural forest Protection of endangered species and natural treasures, etc. 	<ul style="list-style-type: none"> Initiatives toward a Carbon-free Society >>> pp.71-74 Response to the Task Force on Climate-related Financial Disclosures (TCFD) >>> pp.75-80 Establish an environmentally friendly business (recycling) model >>> p.79 Realization of a recycling-oriented society Promotion of use of hard-to-recycle recovered paper >>> p.70 Strengths of the Daio Group (Environmentally Conscious Company) >>> pp.15-16 Forest conservation and maintenance of biodiversity >>> p.70 	<p>We use fossil fuels and emit large amounts of CO₂ in the process of manufacturing paper. We recognize that responding to climate change will have a major impact on our future business. We have therefore formulated a roadmap to achieve carbon neutrality by 2050 and are working toward the realization of a decarbonized society while being open to the possibility of expediting our plans. Meanwhile, our environmentally friendly business models, such as forest recycling (afforestation) and paper recycling (use of recovered paper), are our strengths. By leveraging these strengths, we are working to realize a recycling-oriented society.</p>

Value Creation of the Daio Group

At the Daio Group, we have continued to create value by striving to solve social issues through our business and by carrying out business activities that utilize various kinds of capital and strengths while working to enhance our corporate governance.

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

Major social issues	<ul style="list-style-type: none"> Changes in consumers' preferences and lifestyles Decrease in Japan's population, especially its working-age population Poverty issues and emerging countries' economic growth Increasing need to extend healthy life expectancy 	<ul style="list-style-type: none"> Growing public concern about human rights issues Responses to the aging society with a declining birthrate Corporate misconduct and scandals 	<ul style="list-style-type: none"> Increase in the number of natural disasters due to climate change Global warming Marine pollution caused by waste plastic Heightened public awareness of conservation of the global environment
Material issues » pp.17-18	<ol style="list-style-type: none"> Strategic transformation of our business portfolio Acceleration of global expansion Creation of new businesses 	<ol style="list-style-type: none"> Coexistence with local communities Establishment of sustainable supply chain Respect for human rights, development of human resources, and compassion for employees Fair and highly transparent management 	<ol style="list-style-type: none"> Response to climate change Realization of a recycling-oriented society Forest conservation and maintenance of biodiversity

Management Philosophy

Shaping an Abundant and Affable Future for the World

Hygiene

Poverty has been eliminated, people's living standards have improved, and a healthy lifestyle for all is assured

» pp.25-26

Poverty has been eliminated, and people's living standards have improved

Infectious diseases are controlled

Hygienic toilets are available throughout the world

Life

People around the world are living happier and more fulfilling lives

» pp.27-28

A greater number of people are enjoying life after retirement

Women play an even more active role in society

An age in which everyone is able to balance work with childcare and nursing care

Regeneration

The earth has been restored to a planet with abundant nature where diverse organisms coexist and thrive

» pp.29-30

Waste has been reduced, and a recycling-oriented society achieved

Carbon neutrality has been achieved throughout the entire supply chain

A switch from plastics to naturally-derived materials is in progress

An abundant and affable future

Our goal: An abundant and affable future
<https://www.daio-paper.co.jp/en/csr/>



Core competence
 » pp.15-16

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

① Our purpose (raison d'être)

② Social and material issues

③ Six capitals

④ Core competence

⑤ Products and services by business segment

⑥ Value: The impacts we bring (outcome)

Our mission ▶ To realize an abundant and affable future

Four pillars of our management philosophy

Input » p.23

Output » p.23

Visions to be fulfilled

Three Well-beings

Hygiene

Protecting the well-being of the body

Life

Enhancing the well-being of lifestyles

Regeneration

Restoring the well-being of the earth

Dedication to manufacturing

Bonds with local communities

Corporate culture providing safety and motivation to work

Contribution to the global environment

Financial capital

Manufactured capital

Intellectual capital

Social and relationship capital

Human capital

Natural capital

Newsprint and paper business



Industrial paper and containerboard business



Domestic and overseas H&PC Business

- Facial tissue
- Toilet tissue
- Kitchen towels
- Face masks
- Wet wipes
- Body soap
- Shampoo

Other businesses



- Newsprint
- Printing paper
- Communication paper
- Printing
- Stickers/labels

- Packaging paper
- Containerboard
- Corrugated containers

- Disposable baby diapers
- Disposable adult diapers
- Sanitary napkins

- RFID
- Golf courses
- Sports clubs
- Transportation
- Engineering

- Forest Stewardship Council (FSC)-certified paper
- Products with recycled pulp content

- Paper products that help reduce the use of plastic

- CNF
- Waste sorting machine
- Forestry

Financial capital

Manufactured capital

Intellectual capital

Social and relationship capital

Human capital

Natural capital

[FY2026 targets]

- Net sales: 800 billion to 1 trillion yen
- H&PC net sales ratio: 50.0% or above
- Operating profit margin: 10.0%
- ROE: 12.0% or above
- Net D/E ratio: 1.0 or below
- Rating (JCR and R&I): A-level rating

Material Issues and Contribution to Achieving the SDGs
 » pp.59-60

Values ▶ Corporate Motto: Passion with Sincerity

Corporate governance: Fair and highly transparent management » pp.81-88

Business strategies » pp.33-56

DAIO Abundant and Affable Future 2030 » pp.57-70

Impact of Value Creation

Invested capital (input) and business results (output)

Input

Financial capital

- Total assets: 923.5 billion yen
- Net assets: 244.7 billion yen
- Net interest-bearing debt: 387.7 billion yen

Manufactured capital

- Mishima Mill: Cost-competitive coastal paper mill that is one of the world's largest (Area of approx. 36 times the size of Tokyo Dome)
- Production bases / Group company business bases: 24 bases in Japan, nine bases in eight countries overseas
- Capital expenditures: 155.0 billion yen (for the three years 2021–2023, including expenditures for M&A)

Intellectual capital

Intellectual capital >> pp.55-56

- Intellectual property owned (Domestic / Overseas): Patent: 3,353 / 2,085 Registered design: 391 / 1,081 Registered trademark: 1,145 / 1,454

Social and relationship capital

- DAIO Partner Ship (an association of regional distributors, recovered paper supplies, and domestic chip suppliers) "Sakuraterasu," "Aoiterasu," and "Greenterasu"
- club elleair^{*1}: 400,000 members (as of June 2023)
- Attento Meister Professionals^{*2}: 5,011 qualified persons (as of the end of June 2023)
- Shikokuchuo City Carbon Neutrality Council

Human capital

- Consolidated number of employees: 12,634 including 3,389 employees of non-Japanese nationality
- Promotion of diversity & inclusion (p.66)
- Health and productivity management (Smoking cessation program: subsidies for smoking cessation outpatient clinic fees, etc.)
- Safety and health (Safety Wednesday^{*3} activities, etc.) (p.68)
- Introduction of the Group Long-term Disability (GLTD) Benefit plan
- Introduction of a stock-based incentive system for managers

Natural capital

- Forest land owned: Area of approx. 59,000 ha including approx. 28,000 ha preserved as natural forest
- Water resource management
 - Water intake: 175.884 million m³/year

Output

Financial capital

Accumulation of capital for growth and shareholder return, external evaluation, etc.

- Net sales: 646.2 billion yen
- ROE: -14.0%
- Net D/E ratio: 1.6 times
- EBITDA: 29.4 billion yen
- Rating (JCR / R&I): A-

Manufactured capital / Intellectual capital / Social and relationship capital

Improvement of competitive advantage for business expansion, etc.

- Production output of Mishima Mill: Approx. 2.1 million t/year (Approx. 9% of Japan's paper and paperboard production)
- Shikokuchuo City: The city with the largest shipments of paper in Japan (for 17 consecutive years)
- Elleair: Japan's top household paper product brand
- YK value^{*4} by technical field: Ranked first in three fields (as of the end of March 2023)

Human capital

Diversification of human resources, maintenance and improvement of employee health, external evaluation, etc.

- Female managers: 5.2% (FY2022)
- Smoking rate: 30.0% (FY2022)
- Lost time injury frequency rate: 1.01
- Recognized as a Certified Health & Productivity Management Outstanding Organization / Selected for the Bloomberg Gender-Equality Index
- Creation of opportunities for the empowerment of women through the domestic women's professional golf tour

Natural capital

- Protection of endangered species (Kawabata-moroko, Patagonian Cypress, etc.)
- Water resource management
 - Water discharged: 166.016 million m³/year
 - Actual water consumption (Water intake - Water discharged): 9.867 million m³/year
 - COD base unit: 6.0% reduction
- GHG emissions: 4.518 million t/year (FY2021) → 4.194 million t/year (FY2022)
- CO₂ emissions reduction rate: 7.0% (from the 2013 level)

Business activities using core competence

Toward the Realization of an Abundant and Affable Future

Realizing an abundant and affable future is our mission envisioned from the aspiration for a better future for people and the planet. In line with our mission, we have defined the optimal states of people and the planet upon the realization of an abundant and affable future. The achievement of our vision, the Three Well-beings of "Hygiene", "Life" and "Regeneration", will lead us toward the attainment of the optimal states.

Of the Three Well-beings, "Hygiene" and "Life" are related to a better future for people.

In terms of "Hygiene," we will make hygiene products accessible and inspire good hygiene habits. This aspect of our vision endeavors to raise people's living standards and to provide them with the means to escape bad conditions such as poor hygiene and poverty for a life in good health.

As for "Life," we will provide services that bring happiness and fulfillment to people worldwide. Together, the two aspects strive to enable people to lead happy and enriching lives in good health.

"Regeneration" is related to a better future for the planet.

For "Regeneration," we will take proactive measures to conserve the environment. This aspect endeavors to restore the planet from a critical state, where many organisms are at risk of extinction due to increasing deforestation, to a state where diverse organisms can coexist and thrive.

Anchored by our mission and guided by our vision, we strive every day to ensure that what we create will lead to an abundant and affable future enriching people's lives and the environment.



*1 club elleair: A membership program where you can enjoy various experiences, limited edition products, campaigns, and other benefits through Elleair products.

*2 Attento Meister Professional: Certification provided by Daio Paper Corporation

*3 Safety Wednesday: Web conference to share safety activities conducted jointly with all Group manufacturing companies in Japan (more than 200 participants each time)

*4 YK value: Patent technology competitiveness index developed by Kudo & Associates, which measures the strength of a patent's monopoly and exclusivity

Hygiene

Protect well-being of the body

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

In this section, we explore the "Hygiene" aspect of the Three Well-beings that we seek to achieve. Connecting the optimal states of an abundant and affable future that is aligned with the 17 SDGs to the ways we will contribute to these goals, we provide an overview of our ongoing and prospective initiatives. We will continue to embody our efforts to realize an abundant and affable future.

The abundant and affable future that we envision

A better future for people

A future in which poverty has been eliminated, people's living standards have improved, and a healthy lifestyle for all is assured

Poverty has been eliminated, and people's living standards have improved

- We will globalize our operations and are committed to furthering products and habits that promote hygiene
- We will also develop our operations in regions around the world and create local employment opportunities



Case 1

Primary industries have developed, and hunger has been eradicated

- Our RFID solutions will make complex inventory management easier, helping solve food loss and other issues
- We will provide services that link afforestation technology to improved agricultural productivity
- We will provide products that protect fruit trees from insect pests and increase productivity



Case 2

Infectious diseases are controlled

- We will help prevent and control infectious diseases by furthering products and habits that promote hygiene



Case 3

Equal opportunities for education are available worldwide

- We will provide vocational training support and education on how to make hygiene products
- We will promote a culture of learning by writing on paper



Case 4

Women play an even more active role in society

- We will help women maintain their health by providing hygiene support
- We will provide education related to hygiene and sexual matters



Case 4

Hygienic toilets are available throughout the world

- We will globalize our operations and promote the habit of using sanitary paper



Case 1

Everyone has equal opportunity to purchase (use) paper and hygiene products

- We will promote the habit of using medium-grade paper and hygiene products



Case 1

Waste has been reduced, and a recycling-oriented society achieved

- We will establish systems for collecting used paper and other materials in the countries in which we operate



Case 5

Case 1

Poverty has been eliminated, and people's living standards have improved



- We will globalize our operations and are committed to furthering products and habits that promote hygiene
- We will also develop our operations in regions around the world and create local employment opportunities



Employees of Elleair International (Thailand) Co., Ltd.



Employees of PT. Elleair International Manufacturing Indonesia

→ Initiatives to make hygiene products accessible and inspire good habits in people around the world to contribute to local development
 ▶▶▶pp.49-50 (Overseas Business Group, H&PC Unit)
 ▶▶▶pp.51-54 (Feature 1: Overseas Business Initiatives in Preparation for the Fifth Medium-Term Business Plan)

Hygienic toilets are available throughout the world



- We will globalize our operations and promote the habit of using sanitary paper

We believe that we can contribute to the spread and expansion of flushable toilet tissue, which supports the improvement of the sanitary environment of toilets, through the Toilet Revolution in China.



Antibacterial toilet tissue in China



5-ply toilet tissue in China

Everyone has equal opportunity to purchase (use) paper and hygiene products



- We will promote the habit of using medium-grade paper and hygiene products

We provide products and services that respect the culture, religion, and customs of each country, such as halal-certified products and individually packaged products (sold in small quantities) for low-income groups, so that all people can live equal and healthy lives.



Halal-certified product



Individually packaged products sold at Indonesian traditional retail shops (warung)

©DISNEY. Based on the "Winnie the Pooh" works by A.A.Milne and E.H. Shephard.

Case 2

Primary industries have developed, and hunger has been eradicated



- Our RFID solutions will make complex inventory management easier, helping solve food loss and other issues

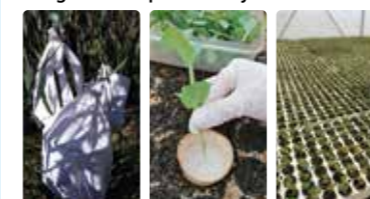
Daio Engineering Co., Ltd., a subsidiary of our Group, provides RFID tags equipped with highly radiation-resistant FeRAM, thereby helping to improve the efficiency of goods management in the medical and pharmaceutical industries. We believe that we can contribute to solving the issue of food loss by applying such technology to food inventory management.



RFID reader (can be installed in up to four layers)

https://www.daio-paper.co.jp/wp-content/uploads/20210301_1.pdf

- We will provide services that link afforestation technology to improved agricultural productivity



Forestal Anchile LTDA., a subsidiary of our Group, works on the selection of excellent tree species and the development of new varieties (that grow quickly and are resistant to adverse conditions) through artificial pollination with the aim of increasing productivity. We believe that these technologies can be used to create services that improve agricultural productivity.

- We will provide products that protect fruit trees from insect pests and increase productivity

In collaboration with Agro-Kanesho Co., Ltd., we have developed a soil sterilization covering sheet that uses paper, which is made from natural materials, instead of plastic. It effectively preserves sterilizing agents in the soil. Moreover, after disinfection, it can be directly plowed into the soil due to its biodegradability, thereby simplifying the process as there is no need for removal or disposal of the covering sheet. By providing products and services that not only reduce environmental impact but also improve agricultural productivity, we will contribute to the sustainable development of agriculture.



KSB148 Search

Case 5

Waste has been reduced, and a recycling-oriented society achieved



- We will establish systems for collecting used paper and other materials in the countries in which we operate

Our founder, Isekichi Ikawa, was initially a paper raw materials dealer (a recovered paper supplier). However, through a turn of events, he found himself running a paper mill overnight. This was the beginning of Daio Paper Corporation. We are currently working on sustainable resource recycling together with DAIO Partner Ship "Aoiterasu," an association of recovered paper suppliers. We believe that we can contribute to the realization of a recycling-oriented society by rolling out our used paper collection system overseas.

Case 3

Infectious diseases are controlled



- We will help prevent and control infectious diseases by furthering products and habits that promote hygiene

We provided masks and sanitizing wet wipes during the COVID-19 pandemic. We believe that we can contribute to the prevention and control of infectious diseases by disseminating these products.



Case 4

Equal opportunities for education are available worldwide



- We will provide vocational training support and education on how to make hygiene products
- We will promote a culture of learning by writing on paper

Women play an even more active role in society



- We will help women maintain their health by providing hygiene support
- We will provide education related to hygiene and sexual matters



→ Support for women's independence through the Elis Heart Support Project ▶▶▶p.62

The optimal states when "an abundant and affable future" is realized, and the ways we can contribute to its achievement



Enhance well-being of lifestyles

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

The abundant and affable future that we envision

A better future for people

A future in which people around the world are living happier and more fulfilling lives

A greater number of people are enjoying life after retirement

- We will provide products and services that help extend healthy life expectancy



Case 1

Women play an even more active role in society

- We will build systems that enable our female employees to develop their careers
- We will provide opportunities and services that help women flourish and be independent



Case 2

An age in which everyone is able to balance work with childcare and nursing care

- We will provide opportunities and services that enable people to balance work with childcare and nursing care



Case 3

Technological innovation is driving a shift to naturally-derived materials

- We will commercialize cellulose nanofiber and provide value-added products



Case 4

Communities that offer peace of mind for vulnerable groups

- We will develop systems to provide one-stop services for housing, medical care, nursing care, preventive care, and lifestyle support



Case 5

All conflicts have ended, and more people are using paper and hygiene products

- We will globalize our operations and are committed to furthering products and habits that promote hygiene
- We will achieve CSR procurement throughout our entire supply chain



Case 6

A borderless welfare society has been realized

- We will enhance our efforts to improve the quality of life in cooperation with administrative agencies and other companies



Case 5

Case 1

A greater number of people are enjoying life after retirement



- We will provide products and services that help extend healthy life expectancy

We offer disposable adult diapers under the Attento brand to help extend healthy life expectancy and facilitate self-actualization. Our products have appropriate specifications for incontinence care, supporting the maintenance of mental and physical health, and we also offer disposable incontinence underwear that anyone can use without hesitation due to an innovative discreet design that allows users to wear them out in public without worrying about it showing through.



Case 2

Women play an even more active role in society



- We will build systems that enable our female employees to develop their careers

We are involved in promoting the empowerment of female employees to achieve sustainable growth. In order to help with their career development, we hold cross-industry exchange trainings for female employees, where they will learn practical skills needed to become leaders together with peers from other companies.



→ Promotion of diversity & inclusion >>>p.66

- We will provide opportunities and services that help women flourish and be independent

With the desire to support the independence of women by contributing in any way to solving the issue of menstrual poverty, we have been running a period product provision program to provide free sanitary napkins to students who have difficulty obtaining sanitary napkins.



The Daio Paper Elleair Ladies Open, which has been held annually since 1982, will be held for the 42nd time this year. As a company engaged in the feminine care business, we hope to continue to provide such opportunities for women to flourish.



Case 3

An age in which everyone is able to balance work with childcare and nursing care



- We will provide opportunities and services that enable people to balance work with childcare and nursing care

Located adjacent to the Mishima Mill, "GOO.N Sukusuku House" is a childcare facility for the children of Daio Group employees. Through this facility, we aim to support the growth of children in a safe and secure environment and nurture their creativity and sociability. This facility plays an important role in ensuring the happiness of the families of our Group employees and their ease of work.



https://www.daio-paper.co.jp/wp-content/uploads/20220803_sukusukuhaouse.pdf

Case 4

Technological innovation is driving a shift to naturally-derived materials



- We will commercialize cellulose nanofiber and provide value-added products

Cellulose nanofiber (CNF) is produced by refining wood fiber (pulp), an environmentally-friendly material, to nanosized fibrils. It has many properties. When used as a high-performance material (for electronic devices, optical components, medical and healthcare, etc.), it is expected to contribute to the realization of a digitally-transformed society, the enhancement of QOL, and the improvement of medical and healthcare. When used as a lightweight and high-strength material (for automobiles/aircraft, home appliances, housing/construction, etc.), it is expected to improve LCA results (improvements in environmental impact or recyclability). Daio Paper is aiming for its commercialization in fields such as medical and healthcare, consumer household goods, and sporting goods.

Commercializable applications and prospective solution of social issues

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

Available forms



→ Application development of cellulose nanofibers >>>p.62

Case 5

Communities that offer peace of mind for vulnerable groups



- We will develop systems to provide one-stop services for housing, medical care, nursing care, preventive care, and lifestyle support

A borderless welfare society has been realized



- We will enhance our efforts to improve the quality of life in cooperation with administrative agencies and other companies

Initiatives through a community-based integrated care system (Support and services provided jointly by our company, hospitals, facilities, and stores)



A set of Attento-brand products for discharged patients



Providing hospitals and facilities with free items that are useful for hospital discharge guidance as support for patients returning home

Attento Handbook on how to choose and use disposable adult diapers

Case 6

All conflicts have ended, and more people are using paper and hygiene products



- We will globalize our operations and are committed to furthering products and habits that promote hygiene

→ Initiatives to make hygiene products accessible, inspire good habits in people around the world >>>pp.49-50 (Overseas Business Group, H&PC Unit) >>>pp.51-54 (Feature 1: Overseas Business Initiatives in Preparation for the Fifth Medium-Term Business Plan)

- We will achieve CSR procurement throughout our entire supply chain

The Daio Group conducts procurement in accordance with the Daio Paper Group Sustainable Procurement Guidelines Based on the SDGs in order to ensure legal compliance in the fields of human rights, environmental preservation, and safety and health within the supply chain and to conduct fair and equitable transactions.

→ Procurement based on the "Establishment of sustainable supply chain" >>>p.64

In this section, we explore the "Life" aspect of the Three Well-beings that we seek to achieve. Connecting the optimal states of an abundant and affable future that is aligned with the 17 SDGs to the ways we will contribute to these goals, we provide an overview of our ongoing and prospective initiatives. We will continue to embody our efforts to realize an abundant and affable future.

Regeneration

Restore well-being of the earth

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

In this section, we explore the "Regeneration" aspect of the Three Well-beings that we seek to achieve. Connecting the optimal states of an abundant and affable future that is aligned with the 17 SDGs to the ways we will contribute to these goals, we provide an overview of our ongoing and prospective initiatives. We will continue to embody our efforts to realize an abundant and affable future.

The abundant and affable future that we envision

A better future for the planet

A future in which the earth has been restored to a planet with abundant nature where diverse organisms coexist and thrive

<p>Clean energy is used worldwide</p> <ul style="list-style-type: none"> We will shift from fossil-based energy sources to clean energy 	7	Case 1
<p>Zero GHG emissions at local government level</p> <ul style="list-style-type: none"> We will work with local governments and businesses to implement measures for achieving zero GHG emissions 	11	Case 2
<p>Waste has been reduced, and a recycling-oriented society achieved</p> <ul style="list-style-type: none"> We will develop and market sorting machines capable of handling a wide variety of waste materials We will develop and market systems for separating paper and plastic at the time of disposal 	12	Case 3
<p>Carbon neutrality has been achieved throughout the entire supply chain</p> <ul style="list-style-type: none"> We will become a zero GHG emission company by fully leveraging fuel switching, afforestation, and other measures 	13	Case 4
<p>A switch from plastics to naturally-derived materials is in progress</p> <ul style="list-style-type: none"> We will develop and market alternative materials to plastics We will develop absorbent products made from non-fossil-based materials 	14	Case 5
<p>The earth's abundant nature has regenerated, and forests have been restored</p> <ul style="list-style-type: none"> We will enhance the usage value of wood and develop our plantation business We will provide solutions that utilize plantation technology 	15	Case 6
<p>A borderless society in coexistence with nature has been realized</p> <ul style="list-style-type: none"> We will work with administrative agencies and other companies to maintain biodiversity 	17	Case 7

Case 1

Clean energy is used worldwide

- We will shift from fossil-based energy sources to clean energy

We are promoting the installation of solar panels on the roofs of our mills and factories, including those of Group companies, as part of our efforts to shift to renewable energy.

Shimada Mill, Daio Paper Products Corporation
Kani Mill, Daio Paper Corporation
Kawano Mill, Daio Paper Corporation

Case 2

Zero GHG emissions at local government level

- We will work with local governments and businesses to implement measures for achieving zero greenhouse gas (GHG) emissions

We will reduce GHG emissions in cooperation with regions through the introduction of waste-to-energy boilers. We will also contribute to reducing incineration facilities and landfill sites in regions by reusing waste generated by them as an alternative energy source to coal.

Moreover, in Shikokuchuo City, where the Mishima Mill is located, the Shikokuchuo City Carbon Neutrality Council has been established, in which our company participates as a managing company. On March 30, 2023, we published a roadmap to reduce CO₂ emissions across the region. Since then, we have been discussing the implementation of new fuel and energy technologies.

Roadmap of the Shikokuchuo City Carbon Neutrality Council

Case 3

Waste has been reduced, and a recycling-oriented society achieved

- We will develop and market sorting machines capable of handling a wide variety of waste materials
- We will develop and market systems for separating paper and plastic at the time of disposal

Daio Engineering Co., Ltd., a subsidiary of our Group, manufactures and markets the "Aerosorter" series, high-purity sorting machines that sort waste plastics generated from discarded home appliances and vehicles as well as crushed pieces of waste plastics (trays, PET bottles, etc.) discharged from businesses and households. Various lineups are available to accommodate a wide variety of materials.

Examples of the high-purity sorting machines "Aerosorter" series

Aerosorter V
Aerosorter CS-AI

Hard mixed plastics sent on a high-speed belt
Mixed metals sent on a high-speed belt conveyor
Mixed metal after sorting

<https://www.daio-eng.co.jp/business/env/>

Case 4

Carbon neutrality has been achieved throughout the entire supply chain

- We will become a zero GHG emission company by fully leveraging fuel switching, afforestation, and other measures

→ Initiatives toward carbon neutrality

- ▶▶pp.71-74 (Initiatives toward a Carbon-free Society)
- ▶▶pp.75-80 (Response to the TCFD)

Case 6

The earth's abundant nature has regenerated, and forests have been restored

- We will enhance the usage value of wood and develop our plantation business
- We will provide solutions that utilize plantation technology

Forestal Anchile LTDA, a subsidiary of our Group, works on the selection of excellent tree species and the development of new varieties (that grow quickly and are resistant to adverse conditions) through artificial pollination with the aim of increasing productivity. We believe that these technologies can be used as our strength when the value of forests increases, which leads to a movement toward forest restoration.

Case 5

A switch from plastics to naturally-derived materials is in progress

- We will develop and market alternative materials to plastics

Paper is a natural and sustainable material that has high potential as an alternative to plastic. Its raw material is renewable through planting trees, and it can be recycled as recovered paper. Using our Group's technology, we have developed biodegradable Elipla Paper series, which is already being used to make hangers, stir sticks, and other products. We also have paper products for the exterior packaging of products as an alternative to film.

Hangers
Stir sticks
Paper containers

Paper packaging for products

- We will develop absorbent products made from non-fossil-based materials

Super absorbent polymer (SAP) is used as an absorbent for sanitary napkins and disposable diapers. Currently, fossil-based raw materials are used to make SAP. However, as the development of technology to use plant-based raw materials, such as wood chips, progresses, it is expected that SAP made from biomass materials will be manufactured in the future. As a company that owns forest land (wood chips), we will proceed with research to develop absorbent products made from non-fossil-based materials.

Case 7

A borderless society in coexistence with nature has been realized

- We will work with administrative agencies and other companies to maintain biodiversity

In cooperation with the Association for the Breeding and Release of Kawabata-Moroko, we are involved in conservation activities for Kawabata-moroko, which is designated as an endangered species.

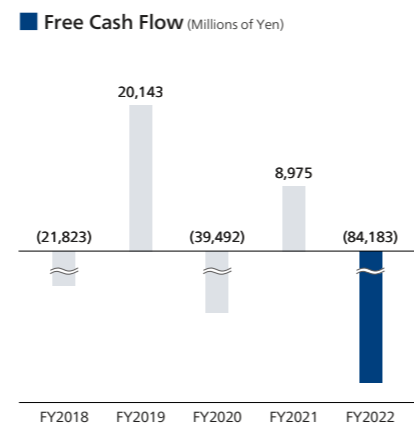
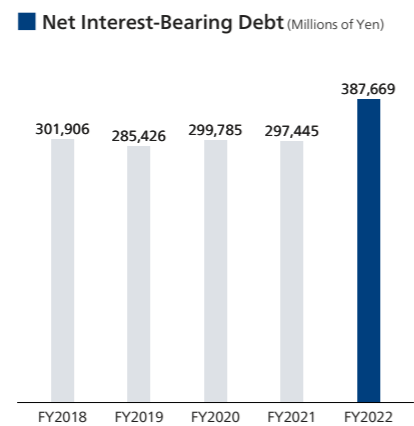
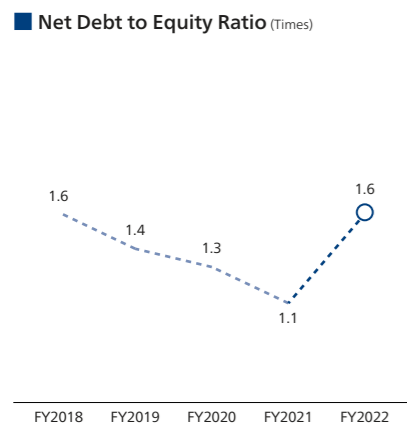
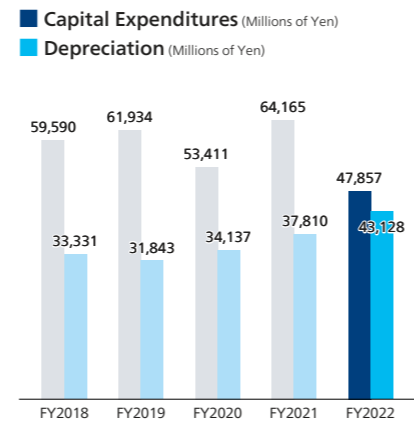
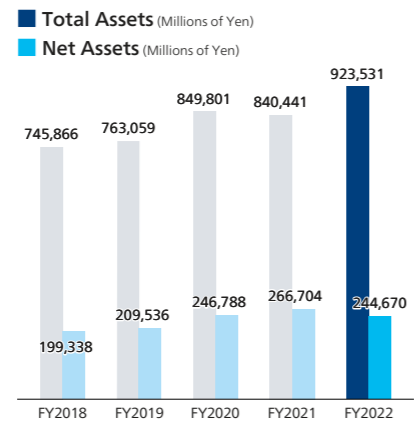
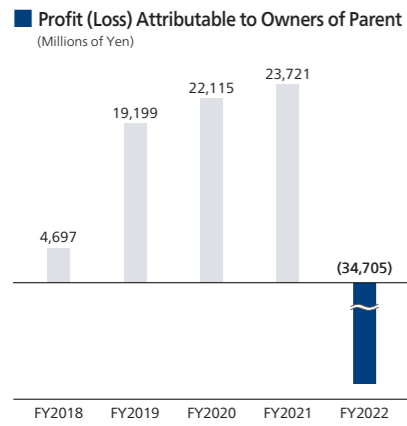
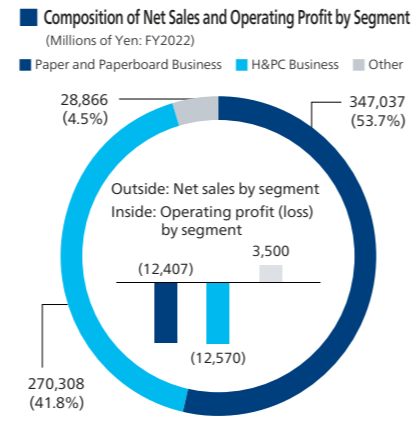
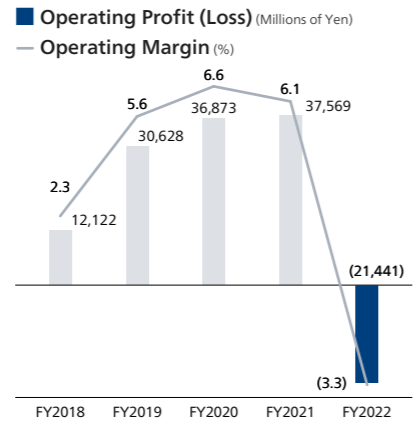
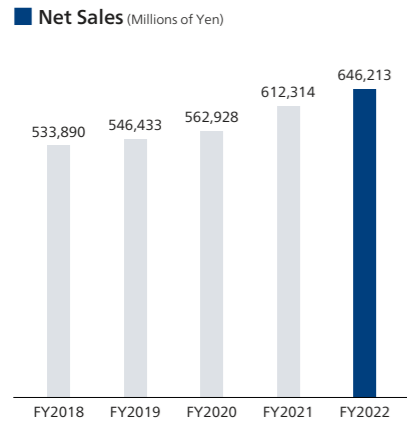
Breeding in a water tank inside the mill
Kawabata-moroko fry

→ Forest conservation and maintenance of biodiversity ▶▶p.70

The optimal states when "an abundant and affable future" is realized, and the ways we can contribute to its achievement

Financial and Non-Financial Highlights

Financial Data



Fulfilling Our Purpose

-Value Creation Story of the Daio Group-

Achieving Sustainable Growth

-Strategy for Continuing to Provide Value-

Responding to Social Issues

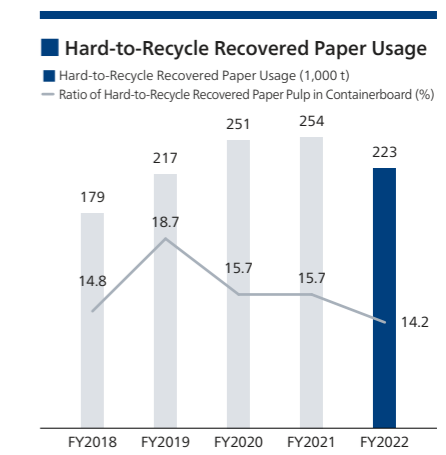
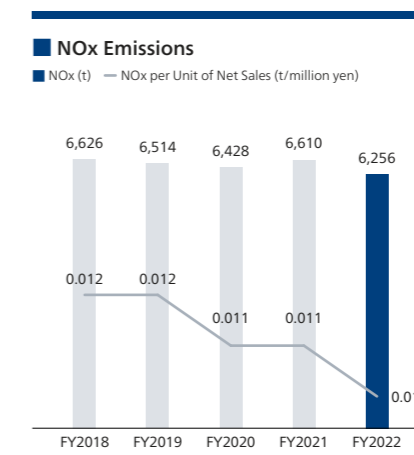
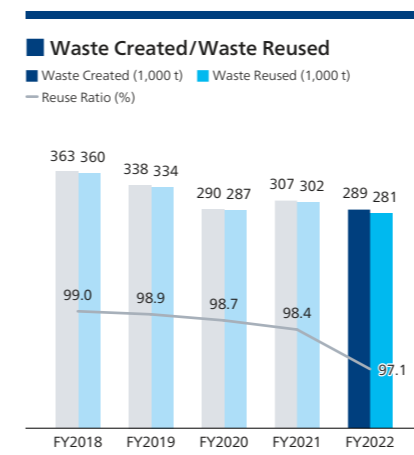
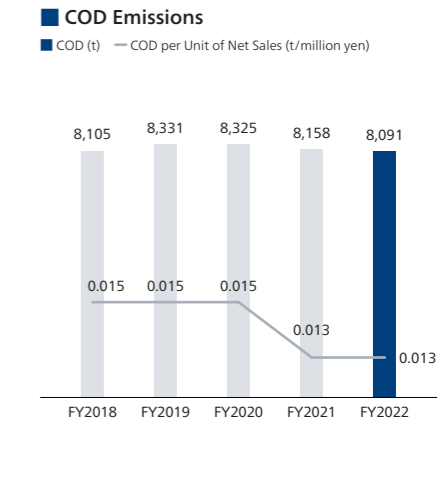
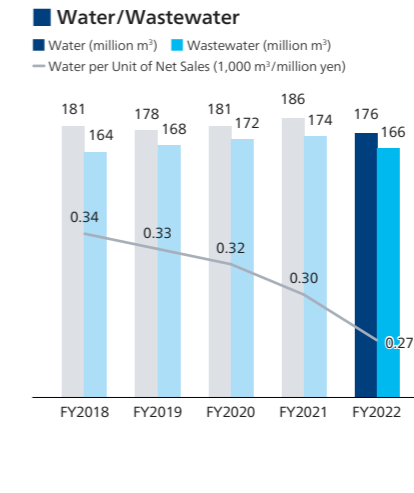
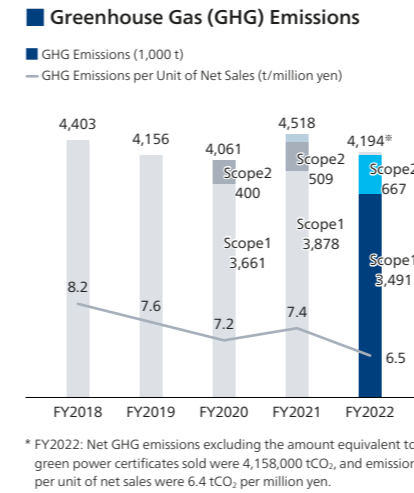
-Foundation for Sustainable Growth-

Data and Information

-Financial and Corporate Data-

Non-Financial Data

Environmental related



Human resources related

