

ENGLISH TRANSLATION FOR REFERENCE PURPOSE ONLY

This notice is an English translation of the original Japanese text of the timely disclosure statement dated May 27 issued by Daio Paper Corporation, and is for reference purposes only. In the event of any discrepancy between the original Japanese text and this English translation, the Japanese text shall prevail.

May 27, 2021

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Fourth Medium-term Business Plan

Daio Paper Corporation (hereinafter “Daio”) has formulated its Fourth Medium-term Business Plan (hereinafter “4th MTBP”) for the three years from the fiscal 2021 to fiscal 2023, and hereby announces a summary of the plan.

1. Overview of the 4th MTBP

Under the 4th MTBP, Daio shifts up a gear to implement initiatives for a new future, under the motto “GEAR UP: The Next Growth Stage, to a New Future,” aiming to realize the long-term vision of the Daio Group to achieve “net sales of 800-1,000 billion yen” by fiscal 2026.

The numerical targets and basic policies of the 4th MTBP are as follows.

1) Numerical targets

	3 rd MTBP FY2020 Results	4 th MTBP FY2023 Targets	5 th MTBP FY2026 Vision
Net sales	562.9 billion yen	720.0 billion yen	800.0-1,000.0 billion yen
Operating profit	36.9 billion yen	51.0 billion yen	80.0-100.0 billion yen
[Operating profit ratio]	[6.6 %]	[7.1 %]	[10 %]
H&PC Overseas sales ratio	11.1 %	18.8 %	30 % or more
ROE	10.1 %	10 % or more	12 % or more
Net D/E ratio	1.3	1.0	1.0 or less
(Ref.) Interest-bearing debt	299.8 billion	270.0 billion	-

*Assumptions

Exchange rate	106.1 JPY/USD	110 JPY/USD	-
Dubai crude oil	45 USD/barrel	63 USD/barrel	-

[Targets for each business]

	FY2020 Results			FY2023 Targets		
	Net sales (billion yen)	Operating profit (billion yen)	Sales ratio	Net sales (billion yen)	Operating profit (billion yen)	Sales ratio
Paper & Paperboard Business	302.5	19.6	6.5%	330.0	18.0	5.5%
H&PC Business	238.0	14.7	6.2%	360.0	30.0	8.3%
Domestic	175.4	15.5	8.8%	225.0	23.0	10.2%
Overseas	62.6	-0.8	-	135.0	7.0	5.2%
Other Businesses (including adjustments)	22.5	2.6	11.4%	30.0	3.0	10.0%
Total	562.9	36.9	6.6%	720.0	51.0	7.1%

2) Investment plan

Daio will implement total capital expenditure of 125.0 billion yen over the three-year duration of the 4th MTBP, comprising growth investment of 76.5 billion yen and maintenance investment of 48.5 billion yen, with a priority allocation to the growing Home & Personal Care (H&PC) business.

A further 30.0 billion yen in M&A investment is planned, to accelerate the pace of growth in combination with organic growth.

[Breakdown of capital expenditure of 125.0 billion yen]

Purpose	Business/details	Capital expenditure (billion yen)
Growth investment	H&PC	55.5
	Paper & Paperboard	10.5
	Other (CNF, IT, logistics)	10.5
	Total	76.5
Maintenance investment	-	48.5
Total		125.0

3) Basic policies

(1) Establish a strong and resilient business portfolio

- Build an even greater competitive advantage in the P&P business by capitalizing on the results of strategic investment and continuing with structural reforms
- Lead the Company's growth and expansion through faster multi-category business expansion and further acquisitions in the H&PC business
- Create future growth opportunities through new businesses such as cellulose nanofibers (CNF)

(2) Improve financial strength

- Strengthen cash generating capacity and improve cash flow to enable further growth under the 5th MTBP, while rigorously selecting capital expenditure projects for the 3 years of the 4th MTBP, with the aim of obtaining a credit rating of A during the plan

- Introduce ROIC as an internal management indicator for evaluating profitability for each business and investment decision standards, to promote management with a consciousness of capital cost and return on capital
- (3) Respond to climate change (achieve carbon neutrality by 2050)
- Promote the use of renewable energy, and aim to reduce coal usage to zero by 2050
 - Continually engage in proper plantation management and expansion of plantation areas
 - Promote a shift to environmentally-friendly materials through CNF and plastic-free product businesses

2. Business Group Strategies

1) Industrial Paper and Corrugated Container Business

- (1) CSV (Creating Shared Value: economic activity that simultaneously addresses social issues) action policy:

Provide environmentally-friendly packaging and wrapping paper, indispensable for the transport of goods

- (2) Strategic policy under the 4th MTBP:

Pursue more stable domestic supply and accelerate overseas expansion

Forecasting strong demand in Japan and overseas, Daio will increase containerboard production by the Mishima mill's N7 machine to 30,000 tons per month, to expand exports throughout Asia and strengthen the system of stable supply in Japan.

Daio will also expand the downstream corrugated container businesses, partly through M&A, and implement integrated operations with the industrial paper business, with a view to enhancing total profitability.

2) Newsprint and Paper Business

- (1) CSV action policy:

Ensure stable supply of graphic paper, an indispensable part of people's lives

- (2) Strategic policy under the 4th MTBP:

Examine production systems and sales systems in anticipation of a further shift in product mix, and strengthen downstream printing paper businesses

Amid an accelerating decline in demand for graphic paper, Daio will develop this into a stronger and leaner business, by adjusting its product mix to pursue higher added value and maintain machine operation rate.

It will also strengthen sales of high value-added printed material such as adhesive labels, further

strengthening the printing business, while enhancing earning power through integrated operation of the paper and printing businesses.

3) H&PC Domestic Business

(1) CSV action policy:

Support consumers to live their daily lives their own way

(2) Strategic policy under the 4th MTBP:

Further grow the household paper business and increase market share in the absorbent products business, through the continuation of structural reforms and capital expenditure from the 3rd MTBP

Daio will further solidify its position as market leader in the household paper business, through product offerings that capture the needs of consumers, and additional equipment to enhance supply capabilities.

For absorbent products, Daio will effectively invest in digital marketing and other means to extend the image of high-quality and trustworthy products established by the Elleair brand in the household paper business to absorbent and other products. At the same time, it will enhance the lineup of absorbent products and develop into peripheral categories, to expand the entire H&PC Domestic Business in tandem with household paper.

4) H&PC Overseas Business

(1) CSV action policy:

Contribute to development in our markets overseas, enhancing the standard of living

(2) Strategic policy under the 4th MTBP:

Expand overseas businesses, with multi-category business expansion in existing markets and entry into new markets as the pillars of our growth engine

Daio will accelerate its pace of growth through business expansion in China and the rest of the Asia region, by realizing synergies in Brazil and Turkey, where it has completed a full-scale entry through M&A activities, and by considering new business acquisitions in overseas growth markets.

In addition, while continuing to expand sales of its mainstay baby diaper products overseas, Daio will increase the sales contribution from products such as household paper, sanitary pads and adult diapers, and pursue the multi-category business expansion model it has established in Japan, to solidify its business platform overseas.

5) New business development

(1) CNF

CNF has already passed the R&D stage, with increasing instances of commercialization and the

development of new uses during the past few years, including as part of Daio's own Kirekira! Toilet cleaning wipes, in the material used for table tennis bats, and its utilization in both outside and inside race car bodies.

Under the 4th MTBP, Daio will achieve productivity improvements and substantial cost reductions for composite resin containing CNF, which is expected to have broad applications in areas such as automotive parts and consumer electronics, accelerating the development of applications to expedite the commercialization process. Through the addition of CNF, Daio will contribute to reducing CO₂ emissions by achieving weight savings and reductions in the use of plastics.

- (1) RFID (radio frequency identification: a general term for systems including IC tags and readers)
Daio has utilized the expertise of its subsidiary DAIO Engineering in card inspection devices to enter the RFID business, primarily in the healthcare field. From 2019, Daio introduced manufacturing equipment for IC tags, for the purpose of conserving manpower, increasing efficiency and preventing human error. Under the 4th MTBP, Daio will expand its targets beyond healthcare to fields such as logistics and apparel, providing RFID solutions in each industry, to achieve new value creation.

6) Global response by the Corporate Unit

The expansion of overseas businesses is indispensable for the development of the Daio Group. Together with investment in overseas growth markets, Daio considers appropriate risk management to be a vital factor in this expansion.

To this end, the Corporate Unit, composed of human resources, legal affairs, accounting, finance and other functions, is engaged together with the business units in integrated operations to expand overseas businesses, with an emphasis on “stable procurement and optimal allocation of management resources necessary for business growth and expansion” and the “further reinforcement of the Group governance structure and enhancement of risk management.”

3. Policy on Shareholder Returns

Daio regards the return of profits to all shareholders as a key management issue. In addition to continuing to pay stable dividends in consideration of factors such as business status and the enhancement of internal reserves, it is Daio's policy to add DOE (dividends on equity) as an indicator, and return to shareholders the benefits from enhancement of net assets as result of growth.

Daio will aim for a DOE level of approximately 2.0% in the medium to long term, in consideration of financial condition and investment in growth.

4. Initiatives for a Sustainable Society

1) Initiatives to address the SDGs (Sustainable Development Goals)

In order to realize its Management Philosophy of “shaping an abundant and affable future for the world,” Daio will contribute to achieving the SDGs through business development, by linking its existing efforts to resolve social issues with the SDGs, common goals for the whole world.

In terms of its response to climate change, Daio will aim to achieve carbon neutrality by 2050, as described below, based on the long-term vision for global warming countermeasures in 2050 established under the “Daio Group Sustainability Vision.”

2) Achieving carbon neutrality by 2050

The Daio Group will contribute by reducing CO₂ emissions through the shift of fuels used for production activities and promotion of energy conservation, and by expanding the absorption and fixation of CO₂ in its plantations.

Regarding the use of renewable energy, by 2030, Daio plans to reduce CO₂ emissions by 46% compared to 2013, by installing recycle-based power generation equipment fueled by biomass and waste, and shutting down one coal-fired boiler at the Mishima mill. It aims to achieve carbon neutrality by 2050, shutting down both of the remaining two coal-fired boilers to eliminate coal usage, promoting energy conservation, and steadily expanding source of CO₂ absorption through plantation.

3) Contribution to global society and coexistence with local communities

Daio is engaged in social contribution activities and coexistence with local communities around the world. One of these activities is the HEART SUPPORT PROJECT to support independence for women in Zambia through support for the making of cloth napkins, health consultation regarding menstruation and other issues, and dissemination of hygiene knowledge. Daio has also donated diapers to children’s hospitals in China, and implemented skills training on fruit tree cultivation to promote the local economy in Chile, where it is engaged in the plantation business.

In this way, Daio will strive to realize its Management Philosophy, contributing to the achievement of the SDGs by resolving social issues through its business activities, while fulfilling its corporate responsibilities through social contribution and coexistence with local communities.

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

As such, actual future performance and results could differ materially from the statements included herein as a result of future changes in the business and economic environment surrounding Daio.

 **GEAR UP** The Next Growth Stage, to a New Future

Fourth Medium-term Business Plan

April 2021 – March 2024

May 27, 2021

DAIO PAPER CORPORATION

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- Trajectory of structural reforms
- Trajectory of overseas business expansion
- Strategic transformation of the business portfolio

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- Initiatives to address the SDGs
- Roadmap to achieving carbon-neutral status by 2050
- Global social contribution and coexistence with local communities

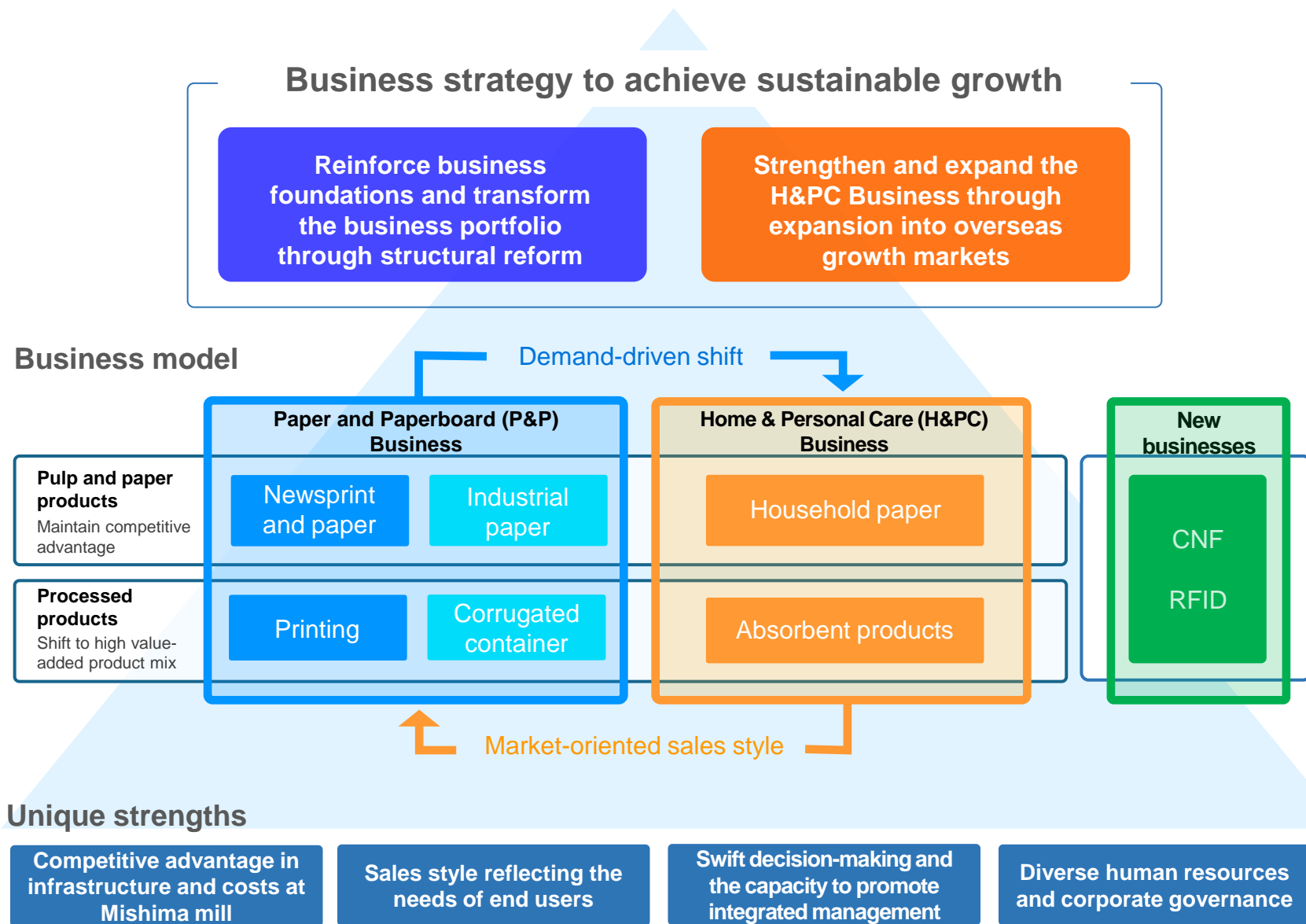


1. Review of the First to Third Medium-term Business Plans

- Our business model, utilizing the Group's unique strengths... P4
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Our business model, utilizing the Group's unique strengths



Trajectory of structural reforms (1)

Structural reform to leverage our machines through continuous operation, fully utilizing the Mishima mill's competitive pulp

Origin of our concept of structural reform

- Continuing decline in demand for paper
- Maintaining full pulp production at the Mishima mill

Swift and continuing structural reform

Vision of the future

The H&PC Business leads the Daio Paper Group's growth



Increased production of kraft pulp Laid the foundations for the future shift to household paper

Increased production and expanded sales of high value-added paper products (A2 grade coated paper and sheet products)

Plan to relocate paper machine from Kani mill to Iwaki Daio Paper, and shift to containerboard
Plan to install household paper machine at Kani mill } Pulp that becomes available is utilized in household paper

→ Relocated paper machine from Kani mill to Iwaki Daio Paper, and shifted to containerboard

→ Commenced operation of household paper machine at Kani mill

Decision to restart Kawano mill* as a household paper factory

Acquired Nisshinbo HD's paper products business

→ Installed the first household paper machine at Kawano mill

Plan to convert Mishima mill's N7 paper machine into containerboard machine

Plan to install a second household paper machine at Kawano mill } Pulp that becomes available is utilized in household paper

Further reform to increase production of kraft pulp

→ Mishima mill's N7 containerboard machine commences operation

→ **Decision to install second household paper machine at Kawano mill** Planned operation: Oct. 2021

Response to social change due to the COVID-19 crisis

Decision to install a dedicated paper towel machine at Mishima mill

Planned operation: Jul. 2021

Decision to convert Mishima mill's paper machine into fluff pulp machine

Planned operation: Sep. 2022

- Increase in kraft pulp production
- Measures in the P&P Business
- Measures in the H&PC Business

Net sales:
800~1,000 billion yen

Operating profit margin:
10%

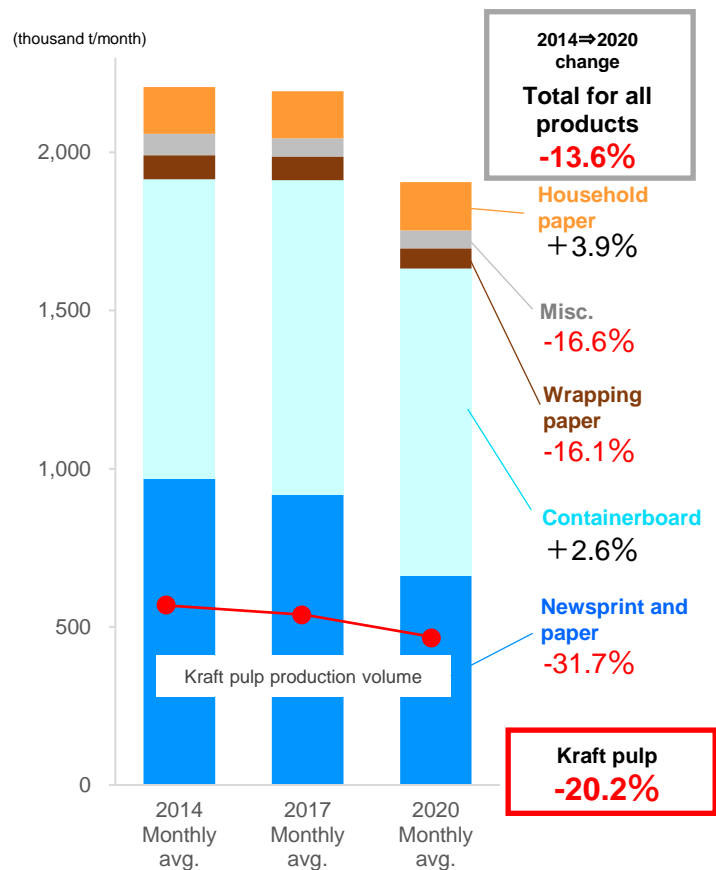
50% or more of net sales
from H&PC Business

30% or more of net sales
from H&PC Overseas Business

Trajectory of structural reforms (2)

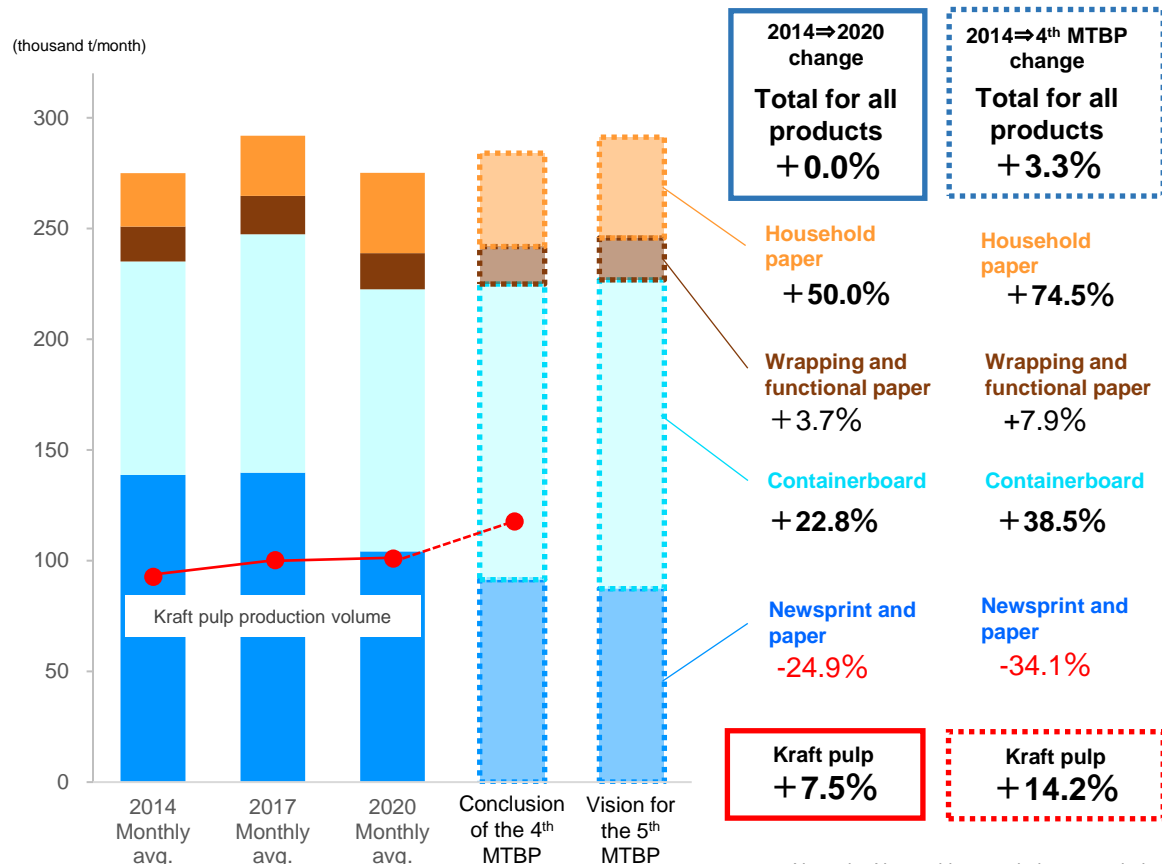
Maintain machine utilization rate and achieve greater competitive advantages through strategic shifts in product mix

Production volume by product type
(papermaking industry)



(Source: Japan Paper Association Statistics)

Production volume by product type
(Daio Paper)

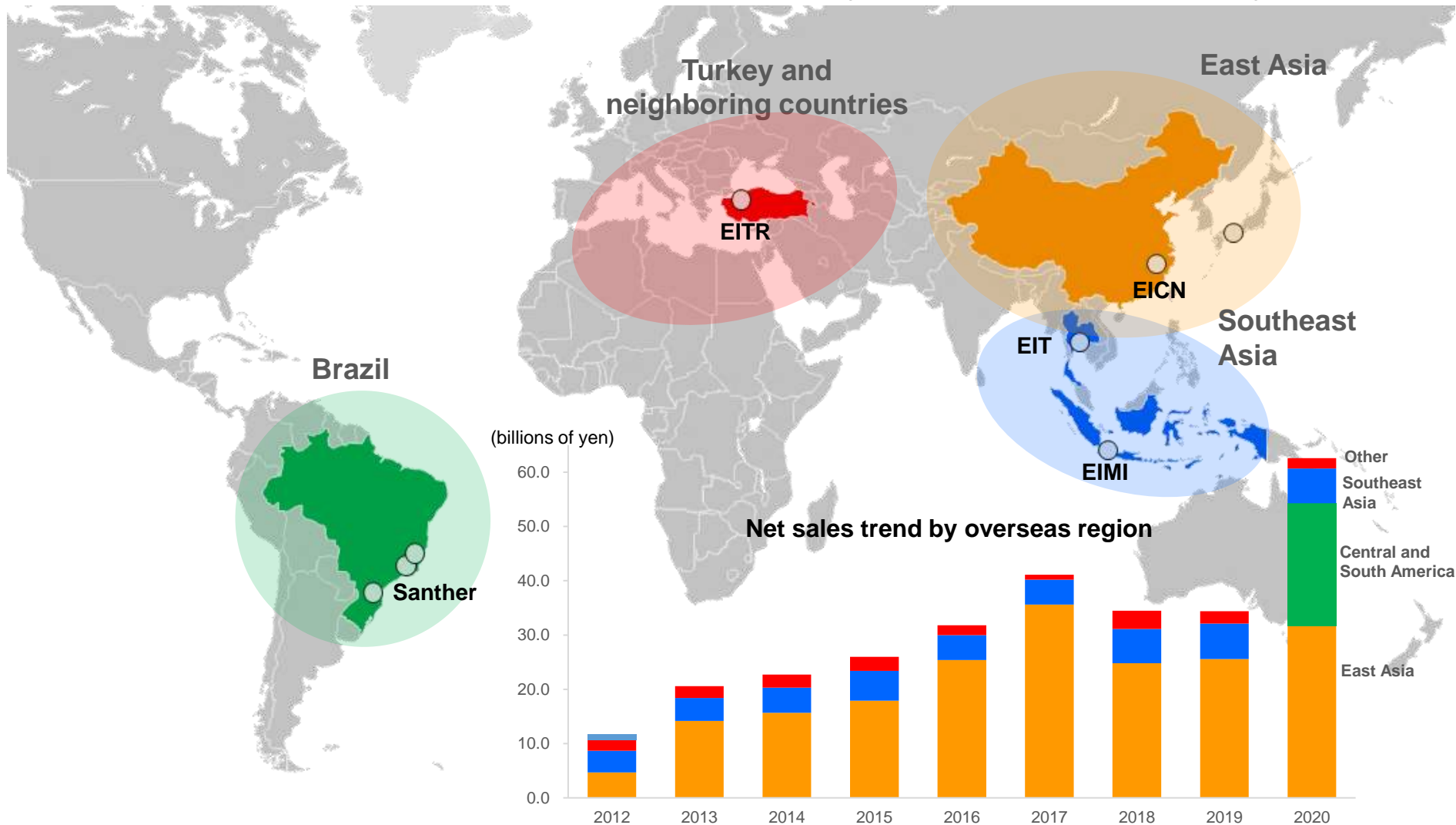


Note: the N7 machine was being upgraded from January to March 2020

Trajectory of overseas business expansion

Since the 1st MTBP, we have built systems for local production and consumption in Asia, centered on baby diapers

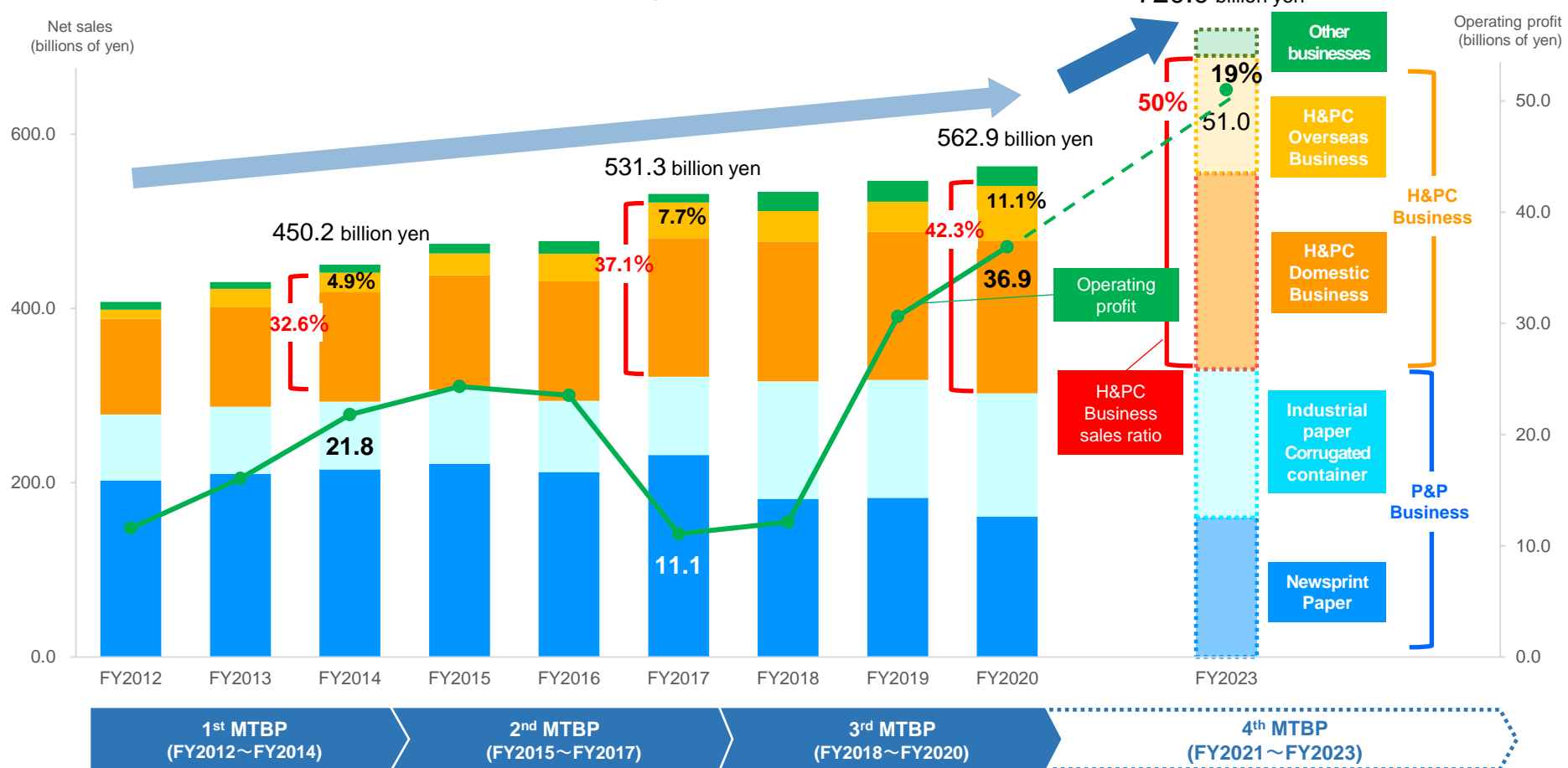
Under the 3rd MTBP, we established new “entry points” in Brazil and Turkey



Strategic transformation of the business portfolio

We have firmly established a base for rapid growth from the 4th MTBP onward, through structural reforms and the expansion of overseas business bases

Net sales and operating profit by business



2. Summary of the Fourth Medium-term Business Plan

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Slogan of the Fourth Medium-term Business Plan (4th MTBP)



The Next Growth Stage, to a New Future

Basic Policies

1

Establish a strong and resilient business portfolio

Build an even greater competitive advantage in the P&P Business by capitalizing on the results of strategic investment and continuing with structural reforms

Lead the Company's growth and expansion through faster multi-category business expansion and further acquisitions in the H&PC Business

Create future growth opportunities through new businesses such as CNF

2

Improve financial strength

Strengthen cash generating capacity and improve cash flow to enable further growth under the 5th MTBP

In view of the uncertain economic outlook, rigorously select capital expenditure projects for the 3 years of the 4th MTBP, and aim to obtain a credit rating of A during this time

Promote management with a consciousness of capital cost and return on capital

Introduce ROIC as an internal management indicator for evaluating profitability for each business and investment decision standards

3

Respond to climate change Achieve carbon-neutral status by 2050

Promote the use of renewable energy, and aim to reduce coal usage to zero by 2050

Continually engage in proper plantation management and expansion of plantation areas

Promote a shift to environmentally-friendly materials through CNF and plastic-free product businesses

Numerical targets under the Fourth Medium-term Business Plan



Maintain growth momentum and aim for new records in net sales and operating profit

(Unit: billions of yen)	1 st MTBP (FY2014)	2 nd MTBP (FY2017)	3 rd MTBP (FY2020)	4 th MTBP (FY2023)	Vision for 5 th MTBP (FY2026)
Net sales	450.2	531.3	562.9	720.0	800.0 - 1,000.0
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 greater
ROE	10.0 %	2.2 %	10.1 %	10.0% ^{or greater}	12% or greater
Net D/E ratio	1.9	1.6	1.3	1.0	1.0 or less
(Reference) Ordinary profit (Ordinary profit margin)	21.8 (4.8 %)	12.8 (2.4 %)	34.5 (6.1 %)	48.0 (6.7 %)	
CAPEX (3-year cumulative)	78.3	109.3	174.9	125.0	
Depreciation (3-year cumulative)	80.0	87.2	99.2	120.0	
Net interest-bearing debt	292.5	280.0	299.8	270.0	
Credit rating/outlook (R&I)	BBB-/stable	BBB+/stable	BBB+/positive	Aim for A	
Exchange rate (JPY/USD)	109.8	110.9	106.1	110	
Dubai crude oil (USD/barrel)	84	56	45	63	

Net sales and operating profit targets by business segment

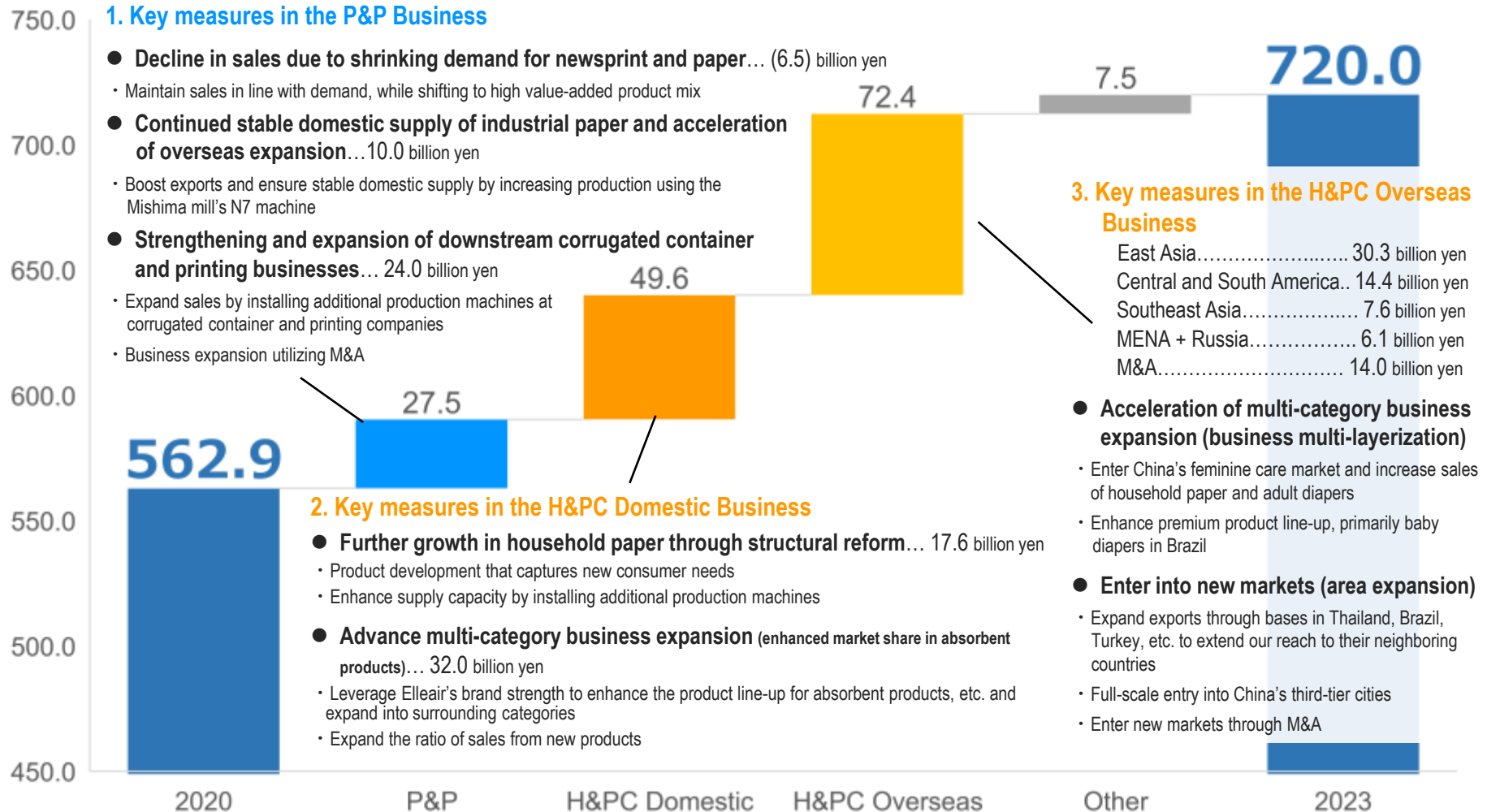
For the first time, the scale of H&PC sales will surpass P&P

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

Plan to expand consolidated net sales

Aim for consolidated net sales of 720.0 billion yen in FY2023 (+157.1 billion yen from FY2020)

(billions of yen)



Aim for consolidated operating profit of 51.0 billion yen in FY2023 (+14.1 billion yen from FY2020)

1. Key measures in the P&P Business

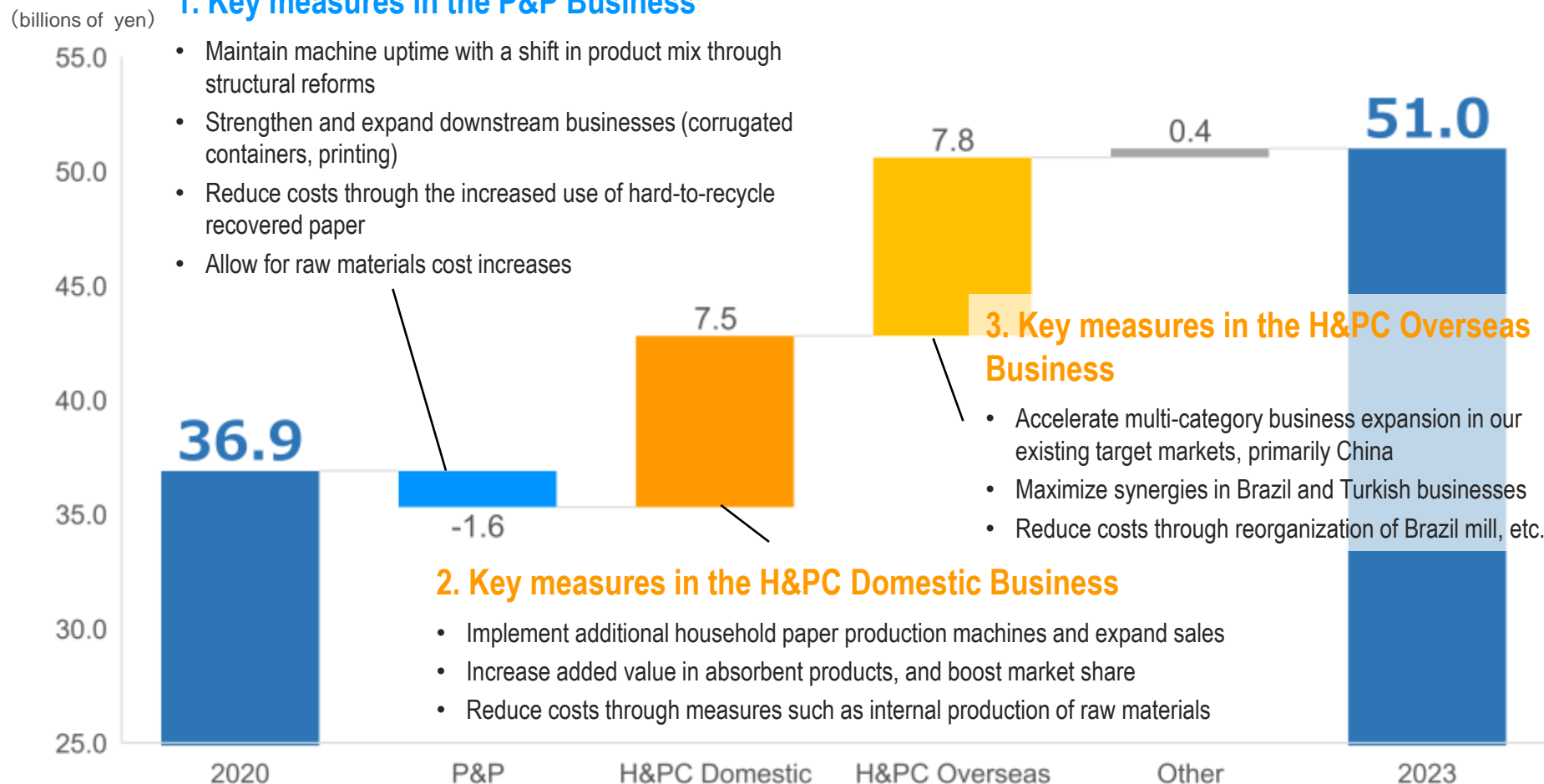
- Maintain machine uptime with a shift in product mix through structural reforms
- Strengthen and expand downstream businesses (corrugated containers, printing)
- Reduce costs through the increased use of hard-to-recycle recovered paper
- Allow for raw materials cost increases

2. Key measures in the H&PC Domestic Business

- Implement additional household paper production machines and expand sales
- Increase added value in absorbent products, and boost market share
- Reduce costs through measures such as internal production of raw materials

3. Key measures in the H&PC Overseas Business

- Accelerate multi-category business expansion in our existing target markets, primarily China
- Maximize synergies in Brazil and Turkish businesses
- Reduce costs through reorganization of Brazil mill, etc.



Overview of the investment plan

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

**CAPEX over 3 years:
125.0 billion yen**

**M&A investment:
30.0 billion yen**

[Breakdown of CAPEX] Growth: 76.5 billion yen; Maintenance: 48.5 billion yen

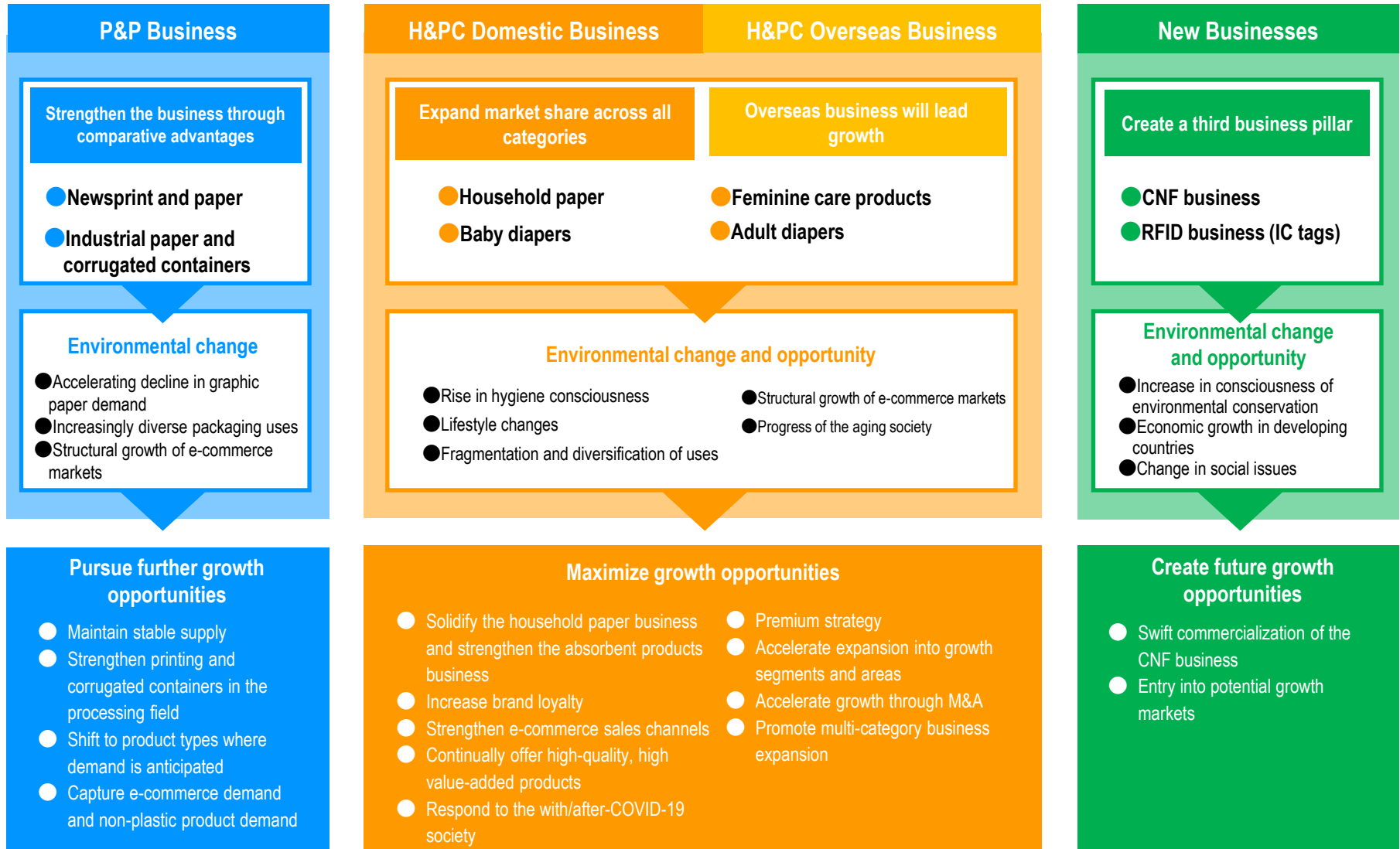
Class	Business	CAPEX	Main objectives
Growth	H&PC	55.5 billion yen	[Domestic] <ul style="list-style-type: none"> Respond to demand from heightened hygiene consciousness (Strengthen supply systems for paper towels and wet tissues) Expand sales of high value-added household paper products and adult diapers [Overseas] <ul style="list-style-type: none"> Promote multi-category business expansion in China, with feminine care products, household paper, etc. Further expand businesses in Brazil and Turkey, after full-scale entry in the 3rd MTBP
	P&P	10.5 billion yen	<ul style="list-style-type: none"> Strengthen downstream businesses by implementing additional production machines at corrugated container and printing companies Add a recycling boiler at Iwaki Daio Paper and achieve 100% proprietary power generation Promote recycling and cost reduction through expanded utilization of hard-to-recycle recovered paper
	Other (CNF, IT, logistics)	10.5 billion yen	<ul style="list-style-type: none"> Accelerate commercialization through new CNF production equipment Invest in IT to support business expansion Improve profitability through stronger area logistics and warehouse expansions
	Total	76.5 billion yen	
Maintenance	-	48.5 billion yen	

3. Strategies in Each Business Group

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- New businesses... P32~33
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Implement strategies and measures based on our view of the environment in each business



CSV Resolve social issues through business

Provide environmentally-friendly packaging and wrapping paper, indispensable for the transport of goods

- Increase the ratio of hard-to-recycle recovered paper pulp used in containerboard manufacturing by leveraging our recovered paper processing technologies, some of the best in Japan
- Provide paper suited for recycling through the development and sale of plastic replacement materials



2nd and 3rd MTBP
2015~2020

Shift from “graphic paper” to
“packaging paper”

- Converted Mishima mill’s paper machine into containerboard machine, and expanded exports across Asia
- Achieved both high quality and low cost through increased usage of hard-to-recycle recovered paper in containerboard
- Began to strengthen downstream corrugated container businesses
(Enhanced corrugated sheet production equipment and engaged in M&A of box manufacturers)

4th MTBP
2021~2023

Maintain stable domestic supply and
accelerate overseas expansion

Industrial paper

- Promote **integrated operations** through higher containerboard sales within the Group
- **Strengthen profitability of containerboard export** to Asia

Corrugated containers

- Further strengthen downstream corrugated container businesses to **enhance the total profitability** of the Containerboard and Corrugated Container Business
- Consider overseas expansion in the Corrugated Container Business

Business environment

- We forecast **further growth in demand** in Japan, particularly for processed foods, beverages, and e-commerce uses
- Overseas, we forecast an **increase in exports** from Japan to China and **market stability** due mainly to Chinese restrictions on the import of recovered paper

Main initiatives under the 4th MTBP

Expand exports of containerboard and strengthen domestic supply systems

Production volume from Mishima mill N7 machine



Strengthen and expand downstream businesses (corrugated container net sales)



Integrated operation of industrial paper and corrugated container businesses

Industrial paper

- 1 Expand sales by maintaining stable domestic supply and offering one-stop delivery of all types of containerboard
- 2 Strengthen profitability of containerboard exports through effective utilization of hard-to-recycle recovered paper and the rigorous selection of sales regions
- 3 Accelerate the development and sale of environmentally-friendly paper products

Corrugated containers

- 1 Expand the business through stronger relationships with independent corrugated container and box manufacturers, and M&A activities
- 2 Strengthen total package offerings (including peripheral goods such as packaging and functional materials, paper containers and specially processed products)
- 3 Commence consideration of the overseas expansion of the Corrugated Container Business

Strengthen total profitability, from containerboard to corrugated containers

CSV Resolve social issues through business

Ensure stable supply of graphic paper, an indispensable part of people's lives

- Always ensure stable supply of high-quality, high value-added product to users
- Develop products to respond to the needs of end users
- Develop and sell FSC certified paper and environmentally-friendly printed materials



2nd and 3rd MTBP
2015~2020

Made use of the Mishima mill's features to
shift the product mix from paper to
paperboard and household paper

- Converted Mishima mill's paper machine to containerboard machine, and utilized pulp for household paper
- Pursue higher sales composition of high value-added paper products through alliances with Sakura Terrace distributors (A2 grade coated paper and sheet products)
- Increase sales composition of high value-added products through M&A of printing companies (seals, labels, business forms, paper boxes)

4th MTBP
2021~2023

Consider production systems and sales
composition in anticipation of a further shift,
and strengthen downstream printing paper businesses

Paper

- Generate cash flow by pursuing a shift to high value-added products
- Consider production systems and sales composition in anticipation of further declines in demand

Printing

- Build optimal production systems through the structural reform of production, transcending the divisions between printing companies
- Maximize total profitability from paper and printing by further strengthening printing businesses

Business environment

- Decline in demand for newsprint, printing and communications paper has accelerated due to the COVID-19 crisis, and we **do not expect a substantial recovery in the future**
- Despite declining demand for commercial printing, demand for stickers, labels and business forms will **continue to be firm**

Main initiatives under the 4th MTBP

Develop newsprint and paper into a leaner business

Maintain net sales in line with demand for newsprint and paper

Leverage the advantages of the Mishima mill to **pursue high value-added products and maintain strong operating rates** while restructuring the product mix

Further strengthen and expand printing businesses (printing net sales)

3rd MTBP

33.0 billion yen

4th MTBP

40.0 billion yen

5th MTBP (Vision)

45.0 billion yen

Integrated operation of paper and printing businesses

Newsprint & paper

- 1 Maintain and continue stable supply
- 2 Improve cash flow by reducing inventories
- 3 Further product mix shift to fields where demand is anticipated

Printing

- 1 Strengthen one-stop sales across all product types
- 2 Build an optimal production system that transcends the divisions between printing companies (transfer and consolidation of equipment)
- 3 Strengthen sales of high value-added printed materials (stickers, labels and business forms)

Strengthen total profitability from paper to printing

CSV Resolve social issues through business

Supporting consumers live their unique and individual daily lives

- Pursue daily convenience for consumers through Elleair products
- Support secure and healthy lifestyles in response to increasing hygiene consciousness



2nd and 3rd MTBP
2015~2020

Established an overwhelming top market share for household paper in Japan

- Strengthened household paper production systems through radical structural reform
- Acquired Nisshinbo HD's paper products business
- Strengthened absorbent products production systems in anticipation of expanded market share
- Enhanced equipment for producing masks, sanitizing wet tissues, etc.

4th MTBP
2021~2023

Further grow the household paper business and increase market share in the absorbent products business, by carrying forward structural reforms and capital expenditure from the 3rd MTBP

- Further strengthen the household paper business, which leads the market share in all categories
- Actively introduce derivative products in existing categories, and increase the sales composition of new products



Business environment

Changes in lifestyles due to the COVID-19 crisis, such as the increase in hygiene consciousness, have brought about a **change in the structure of demand in the domestic household products market**, and we forecast **further fragmentation of consumer needs in each category** and a **shift to high value-added products**

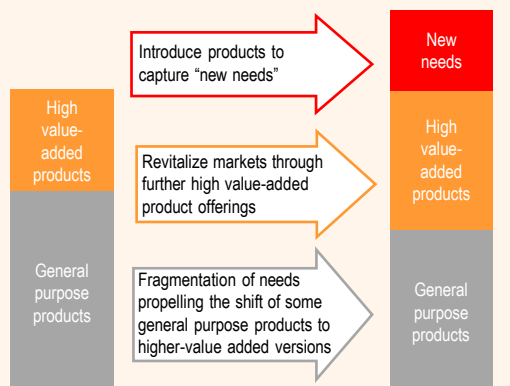
Main initiatives under the 4th MTBP

Solidify our position as No.1 across all household paper categories

Product development that captures consumer needs

- Respond to “new needs” resulting from consumers’ increased hygiene consciousness
- Achieve greater market share by continuing to expand product offerings to revitalize markets

Image of household paper product expansion



Further enhance supply capacity

Optimize consolidation of product types
Achieve optimal production and stable supply at each mill/factory

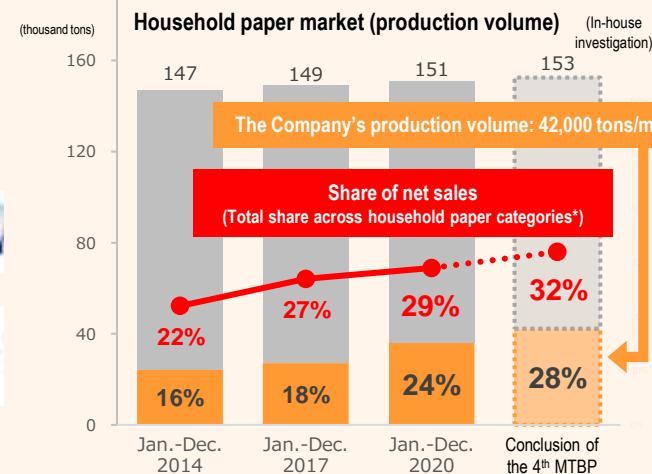
October 2018
No.1 household paper machine began operation (Kawanoe mill, Ehime)



July 2021
Planned operation of paper towel machine (Mishima mill, Ehime)



October 2021
Planned operation of No.2 household paper machine (Kawanoe mill, Ehime)
Planned operation of household paper processing machine (Kani mill, Gifu)



	2020	Conclusion of the 4 th MTBP
Total share across household paper categories*	29%	32%
The Company's production volume	36,000 tons/month	42,000 tons/month

* Total sales amount data for tissue paper, toilet paper and kitchen towels
INTAGE SRI data (Jan.-Dec. 2014, nationwide aggregate across all business categories)
INTAGE SRI+ data (Jan.-Dec. 2017 and Jan.-Dec. 2020, nationwide aggregate across all business categories)

Domestic Home & Personal Care Business: initiatives (2)

Strengthen and expand category brands

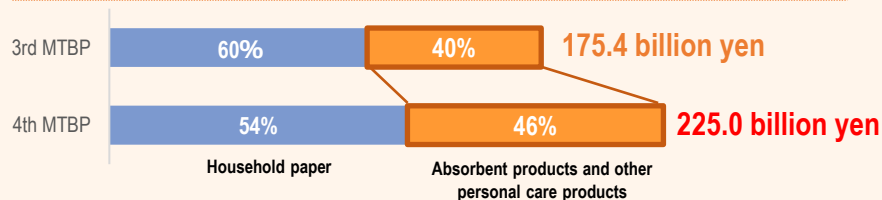
Drive multi-category business expansion through the tandem promotion of household paper and absorbent products

Expand our market share for absorbent products and other personal care products, to strengthen tandem promotion with household paper

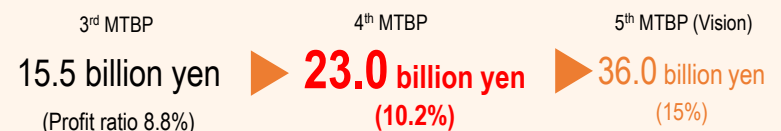
Shift to in-house manufacturing of fluff pulp to introduce products with new value, and enhance profitability



H&PC Domestic Business: Net sales by product type



H&PC Domestic Business: Operating profit



CSV Resolve social issues through business

Contribute to development in our markets overseas, enhancing the standard of living

- Prevent infection and raise the standard of living through the spread of high-quality household paper
- Create and maintain employment at our overseas bases, and source raw materials locally
- Enhance the technical and R&D capabilities of our overseas bases



2nd and 3rd MTBP
2015~2020

Promoted expansion of production overseas
(local production for local consumption) and
multi-category business expansion

● China

Premium brand strategy for baby diapers,
and expanded sales of premium toilet paper

● Thailand

Enter the markets for baby diapers, wet
tissues and wipes, and feminine care products

● Indonesia

Expand baby diaper machines

● Brazil and Turkey

Market entry through M&A

4th MTBP
2021~2023

Expand through multi-category business expansion
in existing markets and entry into new markets
as the pillars of our growth engine

- Achieve operating profit across all overseas subsidiaries

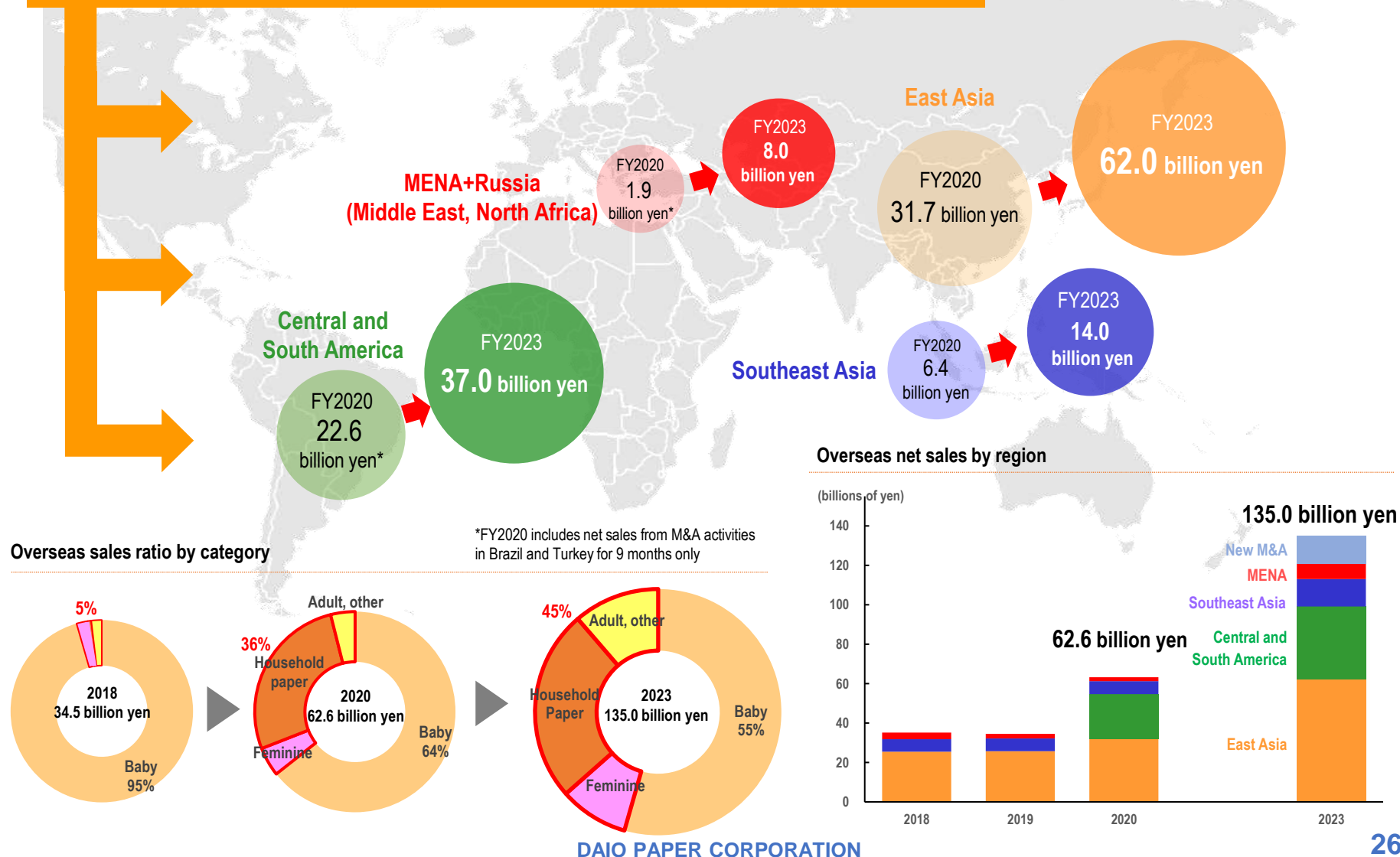
- Realize synergies and expand export businesses in countries we are entering through M&A (Brazil and Turkey)

- Expand the area and scale of overseas businesses through M&A, pursue multi-category business expansion, and consider merger with/acquisition of household paper manufacturers in developing countries

- Enhance CSV and contribute to local communities in the countries where we operate

Overseas Home & Personal Care Business: strategic policy (2)

- Develop our Japanese multi-category business expansion model overseas
- Accelerate growth through M&A

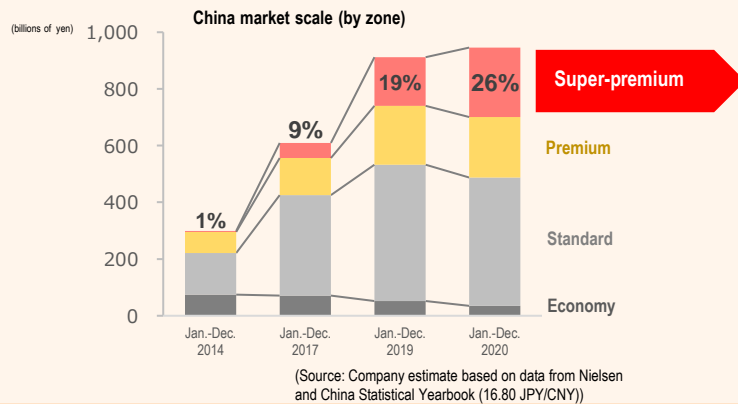


Overseas Home & Personal Care: initiatives in the China business (1)

Further sales expansion in the super-premium zone

Business expansion in third-tier cities, which account for 80% of the whole market, and where demand is growing

Consistently introduce premium zone products



Product fragmentation by zone and sales channel

Expand sales of top-of-the-line “Light Plume Pure Gold Guangyu Liujin” series

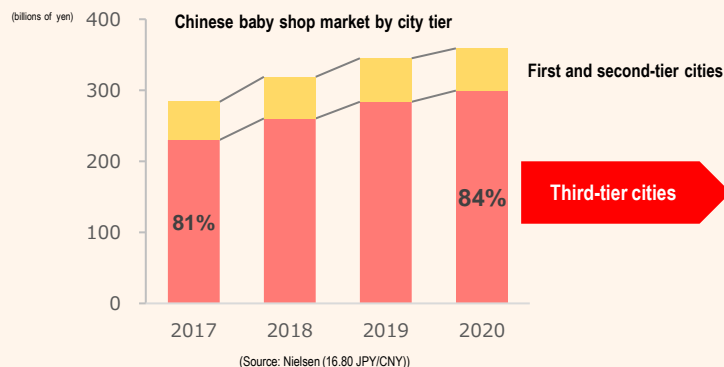


Strengthen storefront promotion of Guangyu Liujin series



Guangyu Liujin
(Highest-grade product)

Full-scale entry into third-tier cities



Established consumer recognition of the high quality of GOO.N brand products under the 3rd MTBP

- ➔ Under the 4th MTBP we will expand sales channels in third-tier cities with growing demand, to further increase sales
- ➔ Launch new products targeting third-tier cities



The “Hare no hi no ubugi” sales caravan visits third-tier cities

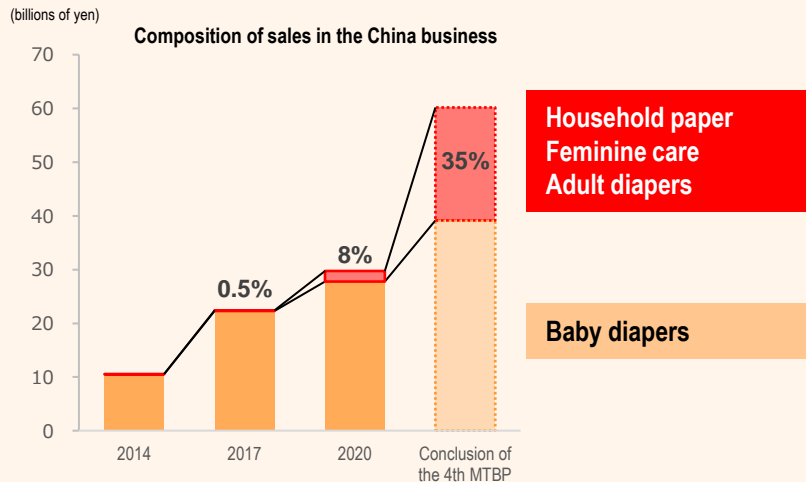


“Hare no hi no ubugi” diapers
(for third-tier cities)

Overseas Home & Personal Care: initiatives in the China business (2)

Enhance production equipment to achieve full-scale multi-category business expansion

Promote multi-category business expansion



- **Full-scale entry into the feminine care market in China: market scale approx. 700 billion yen (9 times the size of the Japanese market)**

Commence test sales of imported products from May this year

Plan to commence local production from Jan. 2022



New feminine care product
elis *Tenshi no Shaori*

- **Rising demand for “hygienic, safe, high function” products**

Strengthen development and production equipment



Elleair hygienic toilet paper

Enhance production systems through the operation of a second factory

September 2020 Second factory is completed; tissue processing machine commences operation

March 2021 Wet wipes processing machine commences operation

2022 Planned operation of the feminine care processing machine

Considering future entry into corrugated container business



Panorama of factories No. 1 and 2



Diaper monitoring room



Factory tour

Overseas Home & Personal Care: initiatives in the Thailand and Indonesia businesses

Consider further strengthening production systems to promote multi-category business expansion
Promote optimization of distribution and sales networks to strengthen profitability

Promote multi-category business expansion

Thailand

- Further strengthen the well-performing feminine care business
- Expand sales of wet tissues
- Achieve stronger sales and stable profits in surrounding countries such as Vietnam and Malaysia



Feminine care products, wet tissues and baby diapers

Indonesia

- Promote multi-category business expansion pivoting on baby diapers and household paper
- Capture fluid consumer demand through drastic renewal of baby diaper quality and design, and the use of Disney characters



Baby diapers (premium and economy products)

Baby diapers
(design featuring Disney characters)

Optimize distribution and sales networks

Thailand

- Expand distribution from cities to regional areas
- Rigorous store selection and focused sales promotion
- Utilize e-commerce to expand sales of high-profit products



Sales at a small-scale store in Thailand

Indonesia

- Achieve a profit in the baby diaper business through expanded sales channels to traditional stores (warung)
- Raise the e-commerce sales ratio and improve sales efficiency



Individually-packaged baby diapers
(design featuring Disney characters)

Grow Brazil into the second overseas “sales and profit core” after China

Maximize synergies between Daio Paper, Santher and Marubeni

DAIO PAPER CORPORATION

Technical, product and
marketing strength



Santher

High brand recognition within Brazil



Marubeni

Business network in Brazil



Baby diapers, feminine care products, household paper



The Bragança Paulista factory, Santher's main production base

Enhance product lineup

- Progressively introduce Daio quality and Daio brand products
- Achieve a shift to high value-added products and increased profitability

Reform production and development systems

- Structural reforms through the reorganization of existing factories and the introduction of new machines
- Strengthen development systems

Further business expansion through synergies

- Consider expanding exports from both H&PC and specialty paper businesses

Overseas Home & Personal Care: initiatives in the Turkey business

Expand the business by utilizing Turkey's strategic location to expand exports
Strengthen the GOO.N brand and develop the Group's first liquid soap business

Utilize the Daio Paper Group's knowhow

- Local production of GOO.N brand products and expanded production equipment
- Strengthen baby diaper quality and establish the brand



Baby diapers

Promote export sales to surrounding countries

- Establish export and sales systems to Russia, MENA and Eastern Europe
- Minimize exchange rate risk by increasing the proportion of exports



Elleair International Turkey head office factory

Effectively utilize new product categories

- Consider lateral expansion of the liquid soap business within the Group



Liquid soap

New business expansion (1): cellulose nanofibers

In the 4th MTBP, lay the foundations for full-scale business expansion in the 5th MTBP

Understanding of the business environment

Our strength in cellulose nanofibers (CNF)

Utilizing the Mishima mill's diverse range of pulp will enable us to provide samples of multiple materials and fiber sizes to match the needs of CNF users

- CNF has already passed the R&D stage, with **increasing instances of its utilization** in commercial products
- CNF products are expected to become common within the next few years in response to the need to reduce CO₂ emissions, with **increasingly diverse applications for weight reduction and plastic usage reduction** through the addition of, or replacement with, CNF

Main initiatives under the 4th MTBP

Achieve cost reductions through higher productivity for cellulose-fiber-containing composite resin

- We provided a greatly increased number of CNF samples under the 3rd MTBP. Under the 4th MTBP, we will further enhance our CNF supply capabilities by **launching a pilot plant in 2021**

We will achieve a rapid improvement in productivity and substantial cost reductions by building an integrated manufacturing process*

*Selected as a New Energy and Industrial Technology Development Organization (NEDO) "CNF-related Technology Development Project to Contribute to a Carbon Recycling Society"

- We will accelerate the development of applications under the 4th MTBP, and **aim to introduce equipment for commercial production**

Cellulose-fiber-containing composite resin



Accelerate the development of new applications for CNF to expedite the commercialization process

- One example of the development of expanded applications is our supply of proprietary **ELLEX-M** CNF molds for electric race car components since 2018. In 2020, we added **ELLEX-R** cellulose-fiber-containing composite resin, **and we have pursued the potential of expanded applications in automobile parts**
- We will utilize the features of CNF, including strength and high elasticity, to **contribute to cutting CO₂ emissions through the reduced use of plastics and lighter vehicles**, to realize a sustainable society

Our CNF is used in race car components



©SAMURAI SPEED

New business expansion (2): RFID

Expand RFID businesses utilizing the Group's technologies

Understanding of the business environment

Our strength in radio-frequency identification (RFID)

Fusing the technologies we have developed in papermaking and engineering, we are able to respond to customer demands with an integrated range of RFID tags, hardware and software

Demand for RFID technology is anticipated to rise, and it is expected to become common in industries such as healthcare and logistics, where a response to labor shortages (labor reductions), better work environments, the prevention of human error, the digitalization of business operations (DX), and more efficient operations are needed

Main initiatives under the 4th MTBP (expanded solution offerings)



Achievements in the provision of RFID solutions

● Main solutions provided

- Healthcare: relieved labor shortages, prevented human error, and enhanced the efficiency of operations
- Cosmetics: enhanced distribution traceability
- Logistics: relieved labor shortages, facilitated the digitalization of operations

● Main RFID tags and labels provided

- Healthcare: RFID labels
- Apparel: RFID tags and labels
- Production control: RFID labels

Business development under the 4th MTBP

We aim to fully utilize the cutting-edge production equipment installed at Daio Engineering to expand the use of RFID in a range of industries, including logistics and apparel, by packaging the solutions we have developed through our achievements in this field

Establish global support systems to respond to the expansion of overseas businesses

Further strengthen the Group's governance structure from a global perspective

Stable procurement and optimal allocation of management resources necessary for business growth and expansion

- Optimal allocation of human resources, recruitment and training of overseas human resources, recruitment of foreign employees in Japan
- Establish optimal logistics systems within each country and for import and export
- Integrate and strengthen purchasing policy and purchasing function for the stable procurement of resources and materials overseas
- Review key investment domains and establish a global funds management system
- Promote overseas M&A strategy

Further strengthen the Group's governance structure and enhance risk management

- Build systems to respond to overseas laws and regulations and manage legal risk, by developing human resources with expertise in overseas legal affairs
- Strengthen the application and acquisition of design and trademark rights overseas, by strengthening and developing staff responsible for overseas regions at the Intellectual Property Department
- Standardize rules and strengthen internal control by establishing a Group-wide, global infrastructure control platform
- Strengthen key IT personnel and systems to promote overseas M&A strategy

4. Cash Flow and Shareholder Returns Policy

- Cash flow and shareholder returns policy... P36



Cash flow and shareholder returns policy

We will promote management with a consciousness of capital cost and return on capital, and aim for sustainable growth by improving financial soundness

1 Cash flow under the 4th MTBP

Operating CF: 210.0 billion yen

Depreciation: 120.0 billion yen

Profit before tax, etc.

Investment CF: 155.0 billion yen

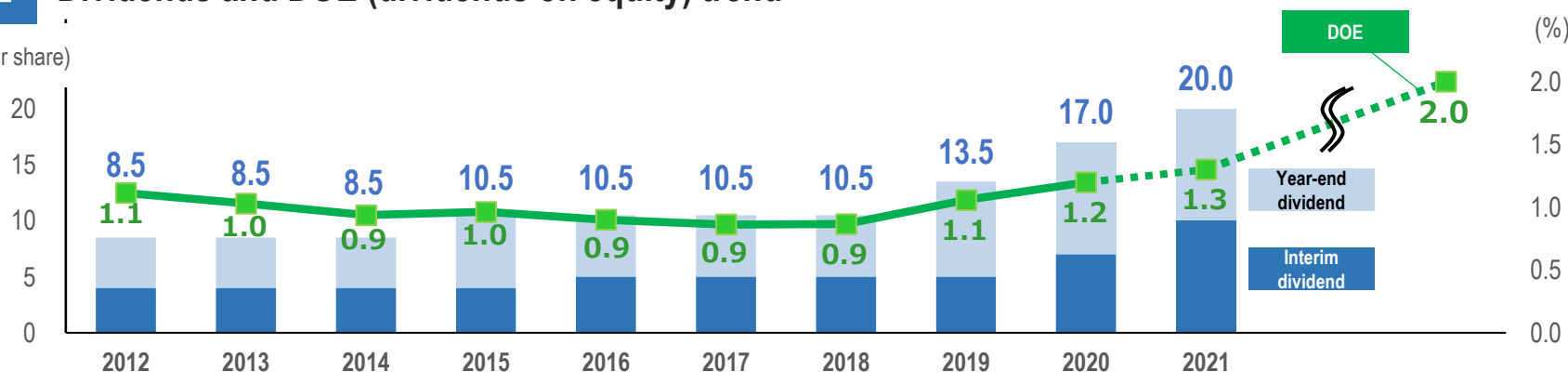
Capital expenditure: 125.0 billion yen

M&A investment:
30.0 billion yen

Reduce interest-bearing debt
Stable dividends
Enhance net assets

2 Dividends and DOE (dividends on equity) trend

(yen per share)



Maintain stable dividends with consideration for business results, more substantial internal reserves, etc.

Add DOE* as an indicator, and return to shareholders the benefits of growth-induced rise in net assets

*DOE: dividends on equity

5. Initiatives for a Sustainable Society

- Initiatives to address the SDGs... P38
- Roadmap to achieving carbon-neutral status by 2050... P39
- Global social contribution and coexistence with local communities... P40



Initiatives to address the SDGs

	Material Issues	Business Strategy		Solving Social Issues Through Business Activities		SDG Goals
Dedicated Dedication to manufacturing	Strategic transformation of our business portfolio	[Newsprint and paper business] <ul style="list-style-type: none">Review production system and sales structureStrengthen the downstream printing business	[Industrial paper and containerboard business] <ul style="list-style-type: none">Continue to ensure stable supply in JapanAccelerate overseas expansion	• Shift from paper to paperboard ⇒ Employment preservation by continuing operation of machines		
	Acceleration of global expansion	[H&PC domestic business] <ul style="list-style-type: none">Increase domestic share of absorbent products businessEstablish multi-category model leveraging household paper	[H&PC overseas business] <ul style="list-style-type: none">Promote multi-category business in existing countriesEnter new markets and build business foundations	• Contribution to local development at overseas sites ⇒ Improvement of technology/development capability and employment preservation		
	Creation of new businesses	[New businesses] <ul style="list-style-type: none">Cellulose nanofiber: Create a diverse lineup, develop applications in various fields and establish foundation for mass productionRFID (IC tag): Solve clients' problems through customized solution-based proposals		• Development of products/applications for cellulose nanofiber		
				• Improvement of work efficiency/reform of working styles through RFID		
				• Sales of environmentally friendly products (reducing plastic use, etc.)		
				• Sales of products to prevent spread of infectious disease (masks, sanitizing wipes, etc.)		

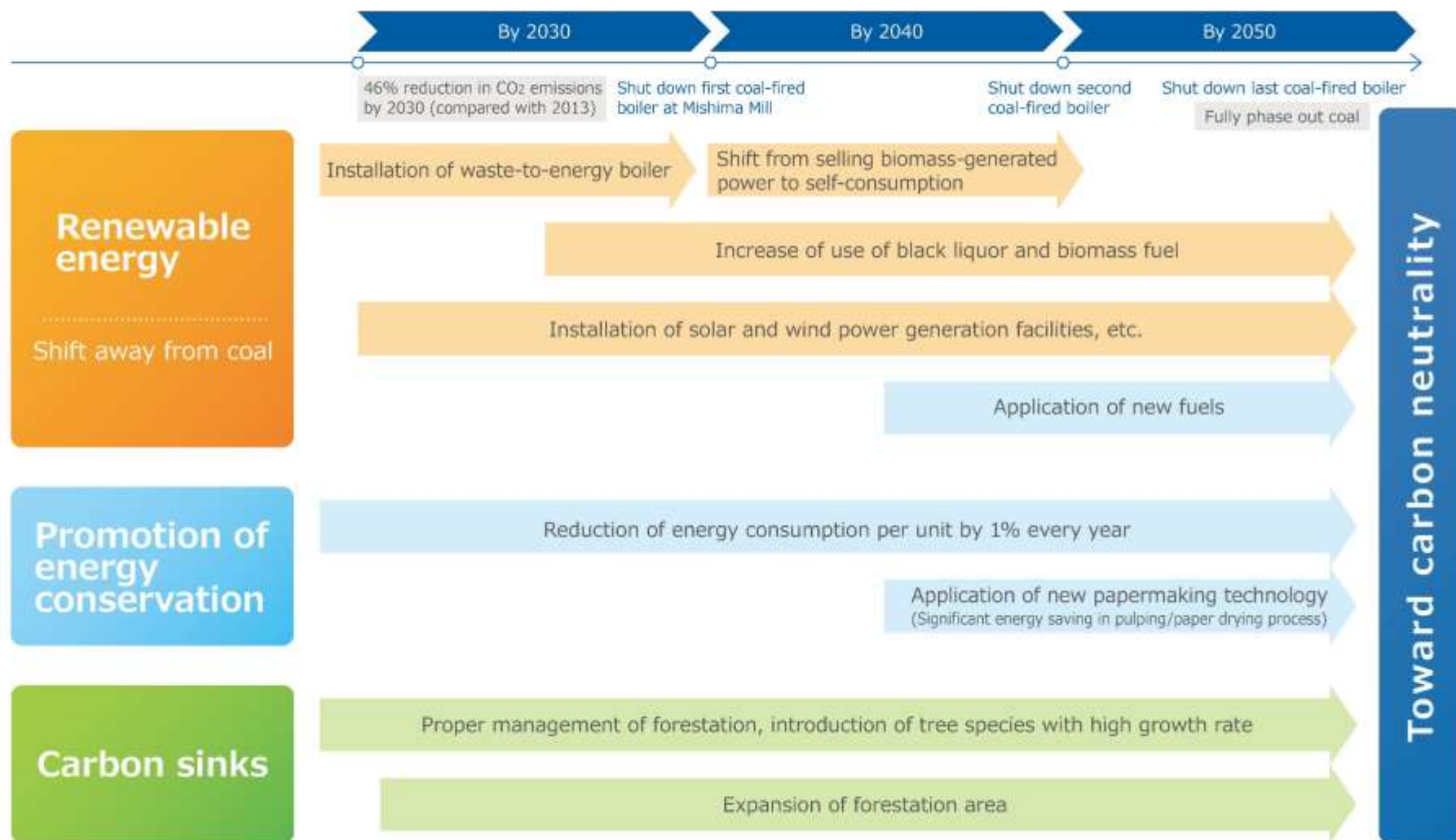
	Material Issues	Major Initiatives	KPI (As of 2030)		2020 Result (* = 2019 Result)	SDG Goals
Attentive Bonds with local communities	Coexistence with local communities	• Provide stable supply of water for daily use and irrigation that supports local agriculture and dairy farming in Chile	—		—	
	Establishment of sustainable supply chain	• CSR procurement	Procurement survey response rate	100%	87%	
			Business partners with ratings of 3.5 or more on a 5-point scale	90%	56%	

Integrated Corporate culture providing safety and motivation to work	Respect for human rights, development of human resources, and compassion for employees	• Diversity: Promote women's advancement	% of female managers	6.5%	2.2%	
		• Human resource development: Improve language skills of employees	Employees with TOEIC 600+	700	230	
		• Work style reform: Promote paid leave uptake : Promote GOO.N Sukusuku leave* uptake : Promote men's childcare leave uptake	Uptake rate	75%	65.7%	
			Uptake rate	100%	84.4%	
			Uptake rate	100%	5.3%	
			Smoking rate	20%	26.1%	
	Fair and highly transparent management	• Sustainably enhance effective and highly transparent governance system	—		—	
* GOO.N Sukusuku leave: Five days of paid leave for childcare						

Organic Contribution to the global environment	Response to climate change	• Switch to biomass-derived fuel, effectively use waste fuel, etc.	CO ₂ emissions reduction (compared with 2013)	46%	2.7%*	
	Realization of a recycling-oriented society	• Promote the use of hard-to-recycle recovered paper	Ratio in containerboard	30%	15.7%	
		• Ensure zero waste emission	Recycling rate	100%	98.9%*	
		• Promote water circulation for reuse and purification of wastewater through proper wastewater treatment	Water/wastewater COD base unit per sales (year-on-year)	1%/year reduction	Water compared with 2018 : ▲3%* COD compared with 2018 : +0.4%*	
	Forest conservation and maintenance of biodiversity	• Protect Patagonian Cypress, a designated natural monument in Chile, together with a local NPO	—	—	—	
		• Breed and release endangered freshwater fish Kawabata-moroko (Hemigrammocypnis neglectus) under an initiative by Tokushima prefecture	—	—	—	

Roadmap to achieving carbon-neutral status by 2050

Through our expertise in utilizing diverse fuel sources and the introduction of new technologies, we will actively engage in reducing the use of fossil fuels



Global social contribution and coexistence with local communities



Donated diapers to a children's hospital that supports children with cleft lips

China



Japan

Supported outings for parents with small children, through the placement of diaper vending machines



Japan

Donated to a project run by The Okinawa Times to eliminate child poverty



Donated sanitary pads to a project supporting children of ethnic groups in mountainous regions

Thailand



Zambia

Indonesia

Brazil

Donated Santher non-woven masks to a local medical facility



Chile



Continued to engage in the Heart Support Project, one of our SDGs initiatives, supporting women's independence



Donated baby diapers to a nearby nursery



Implemented skills training on fruit tree cultivation and handicrafts to promote the local economy in Chile, where we are engaged in the plantation business

Cautions regarding forward-looking statements

The strategies, plan, targets and other forward-looking statements included in this document have been prepared based on assumptions made by Daio Paper Corporation (“the Company”) using information currently available to it, and are subject to contingencies, risks and uncertainties.

As such, actual future performance and results could differ materially from the statements included herein as a result of factors such as changes in the economic and business environment surrounding the Company.

Notes regarding figures and expressions

1. Amounts are rounded off to the nearest 0.1 billion yen; totals may not sum due to rounding.
2. Fiscal year (FY) represents the 1-year period from Apr 1 to Mar 31. (FY2021 is the fiscal year from Apr 1, 2021 to Mar 31, 2022.)
3. MTBP = “Medium-term Business Plan”.

Disclaimers regarding translation

1. This document is an English translation of the original Japanese document dated May 27, 2021 and is only for reference purposes. In the event of any discrepancy between the original Japanese document and this translated document, the Japanese document shall prevail.
2. Translations of brand names and product names not yet launched in English-speaking regions are not official and are subject to change without notice.