

DAIO PAPER CORPORATION

Daio Group Integrated Report 2025

DAIO PAPER CORPORATION



Shaping an Abundant and
Affable Future for the World

INTEGRATED REPORT 2025

Daio Group

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Editorial Policy

The purpose of the Integrated Report is to convey the Daio Group's management philosophy and value creation story to its stakeholders. Each year, the Daio Group issues an integrated report to communicate its strategies for achieving the "affable future" it envisions, from both a financial and a non-financial perspective.
We introduce strategies and initiatives aimed at the realization of our Long-Term Vision, "Daio Group Transformation 2035," announced in May 2024. Regarding overseas operations, which had been experiencing particularly poor performance, we established a fundamentally new "Basic Overseas Business Strategy" in August 2025 summarizing our past experiences to achieve our Long-Term Vision. We have decisively reorganized unprofitable businesses in our overseas business operations and clarified our policy to achieve a V-shaped recovery and grow in this new phase. We are sharing our growth story to steadily realize our Long-Term Vision, incorporating initiatives for long-term value creation such as addressing material issues through business activities and governance.
We will continue to gather readers' feedback and improve the content of the Integrated Report to provide a deeper understanding of the Daio Group's value creation story and our initiatives addressing material issues.

Scope of Report and Items

Reporting period: April 1, 2024 to March 31, 2025
(Some information about April 2025 and beyond is also included.)
Publication period: September 2025
(Published every year as an annual report. Last published in September 2024.)
Scope: Daio Group (Daio Paper Corporation and its consolidated subsidiaries)
*Some environmental and social data covers Daio Paper Corporation and its specific subsidiaries (specified in the text).

Guidelines Used as References

Environmental Reporting Guidelines 2018 (Ministry of the Environment, Japan); ISO 26000;
International Integrated Reporting Framework, Japanese translation (IFRS Foundation);
Guidance for Collaborative Value Creation (Ministry of Economy, Trade and Industry, Japan)

Third-Party Assurance

Daio Paper has obtained assurance from DNV Business Assurance Japan regarding the data presented in the Integrated Report to enhance its reliability and accuracy.

▶Details https://www.daio-paper.co.jp/wp-content/uploads/VERIFICATION-STATEMENT_2024_EN.pdf

Period Covered by Fiscal Year

In this report, FY2024 denotes the consolidated fiscal year ended March 31, 2025. The same applies to other fiscal years.

Forward-looking Statements

Forward-looking statements included in this report are based on various assumptions and do not assure or guarantee the achievement of future financial figures or the attainment of measures.

Inquiries on the Integrated Report

Sustainability Promotion Department,
Daio Paper Corporation
Iidabashi Grand Bloom, 10-2 Fujimi 2-chome,
Chiyoda-ku, Tokyo 102-0071, Japan
Tel: +81-3-6856-7500 Fax: +81-3-6856-7605

Inquiries
https://www.daio-paper.co.jp/en/contact/

Management Philosophy and Purpose

Management Philosophy

Shaping an Abundant and Affable Future for the World

Our mission:
To realize an abundant and affable future

Dedicated
Dedication to manufacturing

Organic
Contribution to the global environment

Attentive
Bonds with local communities

Integrated
Corporate culture providing safety and motivation to work

D O A I

Four pillars of our management philosophy

Three Well-beings
Hygiene
Regeneration
Life

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.

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.

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.

Corporate Motto:
Passion with Sincerity

Purpose

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).

Background and Intent of Purpose

Founding spirit: "Passion with Sincerity"

- Shikokuchuo City in Ehime Prefecture, where the Shikoku headquarters is located, has historically faced water scarcity and drought, making it difficult to sustain livelihoods through agriculture.
- While the industry of handmade Japanese paper flourished in the area during the Edo period, its structural fragility meant that even minor downturns in demand could threaten the community's economic foundation.



Founder
Isekichi Ikawa

Isekichi envisioned building a stronger company deeply rooted in this region. He believed that sincerity meant approaching every matter honestly and earnestly, free from self-interest.
Guided by this principle, Isekichi shared with local residents:
"If a business were to cause pollution in the place where I was born and bring trouble to the community, it should never be undertaken. We must ensure that we do not manage such businesses. This is the fundamental principle of my corporate management." (Excerpt from a summary of comments made by Isekichi Ikawa at a meeting with residents)
Likewise, Ikawa defined passion as the unwavering determination to face any hardship and see it through.
His Passion—the fervent desire to develop irrigation projects in water-scarce regions—moved many people.





"The Three Well-beings" is what we aim to achieve through our business.

Hygiene: Protect well-being of the body by promoting hygiene products and good habits

Life: Enhance well-being of lifestyles by providing activities, products and services that enrich lives and foster a happiness

Regeneration: Restore well-being of the earth by actively conserving the environment and providing environmentally conscious products and services

Our Purpose

Daio Paper's Purpose

The Purpose "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)." embodies our founding spirit and represents the shared aspiration of the Daio Group.

The founder's passion to develop the irrigation canal project for the sake of the founding region, not out of personal desire or self-interest, moved many hearts and united the community to accomplish the irrigation canal project.

Although we did not have the opportunity to hear directly from the founder, we believe the founding spirit of 'Passion with Sincerity' has the power to inspire many.

Our journey to enhance corporate value begins with our purpose and with every employee's shared commitment to "protecting health (Hygiene)," "enhancing quality of life (Life)," and "regenerating the Earth (Regeneration)" through our business activities.

This section highlights the voices of Daio Group employees who align our purpose with their own, apply it in their work, and strive to enhance corporate value.



Daio Paper Corporation
Sustainability Promotion Department,
Sustainability Promotion Division,
Corporate Unit



Wataru Sugiyama

Manager of Business Support Group,
Health Care Brand Marketing Department,
Global Marketing Division,
Home & Personal Care Domestic
Business Group

I belong to the Health Care Brand Marketing Department, where I aim to provide incontinence care that enables all individuals involved in caregiving at nursing facilities and hospitals to achieve "peace of mind, comfort, and self-fulfillment" through Attento adult diapers. Incontinence care is closely linked to human dignity and quality of life. We have encapsulated this sentiment in our slogan, "comfortable and effective incontinence care," and are advancing activities to expand the circle of empathy. To foster empathy across generations, nationalities, and professions, we offer on-site incontinence care workshops for junior high and high school students who will shape the future. We also created diaper-changing guides in 14 languages for foreign care workers, and offer an original certification program, the Attento Meister System*, for training incontinence care leaders.

These activities reflect our purpose by alleviating the burden on caregivers and those receiving care and ensuring a better quality of life through adult diapers—upholding both Life and Hygiene.

With hearts filled with passion with sincerity, we will further expand this initiative to achieve the Three Well-beings: Hygiene, Life, and Regeneration. I also want to help shape a society where people can truly say, "Growing old isn't so bad."

*Daio-certified qualification awarded to individuals who complete all seven lectures on incontinence and pass the final examination.



Mizuki Shizukawa

Public Relations and IR Section,
Public Relations and IR Department,
Corporate Planning Division,
Corporate Unit

I am responsible for public relations and conduct PR activities to disseminate information both inside and outside the Company.

My mission is to carefully communicate the Daio Group's initiatives and their significance to all stakeholders, not merely for marketing purposes, but also to foster understanding and enhance corporate value. My goal is to help people realize, "The Daio Group is a wonderful company" and "It contributes so much to society," and to inspire genuine empathy for our purpose itself.

As a company, we aim to first deepen our own understanding of the daily efforts each business group makes toward realizing an abundant and affable future, and by sharing these stories, we hope to amplify their impact and increase the number of fans of the Daio Group throughout society.

Furthermore, from this fiscal year, the Public Relations and IR Department I belong to is spearheading career education and SDGs education for elementary, junior high, and high school students. We will continue to work toward strengthening the social capital and human capital of the Daio Group and, in doing so, enhance corporate value.



Kenichiro Suzuki

Chief of Communication Paper Section,
Communication Paper Department,
Media Solution Division,
Paper and Paperboard Business Group

Since joining the company, I have worked as a communication paper sales representative, sincerely engaging with customers' needs and striving to offer solutions that deliver value. While paper as a material offers limited scope for differentiation from competitors' products, our proposals delivered with passion and sincerity have earned the trust and appreciation of our clients.

For example, when printing companies introduce new equipment, we have focused our efforts on carefully listening to the voices of those working on site, and thinking together to select the optimal paper.

In recent years, I find fulfillment in contributing to solving social issues aligned with our purpose. I achieve this through initiatives such as proposing personalized direct mail paper and waste paper collection schemes, which help enrich lives (Life) and expand the circulation of recycled resources (Regeneration). I will continue to take on challenges myself toward an abundant and affable future, such as promoting paper culture in educational settings.

Long-Term Vision

Daio Group Tran sformation 2035

The Daio Group will expand in the fields of Home and Personal Care (H&PC) and advanced materials, alongside papermaking, to realize its management philosophy "Shaping an abundant and affable future for the world"

Focus themes toward 2035

Strengthening competitiveness by addressing four themes based on material issues

1 Area

Domestic focus ▶ Global presence, including Japan

» P43 Acceleration of global expansion

2 Strengths

Manufacturing/sales/factories/facilities ▶ Adaptability to environmental changes; R&D and marketing capabilities

» P52 Strategic transformation of our business portfolio
» P53 Creation of new businesses

3 Energy

Fossil fuel (coal) ▶ Woody fuel and community-sourced waste-derived fuel for regional sustainability

» P73 Response to climate change

4 Source of value creation

Human resources

Investment in securing and developing human resources that drive transformation

Corporate culture

Revamp of corporate culture and work-style mindset

» P63 Respect for human rights, development of human resources, and compassion for employees

Target

Aim to maximize profit in Japan and to expand net sales overseas while securing profitability. Achieve consolidated net sales of 1.2 trillion yen and operating margin of 10%.

Home & Personal Care Overseas Business	Home & Personal Care Domestic Business	Paper & Paperboard Business	Advanced Materials Business	Other Businesses
Net sales 350 billion yen	Net sales 350 billion yen	Net sales 350 billion yen	Net sales 100 billion yen	Net sales 50 billion yen
Operating margin 5%	Operating margin 15%	Operating margin 10%	Operating margin 10%	Operating margin 10%
96.1 billion yen (2023) → 2035	197 billion yen (2023) → 2035	355.3 billion yen (2023) → 2035	(2023) → 2035	23.3 billion yen (2023) → 2035



Top Message

Message from the President and CEO

Yorifusa Wakabayashi
President and Representative Director
Chief Executive Officer

Swiftly rebuilding our overseas business and striving to reconstruct our management foundation through human resource development and cultural reform

Our Purpose

Daio Paper is guided by our unchanging corporate motto of "Passion with Sincerity," and all employees are working as one to achieve the Three Well-beings: Hygiene to protect well-being of the body, Life to enhance well-being of lifestyles, and Regeneration to restore well-being of the earth with the purpose of realizing our management philosophy of "Shaping an abundant and affable future for the world."
"Passion with Sincerity" are the words of the founder, and a key value that has been passed down through our DNA. Our management philosophy was announced in 2016, and we formulated our Sustainability Vision in 2021 to give concrete form to that philosophy. Within that, we have adopted the concept of Three Well-beings as our vision. Initially, we anticipated that it would take time for the vision to permeate throughout the company, so I actively communicated its intent and essence to employees. I am pleased to see clear progress in embedding our management philosophy of "Shaping an abundant and affable future for the world" across the Company. It is now widely referenced not only in external communications but also in everyday internal discussions.

Positioning of Long-Term Vision and 5th MTBP

Now that understanding of our purpose has become widespread, I am actively communicating the concept of our Long-Term Vision "Daio Group Transformation 2035," announced in May 2024, within the Company through town hall meetings and other means. This Long-Term Vision was formulated through extensive discussions over a long period, involving members at the general manager level and higher who will stand at the forefront of the Daio Group in 2035. While the direction was relatively well understood among employees, particularly among those in managerial positions, we are continue to engage in dialogue to communicate its significance to all employees across the Group. Our Long-Term Vision focuses on driving transformation across three focus themes—area, strengths, and energy—toward 2035. At the same time, we commit to positioning human resources and organizational capabilities as the foundation of value creation and to advancing business activities focused on strengthening them.
I am particularly emphasizing the policy of the ongoing Fifth Medium-Term Business Plan (hereinafter, "MTBP"). By FY2035, we need to double our net sales from the current level and expand operating profit more than that. However, in the 4th MTBP, the price of raw materials and fuels surged beyond our expectations, causing our management foundation to be shaken. Therefore, the three-year period of the 5th MTBP is positioned as a time to build strength for the "Transformation" phase, laying the foundation to achieve the 2035 Long-Term Vision under the slogan "Reframe - Strengthening Foundations." To rebuild the Daio Group, we are focusing on the theme of restructuring our management foundation by enhancing cash generation capabilities, executing carefully selected investments, and strengthening our financial base.

Review of the first year of the 5th MTBP

For FY2024, the first year of the 5th MTBP, net sales amounted to 668.9 billion yen and operating profit amounted to 9.8 billion yen, both falling short of the initial plan. The Paper and Paperboard business achieved both net sales and operating profit in line with plans, while the Home & Personal Care (H&PC) domestic business also exceeded its operating profit target. However, earnings from the H&PC's overseas business, particularly in China and Türkiye, deviated significantly from initial projections, resulting in a substantial decline in profits and culminating in a net loss.
In March 2025, we decided to sell some of our manufacturing facilities in China, withdraw from our Türkiye business, and carry out fundamental structural reforms in response to the situation. In particular, we determined that continuing the Türkiye business would be difficult due to significant changes in the business environment that greatly exceeded our expectations, including the spread of COVID-19, the Russia-Ukraine war, and intensifying competition in the Turkish market. Conducting business in remote markets geographically distant from Japan proved challenging, especially in achieving synergies with our other businesses. In China, backed by robust demand, we have developed our business by using our own human resources and undertaking capital investments with lengthy payback periods. We achieved steady growth by leveraging insights into market dynamics and consumer needs. However, as conditions shifted,

driven by pandemic-related lifestyle changes and boycotts of Japanese products over the Fukushima ALPS treated water issue, our manufacturing assets became a constraint on flexibility, and our business model struggled to keep pace with the rapid transformation of the Chinese market.
We regard this structural reform as a crucial step toward future growth, as it enabled us to restructure unprofitable businesses in one decisive move and stem losses.

Business environment and anticipated risks

Looking ahead at the future business environment, domestically, the trend of significantly declining demand for paper due to population decline is inevitable. In light of this, expanding into overseas markets remains the fundamental prerequisite for the Company's sustainable growth. Meanwhile, for our domestic business facing reduced demand, we will shift our focus away from pursuing top-line growth for the time being and instead concentrate on how to generate profits, focusing on the substance of this profitability.
While looking ahead to this business environment, one of the risks we currently anticipate is raw material and fuel prices, particularly coal prices. To counter the surge in coal prices since around 2023, we have diversified procurement sources across regions and implemented currency risk hedging measures. Daio Paper is currently in the phase of gradually reducing coal usage to achieve carbon neutrality by 2050. However, for the time being, coal prices remain the most significant factor in cost fluctuations, and we are taking steps to eliminate that risk. Regarding wood chips, we are also diversifying our sourcing regions to hedge risks, by leveraging our forestry business in Chile and sourcing from Vietnam, which offers proximity to Japan.
Another key challenge that may arise in future business operations is ensuring workforce availability. In particular, our paper mills operate on a four-team, three-shift rotation, including weekends. We recognize that the overall decline in Japan's working-age population and the characteristics of our work systems are making it increasingly difficult to secure human resources, presenting a significant challenge for future business operations. At present, we are operating with the support of our veteran employees, but as a response with a view to the future, we recognize the need to advance automation in our manufacturing facilities to address the labor shortage. The labor shortage affects not only paper mills but also logistics companies transporting our paper products, where warehouse staffing is under pressure, and we intend to steadily address this issue by promoting automation encompassing these areas as well.

Five-year and ten-year outlook

Over the next five to ten years, the workplace landscape will undergo significant changes due to factors such as the shrinking labor force and automation through the utilization of AI and IT. I believe the rapid advancement and widespread adoption of generative AI will accelerate the displacement of white-collar workers. However, I also recognize that workers displaced from white-collar roles are unlikely to transition smoothly into blue-collar positions. Amid Japan's declining population, even if mechanization progresses, my view is that the realistic solution is to rely on the influx of workers from overseas to secure the overall necessary labor force.
On the other hand, an increase in the number of workers from overseas will undoubtedly lead to expanded business opportunities for our H&PC domestic business in the form of increased demand. Japan's birth rate continues to decline, with domestic births falling below 700,000 for the first time in 2024 and potentially setting a new record low in 2025, but this statistic does not include foreign-national babies born in Japan. An increase in the influx of workers from overseas will provide a tailwind for demand growth in the H&PC domestic business and is expected to contribute to stable business operations. Regarding generative AI, we plan to expand its use beyond staff departments to include production operations at our factories, aiming to improve operational efficiency. Furthermore, we anticipate that the utilization of generative AI will not only improve operational efficiency but, for example, analyzing vast amounts of chemical data and molecular structure combinations could pave the way for development of new materials in advanced materials businesses such as cellulose nanofiber (CNF) and biorefineries.
Looking ahead to 2035, ten years from now, we envision achieving consolidated net sales of 1.2 trillion yen and an operating margin of 10% by realizing our Long-Term Vision. While the Paper and Paperboard Business, which has been the backbone supporting our company to date, will unfortunately see a definite decline in demand, primarily for printing paper, we are committed to keeping net sales at the current level of 350 billion yen. We will shift our focus in the Paper and Paperboard Business from quantity to quality by transforming the core of our operations, such as introducing new business models to change how we sell and shifting toward proposing added value. We aim to grow both H&PC domestic business and the H&PC overseas business to a scale of 350 billion yen in net sales each, while simultaneously achieving significant growth in advanced materials businesses such as CNF and biorefineries. While this is an area with significant potential, as it also involves many uncertainties that make it difficult to predict concrete growth scales at this stage, our primary focus for solid groundwork moving forward will be our domestic and overseas H&PC businesses. This business expansion also includes inorganic growth such as M&A.

Key strategies in FY2025

Based on the results for FY2024, we have positioned the completion of ongoing structural reforms in the H&PC overseas business as the top priority for the remaining two years of the 5th MTBP. In the H&PC domestic business, it is vital to improve profitability of sanitary paper through product mix improvement and penetration of price revisions. Furthermore, in the Paper and Paperboard Business, we aim to increase profits in the packaging sector, where demand is relatively strong.
In July 2025, we commenced commercial production of CNF at our Mishima Mill, marking the first step toward the social implementation of CNF to drive growth in the advanced materials area outlined in our Long-Term Vision. The newly operational commercial plant is Japan's largest CNF composite resin production facility, with an annual production capacity of 2,000 tons, 20 times that of the previous pilot plant. Introducing plant facilities on such a scale ahead of other manufacturers was a major decision for Daio Paper, but the operation of this commercial plant enables us to establish a stable supply system for applications such as automotive components and home appliances that leverage CNF's characteristic of being lightweight and strong. We aim to further evolve the Company into one that contributes to solving social issues such as health, lifestyle, and the environment through our advanced materials business. We aim to make technologies such as CNF and biorefineries key pillars for realizing a sustainable future.
The Mishima Mill is one of the world's largest single-site paper mills. With paper demand declining by 500,000 tons annually, determining how to repurpose pulp became a critical management challenge in terms of the mill's profitability. We have already been utilizing our machines, including some modifications, to produce pulp for products like elleair tissue paper and toilet paper, as well as baby and adult diapers, and even feminine napkins. However, as we engage in discussions looking five or ten years ahead, we concluded that these efforts alone may not sufficiently meet future needs, and determined that more decisive action is necessary. Among these, CNF and biorefineries are currently established technologies. Meanwhile, responding to demands for stable supply from automakers and appliance manufacturers, we have decided to proceed with establishing large-scale commercial plants rather than test plants to meet these expectations. Initially, we will focus on building a stable supply system with an annual capacity of 2,000 tons. Over time, our goal is to grow this business to a scale where market demand exceeds today's production capabilities.

Grand design for the overseas business

We announced a grand design for our overseas business in August 2025. Until now, the Company has pursued overseas expansion by building our own mills on vacant land overseas, primarily manufacturing and selling baby diapers. However, against the backdrop of heightened geopolitical risks, we recognized the need to reexamine our traditional business model and have continued discussions aimed at transforming the model.
The most significant decision in this grand design is to fundamentally shift away from the previous model of overseas expansion through wholly-owned subsidiaries. Leveraging existing brands in various overseas markets to develop derivative businesses is also an effective option, and regarding M&A, we plan to pursue opportunities more proactively and aggressively with partners that offer strategic synergies for the Company going forward. Our primary strategy going forward is to expand our overseas business not by pursuing everything solely on our own, but by leveraging our technological capabilities and marketing strengths while collaborating with external partners. This decision to withdraw and the restructuring of our M&A strategy are not merely for downsizing, but a critical choice to reallocate management resources toward growth areas where we should focus our efforts going forward. We aim to achieve sustainable growth and enhance corporate value by focusing on businesses that can be expected to offer greater profitability and





synergy in the global market.
Our timeline for M&A execution begins with the 6th MTBP or later. To that end, we have already identified promising candidate companies in multiple countries and are currently proceeding with detailed assessments. When narrowing down targets, we emphasize creating synergies with existing businesses. Our strength lies in the expertise cultivated through developing and marketing elleair sanitary paper products, which have earned the trust and loyalty of many consumers over many years. By deploying and sharing this technical and marketing expertise with acquired companies, we will pursue synergies that generate new demand and expand our customer base.
We already have a successful example in Brazil. In collaboration with a major trading company, we have acquired Santher, a leading Brazilian sanitary paper manufacturer, as a subsidiary. In Brazil, the elleair brand lacks local recognition among consumers. However, by leveraging Santher's established "Personal" brand and integrating our technological capabilities and marketing expertise, we were able to enhance product value and achieve business success. Rather than allocating significant sales promotion and advertising expenses to build recognition of brands that are new to local markets such as elleair we will expand the revenue base of our overseas business by adding new value to brands that are already recognized locally.

Decarbonization initiatives

As part of our roadmap toward achieving carbon neutrality by 2050, the Company is advancing initiatives to meet our interim target of reducing fossil fuel-generated CO_2 emissions by 46% compared to FY2013 levels by 2030. Our top priority is the conversion of the coal-fired boilers at the Mishima Mill to biomass boilers. Although significant investment is required, we are proceeding with this initiative with the firm conviction that it must be accomplished to advance decarbonization. If we can achieve this, we believe we can reduce coal usage to one-third of conventional levels and cut CO_2 emissions to the level set as our interim target. We are also conducting various simulations for the decommissioning of the last coal-fired boiler, a key step towards achieving carbon neutrality by 2050.
On the other hand, we plan to utilize tunnel composting and natural gas as new energy sources. Tunnel composting, in particular, requires cooperation from each municipality. We are encouraged that Shikokuchuo City, Ehime Prefecture, where the Mishima Mill is located, has already made a decision against incinerator construction. We firmly believe that thermal recycling offers significant benefits to local communities. To ensure local governments move in the same direction as us, we must proactively develop and present proposals. We will continue to seek the cooperation of local governments to push forward with our efforts.

Cultural reform and human resource development

The Company, due to its historical origins, was long an owner-managed business under the founding family, and a style of top-down decision-making persisted for over 80 years. Through active engagement with our employees, including town hall meetings, I personally feel that this corporate culture remains deeply ingrained within the Company.
However, I am acutely aware that continuing with our current operational approach will render us incapable of adapting to the rapid evolution of the global business landscape. Going forward, we believe it will become increasingly important to build upon good ideas and concepts not through top-down directives, but rather through a bottom-up approach as a collective of each and every employee's opinions, and to reflect these in our various initiatives. We have repeatedly conveyed this message in our dialogue with employees.
A successful example of a new initiative born from bottom-up initiatives by employees with deep field knowledge is the new literary magazine "GOAT," published by Shogakukan in December 2024. The entire issue of this literary magazine is exclusively composed of various papers produced and sold by Daio Paper, such as Rems Standard-FS, a mixed-paper product that reuses production residues as raw material for paper with the aim of effective resource utilization. This project originated from an idea by a Daio Paper employee with deep knowledge of the field, and a magazine featuring an unprecedented new style was successfully created through repeated negotiations and meetings with the client. We aim to foster a culture that encourages bottom-up feedback, where employees who know the field best can come up with new initiatives based on their ideas and insights gained there, and then launch them. I believe that these bottom-up efforts to reform our corporate culture and strengthen governance will heighten the initiative of each and every Group employee and the decision-making capabilities of the entire organization, laying the foundation for enhancing corporate value. We intend to achieve sustainable growth by integrating our strength of on-site efforts with our management direction.

Strengthening of governance

Regarding corporate governance, we transitioned the Company's governance structure from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee. The primary objective is to clearly separate supervision and execution, strengthen the monitoring function of the Board of Directors, and expedite management decision-making by delegating authority to the executive side. I personally feel a strong sense of urgency. Without a system for swift decision-making in our overseas business, we risk losing our competitive edge in the global marketplace. This change in governance structure will therefore strengthen our framework to enable faster decision-making.
As part of our management reforms, we are also advancing initiatives such as changing the mindset of executive officers, introducing a delegation-based executive officer system, and repositioning the Management Meeting. The four committees, including the Investment and Loan Committee and the Sustainability Committee, had previously been positioned as advisory bodies to the president, but as discussions deepened, it often took considerable time to reach clear decisions, leading to concerns about the decision-making process. Therefore, we redefined these four committees as subordinate bodies to the Management Meeting and revised the system to require that matters be discussed within the committees before being submitted to and reported to the Management Meeting with the aim of improving the system to clarify and expedite decision-making. These organizational reforms are driven by the desire to speed up decision-making, above all else. We believe that a culture that respects both the speed of decision-making and opinions from the field is fundamental to organizational reform. To enhance corporate value, we have established a robust framework that ensures swift response even in challenging situations. A key component of this is the institutionalization of divestment decisions by the Investment and Financing Committee.
Furthermore, as President and Representative Director, I believe my responsibility is to propose the company's general direction, including its business portfolio and strategic direction, to the Board of Directors, and then work to give shape to these policies and strategies based on the deliberations and decisions made by the Board of Directors. Within that broad framework of direction, we intend to find optimal solutions for specific measures through discussion, while respecting the opinions of those on the front lines in a bottom-up approach. On top of that, we recognize that it is crucial to make necessary course corrections in management when backcasting from the Long-Term Vision.

Toward enhancing corporate value

We firmly believe that further growth in our overseas business, which drives our expansion, is crucial to enhancing our corporate value. As a basis for achieving this, we are currently rebuilding our management foundation, including human resource development.
Ultimately, human resources are what build a company. Development of our human resources is essential to put our overseas business on a growth trajectory. It is also extremely important to respect the perspectives of not our Japanese employees but also our local teams overseas. Regarding qualitative improvement of human resources, we will focus on raising the overall competency across the entire Group.
The Company's top management recognizes that the current PBR of less than 1x is an extremely important management issue for enhancing our corporate value. Looking back, during the period of sustained growth overseas, our PBR remained above 1x. Building on the foundation of our solid domestic business, the extent to which we can increase profits overseas will be a crucial key to our future growth. We will strive to enhance corporate value by diligently pursuing profitability that exceeds the cost of capital, aiming for a quick return to a PBR of 1x. We will work to achieve sustained improvement of corporate value by enhancing management conscious of cost of capital and share price, and by operating our businesses using ROIC. ROIC is a critical indicator directly linked to optimizing our business portfolio and personnel evaluations, and we aim to enhance our ability to deliver returns to all stakeholders by improving capital efficiency.
Furthermore, regarding shareholder returns, we will work toward our target of a 2.0% dividend on equity ratio by first restoring dividends to their historical levels, thereby strengthening our earnings structure to enable stable and sustainable returns. As we steadily proceed to rebuild our management foundation toward the next expansion phase from the 6th MTBP onward, we earnestly ask for the continued understanding and support of all our stakeholders.



Shuhei Shinagawa
Director, Managing Executive Officer

CFO Message

Message from the Officer Responsible for Financial Affairs

Building a virtuous cycle that leads to sustainable corporate value enhancement by strengthening our earning power and financial foundation

My role

My mission as the Officer Responsible for Financial Affairs is to strengthen both our earning power and financial foundation in a balanced manner to contribute to maximizing the corporate value of the Daio Group. The aim is to create a sustainable virtuous cycle of enhancing corporate value by improving profitability and growth potential of our business while ensuring financial soundness. In this regard, I believe my role is to act as a strategic compass for management.
The Company is currently advancing its Fifth Medium-Term Business Plan (hereinafter, "MTBP"). We position the 5th MTBP as a phase focused on rebuilding our management foundation to enable a shift to an offensive stance through proactive investment from the next 6th MTBP onward. The cornerstone of rebuilding this management foundation is establishing a virtuous cycle that achieves sustainable growth in corporate value.
The starting point of the cycle lies in strengthening earning power, namely enhancing the profitability of business activities and boosting cash flow generation capabilities. We will further enhance profitability and cash flow generation capabilities by strategically allocating stable cash flows from our Paper and Paperboard Business to high-growth areas such as overseas business and advanced materials businesses such as biorefineries. This enables us to maintain a sound financial structure and flexibly advance our financial strategy toward achieving an optimal capital structure. By establishing this virtuous cycle, we will maximize corporate value, leading to further growth investments and enhanced shareholder returns.

The implementation of ROIC management is essential to achieve this. Specifically, we will promote management with high capital efficiency by visualizing the return on capital of each business and rigorously implementing investment decisions based on ROIC. I believe the paramount mission entrusted to me at present is to achieve both sustainable growth and financial soundness through these initiatives, thereby steadily building the foundation for the next stage of growth.

[Virtuous cycle that achieves sustainable growth in corporate value (financial and investment vision)]



Review of the first year of the 5th MTBP

To realize our Long-Term Vision, "Daio Group Transformation 2035," the 5th MTBP focuses on three pillars: "strengthen operating cash flow generation capabilities," "implement investments carefully selected for future growth," and "enhance our financial foundation," and we are proceeding with the restructuring of our management foundation.
In FY2024, the first year of the MTBP, the Home & Personal Care (H&PC) overseas business struggled due to the underperformance of the China business, resulting in outcomes below our initial plan both in terms of profit and loss and in terms of equity. Meanwhile, the domestic business performed steadily, securing stable earnings. Combined with the proactive sale of non-core assets, this enabled us to secure free cash flow at a level exceeding our plan. This has also led to steady progress in reducing net interest-bearing debt.
In March 2025, we decided to restructure our overseas operations by selling a portion of our plants and equipment in China and divesting of our Turkish business. These actions represent initial steps to revitalize our overseas business through the streamlining of

unprofitable ventures. The effects of ongoing structural reforms are expected to fully materialize from the second half of FY2025 and beyond, and the path toward achieving the requisite management goal of making the overseas business profitable by FY2026 is now clearly defined. Our existing domestic business is performing steadily, and once the recovery of our overseas business is clearly reflected in the figures, we believe it is within our reach to achieve the target operating profit of 30 billion yen for FY2026, the final year of the 5th MTBP. Meanwhile, a key challenge going forward is to enhance the strategic clarity of the linkage between the 5th MTBP and the forthcoming 6th MTBP, in order to achieve the goal outlined in our Long-Term Vision for 2035. In particular, for our overseas business, we have set an ambitious target of 350 billion yen in net sales. We recognize that it is important to demonstrate concrete results in rebuilding our China business, consolidating our position in other existing regions, and expanding into new markets, in line with the grand design for the overseas business announced in August 2025.

Strengthening our management foundation through organizational reforms

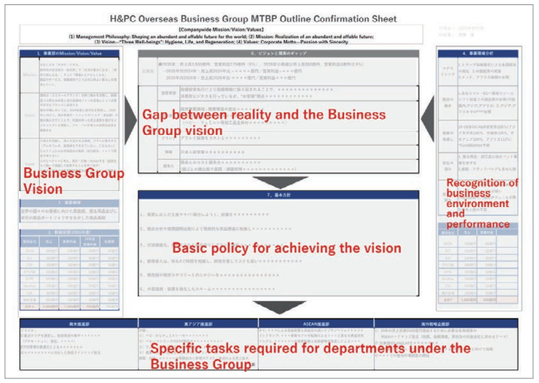
The Long-Term Vision and MTBP only gain meaning once they are put into action. And the ones responsible for executing these are our human resources. Based on this understanding, we are promoting management reforms that prioritize human resources, aiming to maximize the capabilities and motivation of every individual, ranging from executives and management to general employees, with the goal of strengthening our management foundation.
In June 2025, we transitioned the Company's governance structure from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee. This is not merely a formal change to our system, but demonstrates our strong commitment to enhancing our governance system and pursuing sustainable growth in corporate value through fundamental transformation of our corporate culture.
Initially, the significance and purpose of the review of governance structure was to further advance the separation of supervision and execution, and transitioning the Board of Directors to a monitoring model, as is generally called for. However, through repeated discussions in meetings of the Board of Directors, we came to understand that at Daio Paper, the essence of this organizational reform lies not only in strengthening of governance but also in enhancement of executive functions. That is, we strongly recognized that the responsibility and leadership of executive divisions are more important than ever, and that a transformation in our own mindset is essential.
In achieving this enhancement of executive functions, we placed particular emphasis on transforming the nature of the Management Meeting and the mindset of each executive officer. Executive Officers must clearly define how they should contribute to achieving the Long-Term Vision and MTBP as leaders of their respective units, based on the management policies determined by the Board of Directors, and must fulfill their responsibilities accordingly. In this context, we are advancing operational reforms that focused on effectively breaking down the MTBP into actionable measures through discussions in the Management Meeting. Above all, I believe it is crucial to foster a system where each executive officer embodies strong managerial accountability, exercises sound judgment from a leadership vantage point, and leverages their delegated authority to achieve exceptional results.
Therefore, we transitioned the executive officer system from the traditional employment-based model to a delegation-based model, which has enabled us to establish a structure where each executive officer cultivates a strong sense of managerial responsibility and business acumen, allowing for autonomous decision-making within units they are in charge of. At the same time, we are strengthening the linkage between the evaluation system and the remuneration structure. We revised the remuneration structure for Executive Officers to include financial and non-financial KPIs such as ROIC achievement and CO_2 reduction, aligning it with their roles, responsibilities, and levels of achievement. By providing appropriate incentives directly linked to enhancing corporate value, we are driving a transformation in the mindset of Executive Officers themselves.
The head of each unit is required to maximize their unit's performance, but for the management team at the level of Executive Officer and above, we strictly enforce that their decision-making criteria be based on Group-wide optimization rather than partial optimization. We emphasize active discussions that transcend unit boundaries to maximize the corporate value of the entire Daio Group, thereby achieving more appropriate resource allocation and optimal solutions. We firmly believe that fostering a corporate culture that strengthens such bottom-up elements is the primary objective of this management reform and the key to sustainable growth.



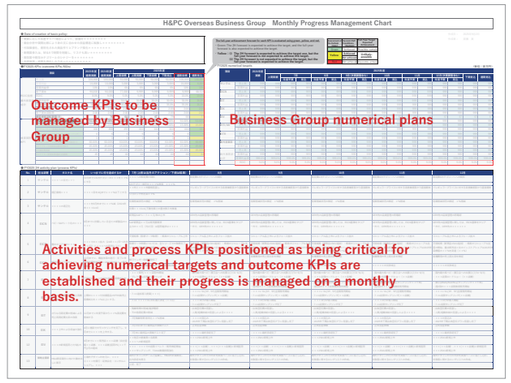
Toward a management style conscious of capital efficiency

We recognize that our current PBR below 1x implies that transforming our management to enhance shareholder value is a pressing issue. In last year's integrated report, I stated that "we have reached the starting point of ROIC management." Since then, we have been promoting company-wide initiatives to instill the concept of ROIC management throughout the organization and ensure its implementation. Specifically, we have launched a new operational framework requiring each Executive Officer to utilize a MTBP Core Elements Alignment Sheet which outlines their own unit's operational policies, a Monthly Progress Management Chart which details quantitative targets, specific measures, and process KPIs, as well as adopt the Reverse ROIC Tree framework to inform and guide all business operations. For example, in the H&PC domestic business, we have set the goal of "increasing the sales mix of new products to XX%" to improve the marginal rate of return. As a result, we have established a process that contributes to improving both Business Group ROIC and, ultimately, company-wide ROIC. Through initiatives such as these, we are encouraging each individual to gain a deeper understanding of how their work relates to improving ROIC and to proactively engage in improvement activities.
To ensure that ROIC management permeates throughout the entire company, we continue to communicate with employees through video messages from the management team and internal newsletters, in addition to ongoing discussions in the Management Meeting. We are committed to fostering a shared understanding and improving practical implementation of ROIC across all levels to enable everyone from management to general employees to communicate using common metrics.

[MTBP Core Elements Alignment Sheet]



[Monthly Progress Management Chart]



Deeper monitoring by the Investment and Loan Committee

As part of our decision-making framework emphasizing capital efficiency and ROIC, we have established an Investment and Loan Committee and introduced exit criteria to optimize our business portfolio.

The Investment and Loan Committee, with Outside Directors participating as observers, primarily aims to clarify investment criteria and ensure rigorous oversight of existing investments.

For investments that have not yielded the initially expected results, we are thoroughly analyzing the issues within the decision-making process and implementing measures to incorporate the findings into future investment decisions.
In investment decisions related to the continuation of business, we have established multiple hurdle rates and exit criteria. For example, if the business posts operating losses for two consecutive years, we will first initiate discussions aimed at restructuring. While decisions are not based solely on numbers, when a business shows no prospect of improvement and its strategic rationale for continuation can no longer be justified, we will proceed to consider exiting. While hurdle rates vary by region and business, the fundamental principle underpinning our evaluations is that ROIC must surpass the WACC designated for that specific segment. Once a year, the Corporate Planning Department checks whether each business and each overseas subsidiary is performing below the hurdle rate.
The strategic withdrawal decisions we made in June and July this year, such as the partial sale of plants and equipment in China and the transfer of shares in our Türkiye business, were directly informed and enabled by this mechanism. Initially, we began with discussions about reconstruction, and a decision was made based on the analysis and verification of the feasibility of the reconstruction plans by the Investment and Loan Committee. Recognizing the substantial restructuring investment required and the prolonged recovery periods anticipated for both businesses, we opted to reallocate the cash freed-up by exiting these businesses toward growth-oriented overseas businesses and advanced materials businesses. The Investment and Loan Committee proved an effective screening body for decisions throughout this process.
The restructuring of these unprofitable businesses also had a significant impact in terms of capital efficiency. This is because the improvement in cash flow resulting from the exit enabled risk-taking in subsequent strategic investments. Personally, I believe this decision to exit marked a major achievement of our management reform, instilling a critical sense of urgency company-wide regarding our overseas business approach that ultimately led to the early formulation of our grand design. While new ventures and businesses typically require several years to generate profits from their launch, this decision underscored the importance of management focused on capital efficiency and shareholder value across the company. I believe this had a significant impact in terms of fostering a company-wide mindset change.

Cash allocation

The basic policy for cash allocation is to prioritize growth investments that enhance corporate value as medium- to long-term focus areas, and to allocate the surplus cash generated from these investments to shareholder returns, with the aim of achieving both the sustainable enhancement of corporate value and the maximization of shareholder value.
However, in light of the importance of a stable financial foundation to support growth investments, the 5th MTBP places importance on rebuilding our management foundation and accumulating cash reserves. While we prudently pursue new investments, evaluating both their quality and scale, we concurrently allocate capital with a priority on reducing interest-bearing debt. In FY2024, we generated over 12 billion yen in cash through the reduction of cross-shareholdings and the sale of non-core assets. From the second year onward of the 5th MTBP, we plan to further reduce interest-bearing debt and pursue selective growth investments by increasing operating cash flow through ongoing structural reforms in our overseas business. We will strive to achieve a net debt to equity (D/E) ratio of 1.0x, which we consider necessary to maintain a stable "A" credit rating as an indicator of financial soundness. By the end of FY2026, the final year of the 5th MTBP, we project a net D/E ratio of 1.2x. Following this, our plan is to progressively increase growth investments while continually strengthening our financial foundation.
We position shareholder returns as an important means of sharing the results of enhancement of corporate value with our stakeholders. The Company has maintained a policy of stable dividends while reviewing them based on performance. The dividend for the fiscal year ended March 2025 was 14 yen per share, a decrease of 2 yen from the previous year's annual dividend of 16 yen.
Considering our financial position and the need for growth investments, we will aim to achieve a dividend on equity ratio (DOE) of 2.0% and strive to raise the dividend level. We will also focus on indirect shareholder returns in the form of capital gains, achieved by enhancing corporate value via growth investments.

Growth investments

For growth investments, our main policy is to allocate resources in a focused yet flexible manner to business areas with high growth potential, leveraging operating cash flow as a source of capital. This will involve a particular emphasis on domestic and international M&A initiatives and advanced materials businesses, including biorefineries, all while maintaining financial soundness.
During the three years of the 5th MTBP, we plan to allocate approximately 30 billion yen, excluding investment in maintenance and renewal, to strategic investments in advanced materials, environmental initiatives, M&A, and other areas. Then, in the 6th MTBP, we plan to accelerate this investment scale to more than double. We will continue to improve our financial position while striving to achieve a net D/E ratio of 1.0x at an early stage. Once we reach an optimal capital structure that allows us to stably maintain an "A" credit rating, we plan to adopt a bolder management approach, embracing a calculated level of risk.
Our Paper and Paperboard Business, alongside our domestic H&PC business, will provide the strong foundation for this strategic shift. These domestic businesses will prioritize a high ROIC over top-line growth, and enhancing their cash generation capabilities is the crucial key to creating a virtuous cycle of sustainable growth. Currently, the operating margin remains below 5%, and the ROIC by business segment is also not particularly high. The successful improvement of this situation holds the key to strengthening the Group's overall earning power. We will minimize investment while advancing the shift toward high-value-added products, enhancing profitability and cash flow generation capabilities.



Message to stakeholders

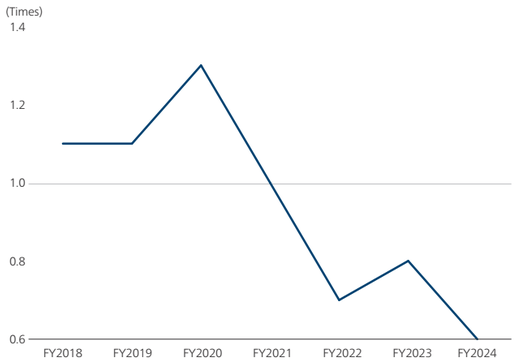
The Daio Group is promoting management mindful of cost of capital and stock price in order to realize its Long-Term Vision. We will strive to enhance corporate value and maximize shareholder value by integrally advancing management and financial strategies to increase their effectiveness.
The ROE forecast in the 5th MTBP is 4.5%, but this is merely a milestone and not the final target. First, we will ensure we surpass this level, and from the 6th MTBP onward, we will strongly pursue a recovery to the level exceeding 10% reached at the peak in FY2020.
We recognize that dialogue with capital markets is an extremely important opportunity for achieving these goals. Through constructive dialogue, we aim to deepen understanding of our growth strategy and financial policies, and we will sincerely consider the feedback we receive and actively incorporate it into our management as appropriate.
Transforming corporate culture and mindset is not something that can be achieved overnight, but we view your honest opinions and requests as important perspectives that will accelerate this transformation. We will always keep this in mind in our management, deepen two-way communication, and pursue appropriate capital cost through IR and SR activities to further enhance corporate value.
The sustained growth of the Daio Group would not be possible without the support of our diverse stakeholders, including our shareholders and investors, employees, customers, business partners, and local communities. We sincerely ask for your continued support and encouragement for the Daio Group.

Actions to Implement Management Mindful of Cost of Capital and Stock Price

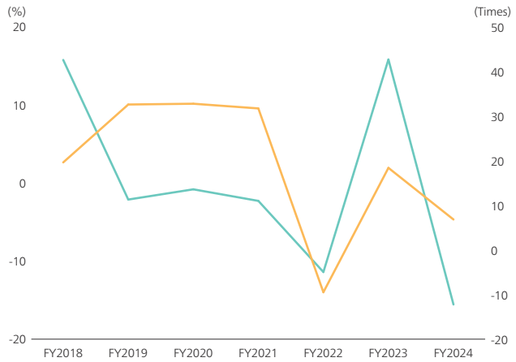
Current situation

Within the pulp and paper industry, our unique portfolio, which simultaneously encompasses chemical sector businesses, proved successful, enabling us to capture heightened hygiene awareness and stay-at-home demand arising from the COVID-19 pandemic, among other factors. Consequently, expectations for our growth strategy increased, resulting in a PBR of 1.0x or higher.
However, since FY2022, the Company's overall performance and stock price have stagnated due to soaring raw material and fuel prices and declining profitability in the Home & Personal Care (H&PC) business, which serves as a growth engine. As a result, PBR has fallen below 1.0x.

PBR



ROE and PER



* Estimates based on internal management materials

Recognition of cost of capital and return on capital

The current cost of equity capital, calculated using CAPM, is estimated to be around 5 to 6%, while the WACC (weighted average cost of capital) is recognized to be approximately 2 to 3%. For FY2024, ROE and ROIC were recorded at -4.6% and 0.9%, respectively. Last fiscal year, the H&PC overseas business, particularly the China business, saw a deterioration in performance, resulting in a return below the cost of capital.

Initiatives to improve ROE and ROIC in FY2024

In FY2024, we identified various themes to address, including optimization of our business portfolio and enhancement of our operating cash flow generation capabilities. However, due to the unexpected deterioration in performance of our China business, we recognized that ongoing structural reforms of both the China business and the entire H&PC overseas business must be our top priority. Therefore, particularly since the second half of FY2024, we have focused discussions at the Investment and Loan Committee, Management Meeting, and Board of Directors on the theme of achieving management that is mindful of capital cost and stock price, with an emphasis on ongoing structural reforms in the H&PC overseas business.
As a result, in March 2025, we made the strategic decision to divest a portion of our plants and equipment in China and to fully withdraw from our Türkiye business by transferring our subsidiary's shares. These measures are expected to improve the performance of the H&PC overseas business from FY2025 to FY2026, and further enable the entire business to achieve an operating profit in FY2026.
However, to further enhance corporate value, we must diligently advance ongoing structural reform initiatives, and concurrently establish and execute a robust strategy—complete with timelines and methodologies—for achieving returns that reliably surpass our recognized cost of capital. Starting in the second half of FY2025, once significant progress has been achieved in the ongoing structural reforms of our H&PC overseas business, we will initiate discussions for our 6th MTBP. As a primary focus of these discussions, we will promptly develop an action plan specifically aimed at achieving a PBR exceeding 1x.

Status of response to requests from the Tokyo Stock Exchange

Required action	Self-evaluation
Accurate understanding of the Company's cost of capital	The cost of equity capital is recognized as around 5 to 6% (calculated using CAPM), while WACC is recognized as 2 to 3%. We recognize the need to continue **multifaceted analysis and evaluation** incorporating perspectives gained through dialogue with investors and also drawing on opinions from external experts.
Presentation of basic policies for revenue plans and capital strategy	While the MTBP has been announced and revenue projections presented, deeper **discussion on the optimal capital structure** is needed, such as whether the current level of interest-bearing debt relative to competitors is appropriate or should be further reduced.
Presentation of targets for profitability, capital efficiency, etc.	The ROE target disclosed for the end of the 5th MTBP is 4.5%. This is a level below the cost of equity capital, and we recognize the need to clearly articulate our policy of **improving ROE and enhancing corporate value** through capital strategy and business portfolio reviews.
Business portfolio review	While the reconstruction of our H&PC overseas business is now on a clear trajectory, the roadmap for achieving the **strategic transformation centered on the H&PC business and advanced materials business** outlined in our Long-Term Vision requires further refinement informed by stakeholder feedback.
Presentation of specific measures for the allocation of management resources	Within the discussions for our 6th MTBP, **we must clarify the optimal allocation of management resources**. This will involve establishing robust growth investment policies and prioritization, notably for human capital and R&D—as championed in our Long-Term Vision—and executing strategic withdrawals and divestitures from non-focus areas.

Initiatives for FY2025 and beyond

Discussion topic	FY2025		FY2026				Remarks
	Q3	Q4	Q1	Q2	Q3	Q4	
Accurate understanding of the Company's cost of capital	■	■					We will re-examine whether the Company's own estimates for the cost of equity capital are appropriate. We will also consider conducting an investigation involving external experts.
Business portfolio review (Review and discussion of Long-Term Vision)	■	■	■				We will reconsider the timeline and scale for the H&PC overseas business, and then reassess the previously announced Long-Term Vision.
Consideration of specific measures for the allocation of management resources (Prioritizing investments and determining investment methods)				■			Based on a reviewed and refined Long-Term Vision, we will clearly define the areas for concentrated investment and their priorities (considering withdrawal or divestment from non-focus areas).
Consideration of basic policies for capital strategy (Consideration of optimal capital structure)				■			We will optimize debt levels while determining the appropriate cash allocation, including dividend policy.
Consideration of targets for profitability, capital efficiency, etc. (Setting ROIC and ROE targets)					■		We will set the target profitability goals by working backward from the desired business portfolio mix and optimal capital structure.
Disclosure of basic policies for revenue plans and capital strategy (Consideration of 6th MTBP disclosure details)						■	Based on the discussions to date, we will consider how to disclose this information both internally and externally.

History of the Daio Group

The Daio Group is pursuing customer-oriented manufacturing that listens to customers' voices, while protecting the global environment. Sensitively responding to changes in society and the market, we continue to grow by expanding our field of activity both in Japan and overseas, based on swift decision-making and the execution capability demonstrated when we achieved the leading market share in the sanitary paper market within seven to nine years of entering it with the "elleair" brand.

1943–1977 From inception to establishment of business foundation

1978–2001 Making strides as an integrated paper manufacturer

2002– Expanding Daio's activities worldwide / Contributing to a sustainable society

Paper and Paperboard Business / H&PC Domestic Business / H&PC Overseas Business / Other Businesses



Market share No.1
1986 Facial tissue
1988 Toilet tissue

1943 Founded
After being founded to produce and sell washi (traditional Japanese paper), started production of newsprint and industrial paper (paperboard and packaging paper) in 1947

1950 Made full-scale entry into the newsprint market

1954 Unbleached pulp
1955 Started production of Bleached kraft pulp

1957 Daio Paper purchased forest land and began cultivation of seedlings and forestation

First in Japan!
1957 Started production of kraft liner

1967 First dedicated North American wood chip carrier Daio Maru entered service



1975 Established the Sales Division Established a unique sales structure for comprehensive paper manufacturers

1978 Made full-scale entry into the paper business

1979 Entered the household paper market

1980 Started manufacture and sale of baby diapers





1982 Started manufacture and sale of sanitary pads

1989 Aiming to achieve sustainable forest management, Daio Paper established Forestal Anchile in Chile, and entered the forestry business





2002 Launched sales of the GOO.N brand

2007 Acquired the Attento business from P&G (US)

Fastest in the paper industry
1993 Established the DAIO Global Environment Charter (revised in 2018)

Industry first!
1998 Commenced production and sale of newsprint made from 100% recovered paper

2004 A biomass boiler was completed and started operation

2016 Established and commenced operation of a pilot plant for the production of CNF

2019 Launched sales of elipla paper



4 months after decision!
2020 Started domestic production of non-woven masks



2023 Entered the pet care business



2021 Established the Daio Group Sustainability Vision

2022 Daio Paper launched "Rems," a system for reusing residues of production processes as a raw material for paper

Approx. 28,000 ha of the approx. 59,000 ha owned are natural forests or protected forests

(Billions of yen)
700
600
500
400
300
200
100

FY1950 FY1960 FY1970 FY1980 FY1990 FY2000 FY2010 FY2020 FY2024

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 tissues, toilet tissues and other household paper products, disposable baby and adult diapers, and sanitary pads.

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

Business Overview

Home & Personal Care Business

Production and sale of consumer household goods including household paper, disposable baby and adult diapers, sanitary pads, wet wipes, categorized into six categories: Family Care, Household Care, Baby Care, Feminine Care, Adult Care, and Pet Care.

Major products



Overseas



Paper & Paperboard Business

Production and sale of newsprint, printing and publication paper, communication paper, packaging paper, containerboard and corrugated container products, pulp, etc. Our innovative eco-friendly products include the elipla series of paper packaging products that contribute to plastic-free and low-plastic lifestyles, and the "Rems" mixed-pulp paper made from production residues.

Major products









New Businesses

Application development of cellulose nanofiber (a wood-derived material) and biorefineries

Major products





Other Businesses

Forestry, engineering of environment-related machinery, management of sports clubs and golf courses, transportation, etc.

Major subsidiaries

FORESTAL ANCHILE LTDA.

大王グループ ダイオーエンジニアリング株式会社

FY2024 Performance Overview (Consolidated)

[Net sales] 668.9 billion yen

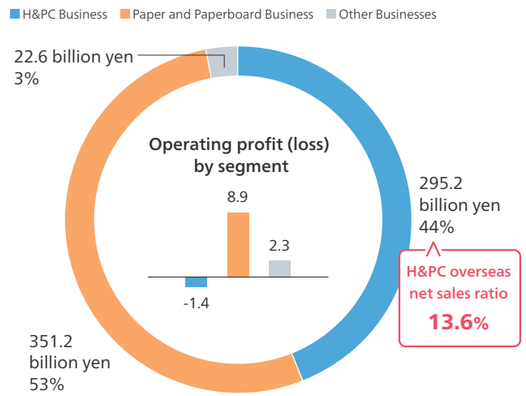
[Operating profit] 9.8 billion yen

[Operating margin] 1.5%

[Ordinary profit] 4.5 billion yen

[Profit] attributable to owners of parent -11.2 billion yen

Net sales composition by segment



Non-Financial Information

[Group-owned forest area] Approx. 59,000 ha

[Number of employees (consolidated)] 12,191 ppl.

[Business bases] Japan 22 bases Overseas 9 bases in 8 countries

[R&D expenses] 3.8 billion yen

[Market share] No. 1* elleair エリエール
- Facial tissue: 28.0%
- Toilet tissue: 31.2%
- Kitchen towels: 26.6%

*Source: Intage SRI+, sanitary paper market (facial tissues, toilet tissues, and kitchen towels), April 2024 – March 2025, cumulative total sales by manufacture
*Bases as of August 31, 2025

Value Creation of the Daio Group

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).

Management Philosophy

Shaping an Abundant and Affable Future for the World

Purpose | Business model | Output | Outcome | Mission

Leveraging wood-based material extraction and recycling technologies, we create value that contributes to hygiene, quality of life, and regeneration. Strengths of the Daio Group » P31-32

Vision Three Well-beings

Hygiene
Protect well-being of the body

Life
Enhance well-being of lifestyles

Regene-ration
Restore well-being of the earth

Invested capital » P29

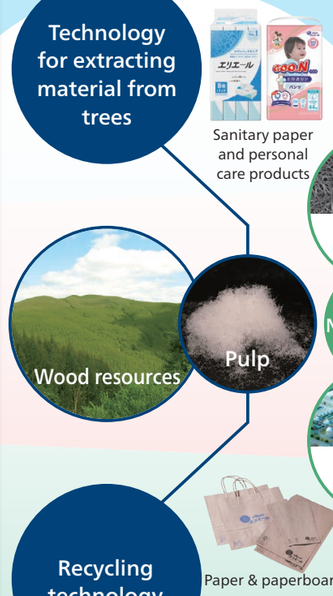
- Financial capital
- Manufactured capital
- Natural capital
- Human capital
- Intellectual capital
- Social and relationship capital

Strengths

Material issues for strengthening our management foundation

Strategic transformation of our business portfolio	Acceleration of global expansion	Creation of new businesses

Technology for extracting material from trees



Recycling technology

Material issues for resolving social issues

Coexistence with local communities	Respect for human rights, development of human resources, and compassion for employees	Response to climate change
Establishment of a sustainable supply chain	Fair and highly transparent management	Realization of a recycling-oriented society Forest conservation and maintenance of biodiversity

Business outcomes » P30

- Financial capital
- Manufactured capital
- Natural capital
- Human capital
- Intellectual capital
- Social and relationship capital

Economic value

Improving the Daio Group's business performance

[FY2026 targets]

- Net sales: 740 billion yen
- Operating margin: 4.1%
- ROE: 4.5%
- Net D/E ratio: 1.2x or lower
- Rating/direction (R&I): A-/Stable

[FY2035 targets]

- Net sales: 1.2 trillion yen
- Operating margin: 10%

Social value

Resolving material issues and achieving the "Three Well-beings"

Daio Abundant and Affable Future 2030 » P57-58
Material Issues and Contribution to Achieving the SDGs » P59-60

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

Life
People around the world are living happier and more fulfilling lives.

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

Realization of an abundant and affable future

Governance that supports value creation » P87-108

Impact of Value Creation

Invested capital (Input)

Financial capital

- Shareholders' equity: 207.1 billion yen
- Net interest-bearing debt: 342.2 billion yen

Manufactured capital

- Mishima Mill (one of the world's largest coastal paper mills)
- Capital expenditures: 34.6 billion yen
- Operation bases: 22 bases in Japan, nine bases in eight countries overseas[*1]

Natural capital

- Forest land owned: Approx. 59,000 ha
  including approx. 28,000 ha preserved as natural forest
- Water resource management:
  Water intake: 184.1 million m³

Human capital

- Number of employees (consolidated): 12,191
- Employee training expenses: 64.67 million yen (non-consolidated)
- Development of systems that allow for diverse and flexible working styles
- Introduction of a performance evaluation system that encourages employees' growth

Intellectual capital

- Intellectual property owned (Domestic / Overseas)[*2*3]:
  Patent: 2,048 / 1,933
  Registered design: 409 / 1,201
  Registered trademark: 1,112 / 1,379
- Know-how accumulated within the Group

Social and relationship capital

- Shikokuchuo City Carbon Neutrality Council
- Number of certified Attento Meister Professionals: 10,959
- club elleair (official online membership program)[*5]: 760,000 members
- DAIO Partner Ship
  (Associations of regional distributors, recovered paper suppliers, and wood chip suppliers in Japan)
- Social contribution activity expenditures: 41.8 million yen
- Team elleair sports support activities
- Number of companies surveyed based on the SDGs Procurement Guidelines: 535 companies

[Daio Group's Initiatives]

- Efficient resource allocation
  - Investment in new businesses and R&D
    » P51-54
  - Shareholder return
- Switching to machinery and fuels with lower environmental impact
- Education and awareness-raising activities regarding safety and quality
- Environmentally friendly and sustainable business activities
- Forest conservation and maintenance of biodiversity
  » P86
- Efficient use of water
  » P72
- Respect for human rights
- Supporting growth of individual employees
- Promotion of diversity, equity, and inclusion
- Revision of employee evaluation and compensation systems
- Promotion of health and productivity management
- Safety and health activities
  » P70
- Promotion of innovation and utilization of intellectual property rights
- Development of future technologies and products
  Intellectual capital » P55-56
- Switching to sustainable raw materials
- SDGs procurement (CSR procurement)
  » P62
- Promotion of a community-based integrated care system
  » P61-62
- Management and sponsorship of sports events

*1 As of August 31, 2025
*2 Total number of domestic and overseas intellectual property rights owned as of the end of March 2025
*3 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.
*4 Number of applications submitted in FY2022. The number of patent applications filed abroad is the number of PCT applications.

Value creation through business activities

Business outcomes (output)

- Net sales: 668.9 billion yen
- Operating profit: 9.8 billion yen
- Profit attributable to owners of parent: -11.2 billion yen
- Rating (JCR / R&I): A-

- Production output of Mishima Mill: Approx. 2.1 million t/year
- Improvement of production efficiency and quality, and reduction of production costs
- GHG emissions: 3.59 million t/year (FY2023) → 3.64 million t/year (FY2024)
- GHG emissions reduction rate: 18.2%(from FY2013 level)

- Protection of endangered species
- Water resource management: Water discharged: 178.8 million m³/year
  Actual water consumption: 5.3 million m³/year
  COD intensity: -5.9%(YoY Comparison)

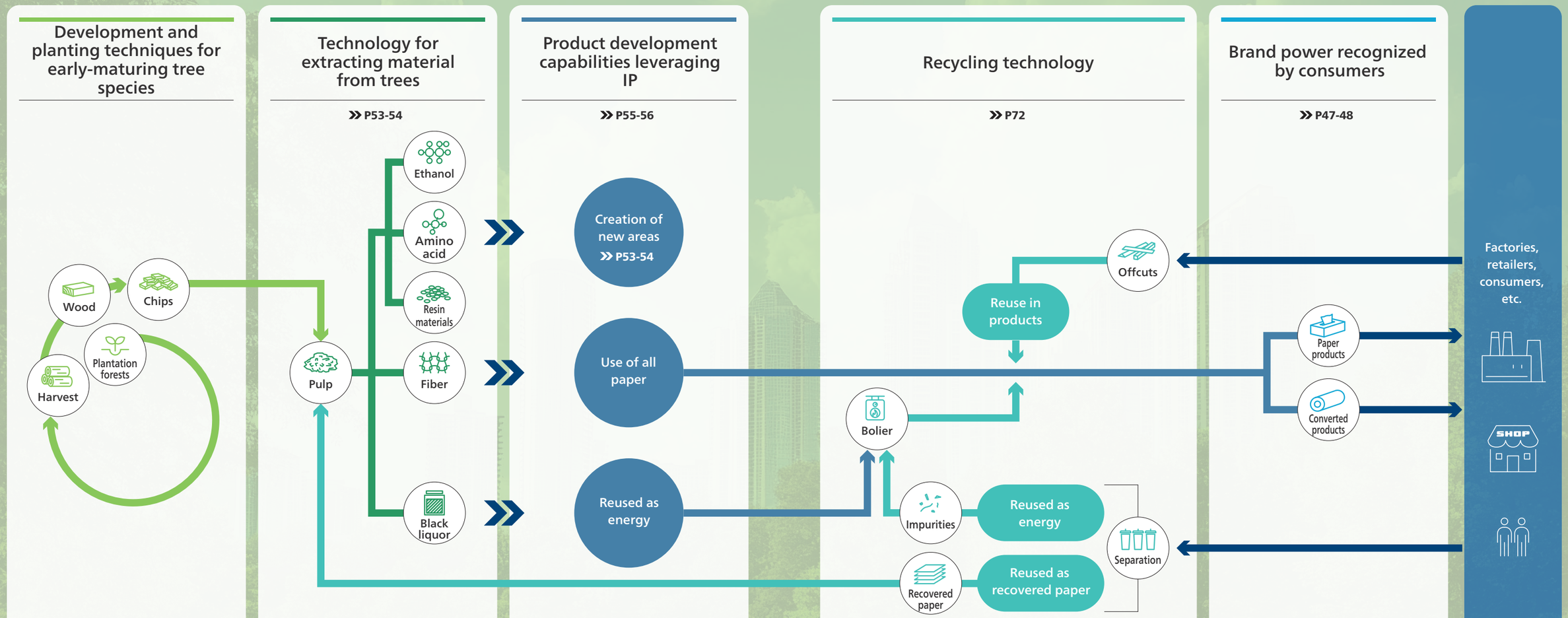
- Improvement of employee engagement
- Improvement of work engagement
- Recognized as a Health & Productivity Management Outstanding Organization (large enterprise category (White 500)) for eight consecutive years
- Recognized as a Health & Productivity Management Outstanding Organization (SME category) for the first time
- Recognized as a D&I AWARD 2024 "Best Workplace" company
- Obtained a two-star rating "L-boshi Certification" based on the Act on the Promotion of Women's Active Engagement in Professional Life
- Certified as an employee welfare promotion organization in Hataraku Yell 2025

- Intellectual property applications submitted (Domestic / Overseas)[*3*4]:
  Patent: 175 / 50
  Registered design: 60 / 256
  Registered trademark: 73 / 223
- Household paper product sales by manufacturer: No. 1[*6]
- elleair: Brand with strong consumer support
- Shikokuchuo City: The city with the largest shipments of paper in Japan for 19 consecutive years[*7]
- Advancement of women's empowerment through sports
  Daio Paper Elleair Ladies Open held 43 times in total since 1982
- Awarded with Silver Medal in EcoVadis Sustainability Rating for two consecutive years
- Certified as a Sports Yell Company 2025
- Selected as a constituent of various indexes in Japan and overseas such as FTSE and SOMPO » P114

*5 An official online membership program aimed at fostering a deeper understanding of elleair products through direct communication, and leveraging consumer insights for product development and quality enhancement
*6 Source: Intage SRI+, sanitary paper market (facial tissues, toilet tissues, and kitchen towels), April 2024 – March 2025, cumulative total sales by manufacturer
*7 In the "2023 Economic Structure Survey (Survey of Manufacturing Establishments)" by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry, Shikokuchuo City was ranked first for 19 consecutive years in the ranking by municipality.

Strengths of the Daio Group

The Daio Group enhances its business sustainability and strengthens its competitive advantages by aligning business growth priorities with environmental conservation and driving product development that capitalizes on intellectual property.



Daio Paper is working to develop fast-growing tree species through the selection of superior trees and artificial pollination for varietal improvement. This optimizes the costs associated with reforestation, accelerates the cycle to harvest, and enhances the ROI (return on investment) of plantation forest projects.

Daio Paper has accumulated technology over many years to extract new materials from wood-derived pulp as alternatives to fossil resources. This technology contributes to reducing environmental impact and the realization of a recycling-oriented society, while also leading to the creation of products and services that enhance the quality of life.

Daio Paper promotes an intellectual property mix strategy that harmonizes patents, trademarks, designs, and copyright, enhancing brand consistency and credibility. The Intellectual Property Department and business units collaborate to holistically manage, nurture, and protect our brands, thereby driving sustainable value enhancement.

Advanced use of recovered paper

We aim to achieve zero emissions through the separation and utilization of hard-to-recycle recovered paper as raw material and fuel. By recycling this material, which was previously disposed of as waste, we have achieved a recovered paper utilization rate that exceeds the industry average.

Reuse of waste

We have partnered with other companies to jointly develop a technology for recycling used disposable diapers. In addition, Daiki Co., Ltd., our group company, produces paper cat litter using scraps from production rejects.

Our flagship brand “elleair” brand holds the No.1 market share* in facial tissues, toilet tissues, and kitchen towels, and is widely recognized by consumers. We have established an image for high-quality, reliable products and are chosen by many customers as a trusted partner supporting the comfort of their daily lives.

*Source: Intage SRI+, sanitary paper market (facial tissues, toilet tissues, and kitchen towels), April 2024 – March 2025, cumulative total sales by manufacture

Material Issues of the Daio Group

The Daio Group examines societal trends from a global perspective, and evaluates material issues for enhancing medium- to long-term corporate value from a current standpoint, while assessing these challenges from a future-oriented perspective to realize its vision.
We have identified material issues that are important and should be addressed with priority through the following process.

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

(1) Stakeholders' interests
We identified items thought to be of strong interest regarding the Group's business and social issues through dialogue with stakeholders.

(2) Important items recognized by the Daio Group
We identified items that "if not addressed, could impact future corporate value" by extracting them from risks and opportunities.

(3) Items to implement for realizing our mission (future vision)
We drew our future "mission" and what that future vision would look like the "mission" was realized. To achieve these, we identified and organized what must be done and what can be done for each goal in the SDGs.

STEP 2 Analyze and organize important themes

(1) Business strategy
From among the items identified in STEP 1, we analyzed and organized those related to business strategy, focusing on stakeholders' interests and the issues recognized as important by the Group.

(2) Social issues
Of the items organized in STEP 1, we analyzed and organized matters related to social issues that we believe could impact corporate value if not addressed now, selecting them from among stakeholder interests and key issues recognized by the Group considering global trends and social conditions, and cross-referencing them with GRI Standards and key issues identified by ESG rating agencies.

STEP 3 Identify material issues

(1) Cross-referencing with items to implement for realizing our mission (future vision)
We cross-referenced the important themes identified in STEP 2 with the items to implement for realizing our mission (future vision) outlined in STEP 1-(3), and organized the themes common to both as potential material issues.

(2) Discussion and determination in important meetings
By incorporating the concept of "what should be addressed at this time" into our evaluation of candidate material issues, and through extensive discussions at the Sustainability Committee, the Management Meeting, and the Board of Directors, we identified the final material issues.

[Stakeholders' Interests]

Understand and organize through dialogue

- Sales status and future potential of environmentally conscious products
- Risks and progress status of global expansion
- Advances in advanced technologies and application development for cellulose nanofiber (CNF)
- Relationships with local communities (social contribution activities, etc.)
- SDGs procurement (CSR procurement), supply change management
- Diversity progress and human resource development
- Establishing a robust governance framework and risk management
- Addressing climate change through decarbonization and other measures, along with use of recovered paper and water resource management
- Biodiversity and forest conservation, etc.

[Important items recognized by the Daio Group]

Extract, analyze, and organize from risks and opportunities

- Domestic population decline and reduced demand for paper
- Increased income and improved living conditions for the BOP (low-income) segment, estimated at approximately 4 billion people
- Development and practical application of high-performance advanced materials
- Supply chain management including harmony with local communities and BCP
- Organizational structure for global expansion and securing management human resources
- Respect for human rights and the health, safety, and well-being of employees and their families
- Addressing international demands for social responsibility, risk management
- Reduction of GHG emissions by FY2050
- Reducing plastic usage and developing alternative materials
- Reduction and reuse of industrial waste, water resource management
- Sustainable forest management and consideration for biodiversity, etc.

Forecasting of the near future based on the current situation

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 our mission

Our mission (desired future)

Envision the possible situations when our desired future is realized based on each of the 17 SDG goals, and identify and organize the ways we can contribute

Management Philosophy
Shaping an abundant and affable future for the world

Our mission: An abundant and affable future

An abundant and affable future

Kindness to people

Hygiene — 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, people's living standards have improved
- The Company has globalized and is dedicated to promoting hygiene products and practices
- Furthermore, the Company continues to grow in various regions around the world, creating local employment opportunities

Primary industries are developed, and hunger has been eradicated
- RFID solutions simplify complex inventory management and help address challenges such as food loss
- Providing services linking tree planting technologies to improvement of agricultural productivity
- Providing products that protect fruit trees from pests and increase productivity

Infectious disease is under control
- Promoting hygiene products and practices to prevent and control infectious diseases

Achieving equal educational opportunities worldwide
- Vocational training support and awareness campaigns on how to make hygiene products
- Promoting a culture of learning by writing on paper

Many women are active in society
- Health maintenance support for women from a hygiene perspective
- Education on hygiene and sexual health

Sanitary toilets are widespread worldwide
- Our company has expanded globally and promotes the habit of using sanitary paper

Everyone can equally purchase (use) paper and sanitary products
- Promoting the habit of using paper and sanitary products

Waste is reduced, and a recycling-oriented society is realized
- Establishing a collection system for waste paper and other materials in countries where we operate

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

The number of people enjoying life after retirement has increased
- Providing products and services that extend healthy life expectancy

Many women are active in society
- Establishing systems that enable female employees to build their careers
- Providing opportunities and services for women's success and independence

An era when everyone can work while raising children or caring for family members has arrived
- Providing opportunities and services that enable the balance of work with childcare and caregiving

Technological innovation is driving the shift toward naturally derived materials
- Commercializing cellulose nanofiber and providing added-value products

A safe and secure community for the vulnerable has been created
- Establishing a system that integrally provides housing, medical care, nursing care, prevention, and daily living support

All conflicts have ended, and the number of users of paper and sanitary products has increased
- The Company is expanding globally and is committed to promoting hygiene products and practices
- Achieving CSR procurement throughout the entire supply chain

A borderless welfare society is realized
- Strengthening initiatives to improve quality of life in collaboration with government agencies and other companies

Kindness to the Earth

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

Clean energy is used worldwide
- Transition from fossil-derived energy to clean energy

Zero GHG emissions achieved at the local government level
- Implementing GHG zero-emission measures in collaboration with local governments and surrounding businesses

Waste is reduced, and a recycling-oriented society is realized
- Developing and selling sorting machines for a wide variety of waste materials
- Developing and selling systems for separating paper and plastic during disposal

Carbon neutrality achieved across the entire supply chain
- Being a net zero GHG emissions company by leveraging fuel switching and plantation forests

The shift from plastic to naturally derived materials is progressing
- Developing and selling materials to replace plastic
- Developing absorbent products using non-fossil-based materials

The Earth's rich natural environment is being restored, and forest areas are recovering
- Enhancing the value of timber and developing the forestry business
- Solutions using plantation technology

A borderless society in harmony with nature is realized
- Maintaining biodiversity in collaboration with government agencies and other companies

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

Since FY2012, the Daio Group has focused on structural reforms under its successive Medium-Term Business Plans (MTBPs).
Under our Long-Term Vision, "Daio Group Transformation 2035" which was established in conjunction with the start of the 5th MTBP, we are proceeding with initiatives to achieve consolidated Group sales of 1.2 trillion yen and an operating margin of 10%.
We aim to become a corporate group that continues to grow sustainably while strategically transforming our business portfolio.

Long-Term Vision » P07-08

Daio Group Transformation 2035

Plan toward our aspiration of an abundant and affable future

Fulfillment of our purpose

Management Philosophy

Shaping an abundant and affable future for the world

FY2012–FY2014 1st MTBP
FY2015–FY2017 2nd MTBP
FY2018–FY2020 3rd MTBP
FY2021–FY2023 4th MTBP
FY2024–FY2026 5th MTBP

Three Years Dedicated to Strengthening Our Capabilities to Advance Beyond the 6th MTBP and Achieve Our Long-Term Vision

Four focus themes toward 2035

01 Area — Domestic focus → Global presence, including Japan

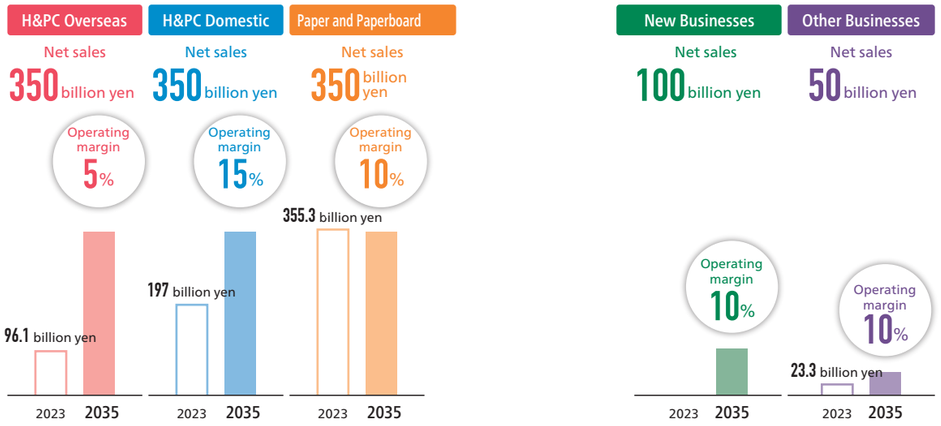
02 Strengths — Manufacturing / sales / factories / facilities → Adaptability to environmental changes, R&D and marketing capabilities

03 Energy — Fossil fuel (coal) → Woody fuel and community-sourced waste-derived fuel for regional sustainability

04 Source of value creation — Human resources, Corporate culture
- Investment in securing and developing human resources that drive transformation
- Revamp of corporate culture and work-style mindset

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

▼ Vision for FY2035 net sales and operating margin by business



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

Three Well-beings

Hygiene — Protect well-being of the body

Life — Enhance well-being of lifestyles

Regeneration — Restore well-being of the earth

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

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

Suppliers — Growing together

Local communities — Lifestyle, industrial and cultural development

Shareholders and investors — Stable dividend and improvement of share price

Overview of the Fifth Medium-Term Business Plan

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

[Essence and Position of the 5th MTBP]



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

Theme	Policy
Strengthen operating cash flow generation capabilities	Focus on increasing operating profit
	Further promote environmental responsiveness to enhance cash generation capabilities » P72-86
Implement investments carefully selected for future growth	Enhance new businesses for future cash flow growth » P51-54
	Strengthen the people and organizations driving our transformation
Enhance our financial foundation	Allocate funds appropriately and bolster governance to support the enhancement of the financial foundation

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

Business segment	4th MTBP (FY2023) Net sales (billions of yen)	4th MTBP (FY2023) Operating profit (billions of yen)	4th MTBP (FY2023) Operating margin	5th MTBP (FY2026) Net sales (billions of yen)	5th MTBP (FY2026) Operating profit (billions of yen)	5th MTBP (FY2026) Operating margin
Paper & Paperboard Business	355.3	16	4.5%	**350**	**10**	**2.9%**
H&PC Business	293.1	-4.1	–	**360**	**18.5**	**5.1%**
(Breakdown) Domestic	197	7.7	3.9%	**230**	**14.5**	**6.3%**
Overseas	96.1	-11.8	–	**130**	**4**	**3.1%**
Other Businesses (including adjustments)	23.3	2.5	10.7%	**30**	**1.5**	**5.0%**
Total	671.7	14.4	2.1%	**740**	**30**	**4.1%**

Focus on increasing operating profit

H&PC Overseas Business

1 Overhaul strategy of existing sales areas
- Identify segments where winning strategies can be found and establish a model to achieve both sales growth and profitability

2 Formulate plans for expansion for the Long-Term Vision
- Research potential countries for new entry
- Consider entering new countries through M&A

3 Strengthen our people and organization
- Design systems to develop and strengthen human resources
- Concentratedly redeploy personnel from other departments, expand hiring of experienced personnel, promote local employees to senior management positions and delegate authority

H&PC Domestic Business

1 Focus on growth categories
- Concentrate development and marketing expenditures on the family care (household paper) and adult care categories

2 Expand the pet care business » P52
- Focus on expanding presence and aim to increase value market share during the 5th MTBP period
- Implement upfront brand investment in TV commercials, events, etc.

3 Explore new categories
- Research potential alternative businesses in categories with expected demand decline, particularly in baby and feminine care

Paper & Paperboard Business

Further reinforce the packaging field
- Increase the ratio of highly processed final products (packages) to shift from the composition centered on sales of base paper and offset the decline in sales volume and sales of newsprint and graphic paper
- Work together with Daio Package and Daio Miura to pursue new packaging-related opportunities
- Consider M&A of packaging-related companies in addition to corrugated container companies

Strategic business alliance with Hokuetsu Corporation
- Strengthen the business foundation and deepen and expand areas of collaboration with an eye to the future

Strengthen the people and organizations driving our transformation

[Policy]
- Develop personnel who are open to change and differences and who are willing to take on challenges
- Create a culture that embraces change and differing opinions
- Create a culture that can generate innovation from diversity
- Establish a structure that supports challenges
- Secure and allocate the right personnel in key areas to strengthen

[Initiatives]
1. Establish a system that rewards out-of-the-box ideas and initiatives
2. Change the mindset of managers and employees
3. Develop and secure global human resources
4. Build a system whereby aspirations to take on new challenges are more clearly reflected in career development
5. Increase the headcount of the H&PC Business and new businesses

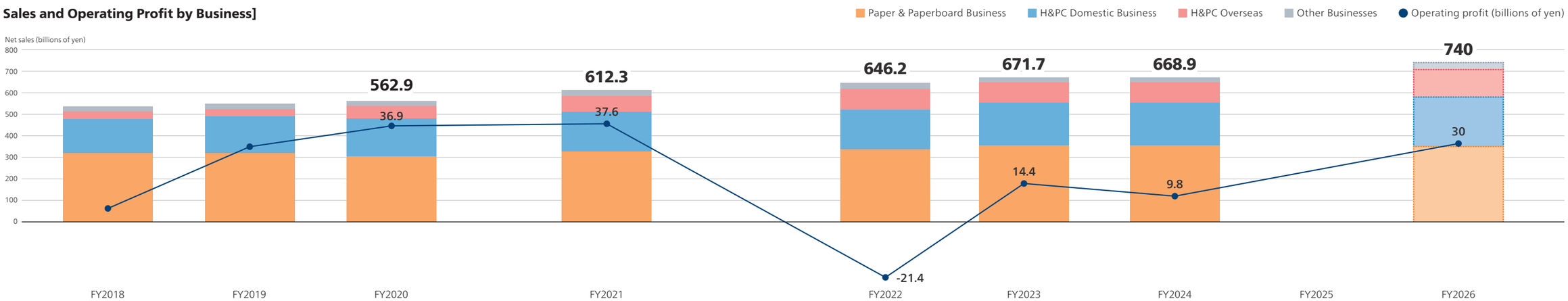
[Specific measures]
- Review evaluation system
- Increase training budget and enhance training systems
- Review career path system
- Strengthen hiring of experienced personnel and enhance Personnel Department for the implementation of our strategies

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

Restructure investment and loan screening system
- Establish an investment and loan committee as an advisory body to the president (Changed to a meeting under the Management Meeting from June 2025 due to the review of institutional design)
- Improve investment efficiency through deliberation and enhanced effectiveness verification of investments and loans

Review of Medium-Term Business Plans (Third to Fifth)

[Net Sales and Operating Profit by Business]



The Third Medium-Term Business Plan (FY2018–FY2020)	The Fourth Medium-Term Business Plan (FY2021–FY2023)	The Fifth Medium-Term Business Plan (FY2024–FY2026)
Move on: Reform and Soar Above	**GEAR UP** The Next Growth Stage, to a New Future	**Reframe** -Strengthen Our Foundation-

Basic Policies

- Radical cross-business structural reform of Paper and Paperboard Business and H&PC Business
- Global expansion and strengthening of profitability of H&PC Business
- Early commercialization of cellulose nanofiber (CNF) business

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

- Strengthen operating cash flow generation capabilities
- Implement investments carefully selected for future growth
- Enhance our financial foundation

Review

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

(Billions of yen)	Target	Result
Net sales	615	562.9
Operating profit	32	36.9
H&PC overseas sales ratio	15%	11.1%
ROE	8.0%	10.1%
Net debt to equity (D/E) ratio	1.6x	1.3x

While net sales continued to reach record highs, the plan fell short of its targets due to delays in responding to changes in the external environment.

(Billions of yen)	Target	Result
Net sales	720	671.7
Operating profit	51	14.4
H&PC overseas sales ratio	18.8%	14.3%
ROE	10.0% or more	1.9%
Net debt to equity (D/E) ratio	1.0x	1.5x

Although the H&PC Domestic Business and the Paper and Paperboard Business are progressing steadily, there are issues with the H&PC Overseas Business, and structural reforms are currently underway

(Billions of yen)	Target	FY2024 Results
Sales	740	668.9
Operating profit	30	9.8
H&PC overseas sales ratio	17.6%	13.6%
ROE	4.5%	-4.6%
Net debt to equity (D/E) ratio	1.2x	1.4x

Move on

Reform and Soar Above

Third Medium-Term Business Plan (FY2018–FY2020)

Review

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

Issues

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

GEAR UP

The Next Growth Stage, to a New Future

Fourth Medium-Term Business Plan (FY2021–FY2023)

Review

Under the Fourth Medium-Term Business Plan, amid major changes in the external environment, we aimed for further structural reforms and made proactive, strategic moves toward establishing a strong and resilient business portfolio. In September 2023, we made a full-scale entry into the pet care business under the brand name of "elleair Pet kimiomoi." In addition, Santher in Brazil grew in business performance to drive the H&PC overseas business. Meanwhile, the issues to be carried over to the Fifth Medium-Term Business Plan have become clear. We must continue to address key issues such as boosting the operating margin of the H&PC Business (especially turning the H&PC Overseas Business profitable), reviewing our coal-centered energy policy, and improving our financial position.

Issues

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

Reframe

-Strengthen Our Foundation-

Fifth Medium-Term Business Plan (FY2024–FY2026)

Review

In FY2024, the H&PC Domestic Business and the Paper & Paperboard Business achieved results in line with or exceeding initial plans. The H&PC Domestic Business achieved operating profit across all five existing categories.
Meanwhile, the H&PC Overseas Business experienced greater-than-anticipated performance deterioration in China and Türkiye, resulting in a significant decline in profits versus forecasts.
Under the theme of strengthening our management foundation, the 5th MTBP focuses on three key initiatives: strengthening operating cash flow generation capabilities, implementing investments carefully selected for future growth, and enhancing our financial foundation. As one measure to strengthen the financial base, we decided to sell certain factories and facilities in the China business and divest the shares of our Turkish subsidiary.

Direction of Initiatives

- Focus on increasing operating profit
- Further promote environmental responsiveness to enhance cash generation capabilities
- Enhance new businesses for future cash flow growth
- Strengthen the people and organizations driving our transformation
- Allocate funds appropriately and bolster governance to support the enhancement of the financial foundation

Home & Personal Care

Overseas Business Group

● Message from the General Manager of the Business Group

We will strengthen the foundation for profitable business growth through decisive structural reforms and fixed cost reductions



Makoto Saito

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

Policies and measures for achieving the 2035 Vision

The overseas business of the Home & Personal Care (H&PC) Unit is positioned as our growth engine, with a net sales target of 350 billion yen set for FY2035. To accelerate global expansion, the most pressing challenges are achieving profitability at an early stage and strengthening our revenue base. We will emphasize securing profitability over sales growth, first advancing ongoing structural reforms to achieve profitability by FY2026, the final year of our Fifth Medium-Term Business Plan (hereinafter, "MTBP"). We will work to stabilize cash flow, and from the 6th MTBP onward, accelerate growth and actively pursue strategic M&A opportunities.

Awareness of the market environment (risks and opportunities) and business strategy

In China, the baby diaper business is facing significant challenges due to the economic downturn and changes in the preferences of consumers. Meanwhile, the sanitary pad business has successfully leveraged Dawang's brand equity, strengthened through the baby diaper business, achieving strong recognition—particularly among diaper customers—within just three years of market entry, and sales continue to grow steadily. Despite limiting our operations to coastal areas, we have received numerous inquiries from various regions. The market size for sanitary pads in China is approximately ten times that of Japan, and we will firmly capture growth opportunities in this enormous market.

In the ASEAN market, we will shift our business focus from baby diapers to period products as the birth rate is in an overall declining trend. In Thailand, tailoring our messaging to local needs—such as emphasizing a secure fit that prevents leakage, reflecting the prevalence of motorcycle commuting—proved highly effective. As a result, sanitary pad sales grew strongly, achieving profitability in FY2024. In Indonesia, to address profitability challenges of its baby diaper business, we have discontinued production of our own brand 'GOO.N' and transitioned to a business model focused on private-label and OEM contract manufacturing and sales for third-party manufacturers, reducing fixed costs and improving earnings. In Brazil, despite higher raw material and fuel costs, we have maintained stable operations through our joint venture with a leading trading company with deep local market expertise. We will pursue business growth by leveraging the established brand power of our sanitary paper in the local market.

Grand design for the overseas business

While the overseas business is positioned as the engine for our future growth, it has significantly dragged down earnings in recent years. We undertook a comprehensive review of our overseas business since its full-scale entry in 2011, evaluating successes and challenges, and defined strategies to drive future success. China has been a major driver of our overseas business, but we acknowledge that we were slow to move beyond past successes and respond to the sharp shifts in consumer lifestyles and needs pre- and post-COVID-19. This was partly due to our strong attachment to an in-house production approach, underpinned by facilities that required significant time and investment to build. In formulating our grand design now, we recognize that our core strengths lie in production technology, development capabilities, and the agility to quickly act on feedback from the field through seamless collaboration across sales, manufacturing, and development. Moving forward, we will maximize these strengths to advance our business operations with greater flexibility and speed.

Our top near-term priority is to achieve profitability by FY2026. Furthermore, from the 6th MTBP onward, we will accelerate strategic acquisitions targeting companies that help strengthen underdeveloped local markets, categories, and channels within the broader regions where we already operate. We will also consider investments in neighboring countries where synergistic effects can be created, pursuing a strategy focused on building a dominant market presence through concentrated expansion.

This autumn, we transitioned from a function-based departmental structure to a region-based structure and established a dedicated M&A team.

[Notable products]



Brazil Limited-time special edition for Festas de São João (midsummer's day festival) Snob (rear), Santepel (front)



China Angel Pure Cotton series



Thailand elis shorts Nude pants (left) GOO.N Sweet Dream (right)

● Product development

We are working to develop high-value-added products tailored to the market characteristics and trends of each country and region. In Brazil, sales were exceptionally strong due to the launch of colorful, fun limited-time products timed to coincide with Festas de São João celebrating the birth of Saint John. In China, we relaunched the Angel Pure Cotton series of sanitary pads with medical-grade certification and additive-free cotton top sheets, reinforcing its positioning as a safe and skin-friendly product. In Thailand, we have launched a new beige color option for our disposable period underwear that does not show through outerwear. Additionally, we launched "GOO.N Sweet Dream," a new ultra-premium segment baby diaper featuring "ample absorbency for leak-free, sound sleep through the night."

FY2024 review and outlook for FY2025

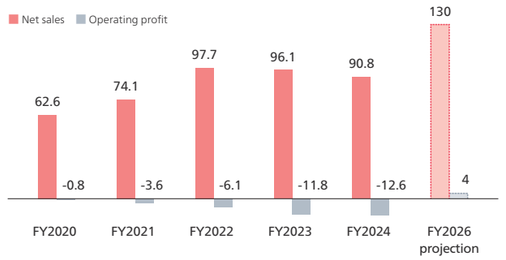
In China, we posted significant losses for two consecutive periods, and performance deteriorated further in FY2024 compared to the previous year, a result we find deeply disappointing. However, Thailand is moving toward stable profitability, and we have established a foothold for future earnings improvement through the transfer of our Türkiye business in June 2025 and the transfer of our baby diaper production facilities in China. In FY2025, concerns regarding exchange rates and raw material prices have begun to ease, but we will continue to closely monitor the outlook for the Chinese economy and the impact of U.S. tariff policies, while striving for further profit improvement. This will enable us to lay a solid foundation for achieving profitability in FY2026.

Contribution to sustainability management

Through our overseas business, we contribute to coexistence with local communities by expanding our business to generate economic benefits and create local employment opportunities. In addition, we continue to support women's prisons in Thailand by providing sanitary pads and nursing facilities in China by supplying adult diapers free of charge. We also conduct educational programs to raise awareness about women's menstrual health.

Furthermore, to reduce environmental impact and realize a recycling-oriented society, we manage loss rates as a KPI in our production processes to minimize waste, while promoting the reuse of pulp and polymers, the primary materials in diapers. To reduce packaging waste, we are expanding the use of plant-based films and shifting toward larger pack sizes.

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



Contributing to enhancement of corporate value

During the 5th MTBP period, we will focus on strengthening our revenue base and concentrate on improving profitability. In China, we are selling the production equipment at our baby diaper factory and shifting to contracted production at external OEM partners. In Indonesia, we have ceased production of our own brand "GOO.N" at the baby diaper factory and are transitioning our business model to private-label and OEM contract manufacturing and sales for third-party manufacturers. In Thailand, while shifting focus to sanitary pads, we are also advancing initiatives in baby diapers, such as repricing lower-margin economy products and expanding sales of premium products.

Through these fixed cost reductions and sales measures, we will achieve profitability within FY2026 and grow the business into one capable of generating billions of yen in profits from the 7th MTBP onward.

Early signs of earnings improvement from structural reforms are starting to become apparent, and we will continue implementing various measures to maintain this momentum and contribute to the enhancement of corporate value.

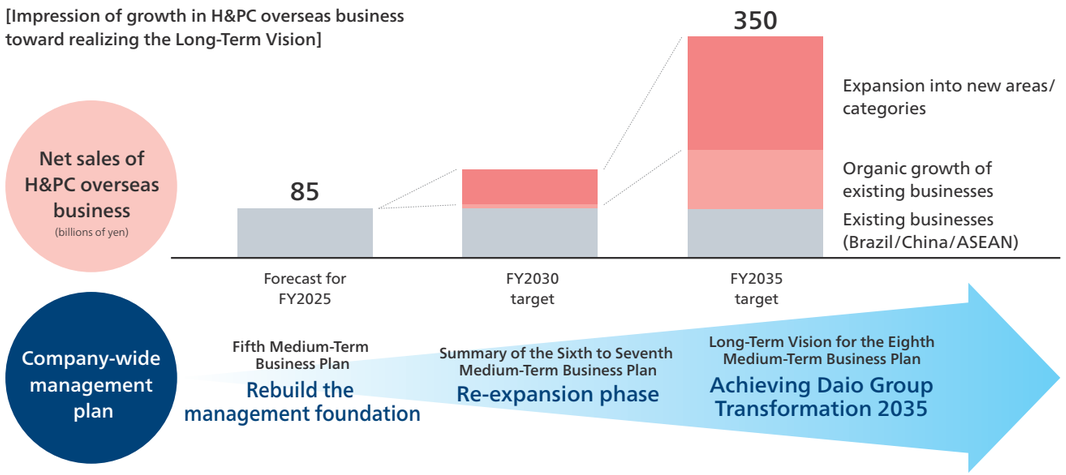
Material issue: Acceleration of global expansion

Global Expansion to Realize Our Long-Term Vision

1 Long-Term Vision: Daio Group Transformation 2035

H&PC overseas business is a driving force in the growth of the Group
Aiming to achieve net sales of 350 billion yen by FY2035 by growing existing businesses and developing new businesses

[Impression of growth in H&PC overseas business toward realizing the Long-Term Vision]



2 Grand design of overseas business strategy: development of framework for overseas expansion

Our H&PC overseas business has steadily expanded its presence since the establishment of our Thai subsidiary in 2011. In 2020, we significantly increased the scale of our sales through the acquisition of Santher, a long-established Brazilian manufacturer of sanitary products.
However, in recent years, we have faced rapid changes in market structures and heightened geopolitical risks in China and Türkiye, making business operations more challenging than initially anticipated.
In such a highly uncertain environment, conventional overseas expansion models do not always prove effective. Accordingly, we have fundamentally reviewed the overall design of our overseas strategy to achieve more scalable and resilient growth.

Grand design

1 We will establish a business structure that achieves both sales growth and **sustainable profit generation**.

2 In areas we have not yet entered, we maximize revenue potential by combining our strengths— **production technology capabilities, product development capabilities, operational expertise, and commercialization speed** —with the distribution channels and customer bases of leading local brands.

3 In areas we have already entered, we will complement untapped categories and underdeveloped areas/channels, further increasing market share through **oligopolistic and dominant strategies**.

4 We will standardize the review items and evaluation criteria for overseas expansion, **establish a target list prioritized for acquisition** through M&A, and execute a strategic and agile approach.

5 **We will prioritize synergy creation above all else**, pursuing business expansion through diverse schemes by combining M&A as our primary focus with minority investments, joint ventures, and fabless operations. We will **enter areas selectively with high win rates without limiting ourselves to specific categories**.

3 Basic policy based on the grand design

	Policies so far (through FY2024)	Future policies (from FY2025)
Policy	Emphasis of net sales	Emphasis of net sales + profit
Form of entry	In green fields	Mainly through M&A
Product supply	Full production in own mills	Flexible production including OEM production, etc.
Target categories	Centered on baby care	Select categories appropriate for the target market
KPI	Sales	Sales
	Geographic coverage of expansion areas	Profitability (operating margin)
		Market share in focus segments

We have reexamined our past initiatives based on our grand design and reshaped our growth strategy. Until FY2024, we prioritized sales growth above all else, developing our own expansion plans and focusing on baby care products. While sales increased through mass brand strategies in existing areas, issues such as sluggish profit growth, category imbalance, and declining capital efficiency became apparent.
Therefore, from FY2025, we will prioritize sustained profit generation as our most important theme and transition to a flexible framework that leverages external resources such as capital alliances, joint ventures, and M&A. In areas we have already entered, we will expand our market share by broadening our product categories and complementing our distribution channels, thereby strengthening our business foundation. In areas where we have not yet entered, we will emphasize collaboration with existing areas and concentrate management resources on high-profit areas where we can leverage our technological capabilities and product development capabilities.
Through these measures, we will **enhance the quality of our overseas business portfolio and achieve stable and sustainable growth**.

4 Strengthening existing markets

China business

● Baby care business

Competition is intensifying in China's baby diaper market as ultra-thin absorbent structures (SAP sheets) using superabsorbent polymers become commonplace, driven by the ongoing decline in birth rates along with the rise of local manufacturers. In light of these changes in the business environment, the Daio Group sold the baby diaper manufacturing equipment for wood-based pulp specifications that it owned in China in July 2025. This has significantly reduced fixed costs, improving capital efficiency and cash generation capabilities. Regarding our products, under a production outsourcing system, we adopted SAP sheets, which are mainstream in China, and launched a new series starting in May 2025.
incorporating the Company's original product features in an effort to recover sales. Regarding our sales channels, we are also reviewing our distribution system for the rapidly growing e-commerce channel. We will drive sales growth and improve profitability by leveraging both analog and digital channels in a combined approach to strengthen customer contact points.



[Launched in May 2025]
Product name:
DawangGOO.N光之羽 (Guang zhi yu)

This new premium product features SAP sheets that are popular in China and is designed with a dual-care structure that provides softness and enhanced breathability.

● Feminine care business

China's feminine care market is approximately ten times larger than Japan's, and the Company has steadily increased its market share since entering the market in 2022. The brand position prioritizing quality above all else has well received locally, with sales revenue based on local shipments in the first half of FY2025 significantly exceeding the same period last year, growing by more than 1.5 times.
The key factors driving sales growth despite being a late entrant include products that capture consumer trends, coupled with the full utilization of "Dawang" brand assets (brand strength, sales network, and in-store marketing capabilities) cultivated in the baby care category. Specifically, by adopting the series name of baby diapers for each product line and consistently delivering advertising messages under the "Dawang" elis brand, we have cultivated a loyal user base where 30% of users were previously GOO.N users. Regarding sales channels, feminine care products have a higher proportion of in-store sales than e-commerce, and by focusing distribution on retailers where GOO.N has a high market share, we achieve user synergy effects and also leading to the control of initial costs.
Furthermore, by continuing to execute our specialty in-store promotions, we have accelerated brand awareness and new user acquisition, now achieving over 20% in-store share at multiple retailers.



[Renewed in August 2025]
Product name:
Dawang elis Angel Cotton Soft

Using a top sheet made from 100% organic cotton that has obtained medical grade approval, this soft and safe pad can be used with peace of mind for sensitive skin during menstruation.



Example of in-store promotion (International Women's Day)

ASEAN business

Thailand

Baby care

Although unit prices in the diaper market have softened due to the declining birth rate and low-price competition, consumers are becoming increasingly quality-conscious. We view this change as an opportunity and are shifting our focus from the economy segment to premium products tailored to local needs such as texture and absorbency, in an effort to improve profitability.



[Launched in April 2025]
Product name:
GOON Sweet Dream

New product in the ultra-premium segment featuring "plenty of absorbency for a leak-free, sound sleep through the night"

Feminine care

By introducing differentiated products tailored to the trends of Thai consumers, we have captured a market share recently approaching 20%. Additionally, we launched a new product in Thailand this spring targeting the rapidly growing shorts segment. We will continue to pursue further expansion by strengthening product development that addresses unmet needs.

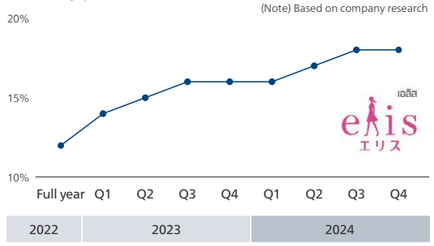


[Launched in May 2025]
Product name:
elis shorts Nude pants

In addition to the existing black shorts, we launched a beige color

[Sanitary pad value market share] (%)

(Note) Based on company research



Indonesia

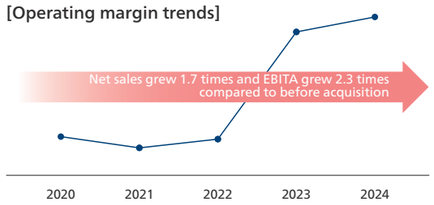
The Indonesian baby diaper market is characterized by relatively low pricing even compared with other ASEAN markets, making it challenging to improve profitability.
In light of market conditions and profitability, we are reviewing our national brand–focused business model and shifting toward a model centered on contract manufacturing of private brands and OEM products for external customers, in an effort to ensure stable profitability.

Vietnam and other

We operate our businesses with profitability as a core principle, while responding to the specific needs of each region. In Vietnam in particular, we have identified similarities in women's lifestyles with those in Thailand and have begun expanding our feminine care business.

Brazil business

[Operating margin trends]



The Company's Brazil business has steadily grown since acquiring a leading local company in 2020. The source of its strength lies in solidifying our competitive advantage in the market by effectively leveraging the history and brand assets cultivated over 86 years since our founding, while simultaneously pouring our development capabilities into our business. "Personal" and other sanitary product brands have deeply penetrated local communities and maintain high repeat purchase rates. Moreover, our diversified product portfolio combining sanitary paper and processed paper products enables us to maintain a structure capable of adapting to demand fluctuations while also possessing the flexibility to address increasingly segmented customer needs. Furthermore, after the acquisition, we leveraged our development capabilities to introduce new value-added products in each category, such as pants-type baby diapers, thereby growing our revenue. Going forward, we will pursue the optimization of product and channel mixes tailored to each area, to expand our highly profitable business areas.

	Before acquisition	After acquisition	Future
	Selling standard products in response to inquiries from various locations	Promoting value-added initiatives across each category and selecting and focusing on areas leveraging the strengths of sanitary paper	Expansion of categories and gradual expansion of core areas
Product strategy	Kitchen towels, 1-ply toilet paper, General-purpose baby Primarily standard products	3-ply toilet paper, Premium pants, Nighttime sanitary pads Standard products + high-value-added products	● Products tailored to customer needs ● Expansion of product categories
Area strategy	Broad and shallow	Selecting and focusing on specific areas	Expansion of core areas

5 Expansion into unserved markets

Daio Paper has focused on overseas expansion through an in-house approach until now, but going forward, we will actively utilize partnerships to achieve agile and efficient market entry. In terms of production, recognizing that capital investment assuming full utilization of our own mills had inflated fixed costs, leading to a tendency to prioritize sales volume to increase utilization rates, we will shift to a flexible supply system that utilizes OEMs according to demand.

Regarding category strategy, we will revise the thinking that "emerging markets = baby care" and achieve early market entry by selecting products tailored to regional characteristics. Leveraging our technological foundations across processed paper products, sanitary paper, and paper/paperboard, we will drive business creation across diverse fields, and from the 6th MTBP onward, we will combine M&A and alliances to establish sustainable competitive advantage and profit growth by 2035.

Build financial foundation — **Solidify advantages**

Market entry	Increase competitiveness through synergies	Expand business areas/ establish competitive advantage
● Select products that can establish structurally competitive advantages in the area at issue ● Based on the following perspectives, search for candidate companies that could be a foothold for expanding into the area - Is recent performance profitable, or has it cleared the hurdle rate? - Is it a business area where our strengths can be leveraged? - Does it have high brand recognition? etc.	● Increase profitability introducing value-added products that leverage our strengths - Sanitary paper: Product functions (high solubility = thin-shedding technology, soft touch), recovered paper treatment and recycling technology, etc. - Processed paper products: Product development capabilities that reflect diverse customer needs (e.g., Nihon no Yoru Ichimai Anshin pads, Clinics), product functions (e.g., Thailand's sanitary adhesive napkins), etc.	● Promote the establishment of competitive advantages through expansion of functions, deployment areas and categories via additional M&As

6 New Overseas organizational structure to achieve the Long-Term Vision

To strengthen collaboration with our overseas locations and establish a system enabling faster and more flexible support from headquarters, we have transitioned from function-based organizations to region-based organizations.
By enhancing our responsiveness to local customers, we will establish distinct winning strategies tailored to the characteristics of each country and region, aiming to build a structure that enables continuous profit generation in our overseas business.
Additionally, we have moved away from a passive approach regarding untapped areas and categories as well as M&A information, and established a dedicated department specializing in M&A to conduct independent research and selection.
Regarding the development of global human resources, we will further advance localization by promoting local human resources at overseas sites to leadership positions, while building a global talent pool and driving the globalization of our headquarters by designing and implementing career programs for global human resources at headquarters.

	Structure so far	Future structure
Concept	Overall deployment of winning patterns for the mass market	A rapid response system capable of adapting to regional changes and winning strategies
Organizational structure	Vertically structured function-based organizations	Divided into region-based organizations, with individual functions consolidated within each unit
M&A operations	Obtain information from external sources and assemble teams and execute tasks within the company as needed	Establish a specialized section to independently conduct research and selection As a deal takes shape, a specialized department will lead the formation of teams and execution of tasks
Global human resource development	Train domestic human resources in Japan and develop them locally overseas	Expand hiring of individuals with overseas experience
	Introduce language training and overseas training programs	Develop and implement a global human resources development program to build a talent pool

Home & Personal Care

Domestic Business Group



● Message from the General Manager of the Business Group

Leveraging the brand power of elleair, Japan's top brand, to expand our revenue pillars into areas such as pet care and value-added products

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

Policies and measures for achieving the 2035 Vision

The Home & Personal Care (H&PC) domestic business is our growth engine and a a key driver of sales. We have set a sales target of 350 billion yen and an operating margin target of 15% for FY2035. To realize our Long-Term Vision, we will focus particularly on sanitary paper products, such as tissue paper and toilet paper, further strengthening the elleair brand and solidifying its top market share. Furthermore, in our domestic absorbent products business including diapers and sanitary pads, and in the wet wipes category, we will pursue differentiation by providing added value. Leveraging the brand power of elleair, we will deepen the penetration of brand value among consumers to expand our market share. Furthermore, we will cultivate the pet care business, which we fully entered in September 2023, as our next pillar of revenue.

Awareness of the market environment (risks and opportunities)

The greatest risk in the domestic business is Japan's declining population. With the number of births in Japan falling below 700,000 in 2024, the baby diaper market is inevitably shrinking, and competition is intensifying among the four leading manufacturers. Leveraging our collaboration with Disney, we will enhance our product offerings while expanding our market share. Furthermore, as the population of women of menstruating age is expected to show a modest long-term decrease, we are strengthening our market presence by offering the light incontinence care brand "Natura" for postpartum and postmenopausal women, connecting elis customers to the Natura brand as their needs evolve. Meanwhile, against the backdrop of an aging society, adult diapers are expected to see robust demand. In particular, adoption of Attento nighttime diapers is progressing not only in retail but also in care facilities as a product that reduces the burden not only for those receiving care but also for caregivers. Sales figures continue to rise steadily, and we are investing in capacity expansion to capture rising demand.

Meanwhile, there is a risk that overseas players, pursuing aggressive low-price strategies in toilet and tissue paper, may target Japan, which could trigger a price collapse. We will establish a production system that competes by delivering quality, high value-added products and leveraging brand strength, while staying responsive to evolving market needs.

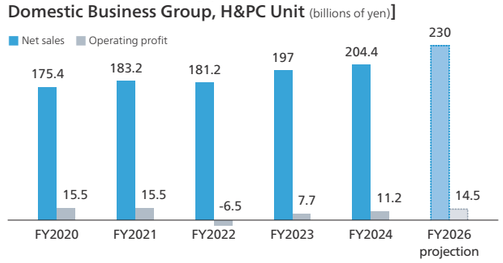
5th MTBP Progress

In the 5th MTBP, we are laying the groundwork for renewed growth by prioritizing the reinforcement of our financial foundation over unnecessary expansion, while optimizing capital efficiency with a strong focus on ROIC and profitability. While keeping sanitary paper products as our core business, we are also expanding our processed paper products business, while at the same time focusing our efforts on initiatives to increase our revenue pillars, such as the pet care business.
In the remaining two years of the 5th MTBP, we will not only revise retail prices, but also build a responsive supply system aligned with consumer trends and needs, ensuring a balance between price revisions and sales growth, and closing the gap toward our net sales target. In the toilet paper market, the share of long-lasting toilet rolls on the market is growing at a considerable rate, approximately doubling over the past five years, driven by rising consumer preference for time and cost efficiency. We expect this trend to continue in future, and in November 2025, we will increase the production capacity of long-lasting toilet rolls, which are currently in tight supply, to ensure stable supply. Packaging formats in the tissue paper market have also shifted, with boxed products declining and soft pack tissues gaining share. Our early action to initiate domestic production of soft packs enabled us to secure the leading market position.
Sales of adult diapers have steadily increased alongside the growing elderly population, with Attento holding a high market share in the institutional sales channel. We are actively recruiting personnel, such as qualified nursing care workers, who can engage with care facility users from their perspective, to leverage those insights to drive product development that addresses challenges faced by care facilities. Adult diapers continue to benefit from robust demand, with production facilities operating at full capacity, and we will continue to capture expanding demand through capacity expansion or OEM procurement.
Our pet care business is strengthening its market position through the rollout of Japan's first pants-type diapers for dogs. Our product lineup, led by pants-type dog diapers and supported by pet sheets for dogs and cats and cat litter, is on track and progressing as planned. In the pet care business, we will actively consider M&A opportunities to expand the product portfolio.

FY2024 review and outlook for FY2025

In FY2024, we executed price revisions across all three categories of tissue paper, toilet paper, and kitchen paper for our elleair brand, the market leader in the sanitary paper category, achieving increases above the market average. We believe this reflects the strong support for the elleair brand from consumers, as we have maintained our market share while recording a higher rate of price increases than the market average. In FY2024, the effects of price revisions materialized, leading to significant profit improvement outside the pet category, where we are actively making upfront investments, and enabling us to achieve operating profit exceeding our plan. We plan to achieve higher sales and higher profit in FY2025.

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



[Notable products and initiatives]

Major products



Material recycling





● Product development

In response to shifting lifestyles and purchasing behaviors, we are expanding our value-added product lineup with offerings that meet evolving consumer needs, including long-lasting toilet rolls that minimize replacement hassle and a dual-sided floor cleaning sheet combining dry and wet capabilities in one, removing the need for separate products.
Additionally, we have initiated efforts to utilize production rejects and scraps in the paper-based cat litter manufactured by a Daio Group company, as well as the reuse of film, and we are aiming for product development that further advances material recycling.
Also, under the slogan of our corporate social responsibility activities, "Kindness in Every Action," we continue initiatives such as the Sanitary Pad Scholarship program for students, the "Heart Support" program aiding overseas regions, and donations through the "EGAO ni TOUCH Project."

Contribution to sustainability management

Daio Paper carries out social contribution activities under the slogan "Kindness in Every Action." From the perspective of "coexistence with local communities" outlined in our material issues, we engage in social contribution activities such as the Sanitary Pad Scholarship program, which provides a year's supply of sanitary pads free of charge to address period poverty, and participation in communities contributing to regional development overseas. In addition, we are making contributions in childcare and parenting, including providing baby diapers in collaboration with the Shikokuchuo City government and establishing a disaster support agreement with Sakura City in Chiba Prefecture. Furthermore, in "realization of a recycling-oriented society," we strive to reduce environmental impact by adopting environmentally conscious practices from the product design stage, such as using recycled film for product packaging and repurposing production rejects and scraps generated during the manufacturing of sanitary paper and other products into paper-based cat litter. These efforts lead to reduced packaging volume, resource conservation, and improved truck loading efficiency, thereby lowering CO_2 emissions during transportation.

Contributing to enhancement of corporate value

Entrusted with the mission of serving as a key driver of growth for the Daio Group, we are optimizing operational management using the ROIC metric. Leveraging our strengths in paper products, represented by tissue and toilet paper, and capitalizing on the strong equity of the elleair brand, we will expand sales of absorbent products such as baby diapers, sanitary pads, and adult diapers, as well as wet wipes and toilet cleaning wipes. We will contribute to enhancing corporate value by leveraging these strengths in our operations.

Paper & Paperboard Business Group



● Message from the General Manager of the Business Group

Contributing to enhancing corporate value by shifting our sales approach from quantity to quality and mastering solution-based sales

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

Policies and measures for achieving the 2035 Vision

In the Paper & Paperboard segment, we have set a sales target of 350 billion yen and an operating margin target of 10% for FY2035. A reduction in volume is unavoidable amid accelerating digitalization and declining paper demand, but we will maintain the scale of our sales by enhancing downstream processing to supply high-value-added products and revising sales prices. To achieve the 2035 Vision, we must introduce a new business model that transforms our sales approach and drive growth by delivering value-added solutions. Rather than simply selling paper as a basic material, we will strengthen our business model by processing paper to add value before sale. At the same time, we will strengthen our proposal capabilities for packing applications, where demand remains robust, and open new markets.
Additionally, we will grow new business pillars such as cellulose nanofiber (CNF) and biorefinery into core businesses with a combined sales target 100 billion yen by 2035. In October 2024, we established the Sustainable Materials Sales Department as a new organization that proposes bio-based solutions by leveraging advanced materials developed through our CNF and biorefinery businesses. Development of CNF began in 2013, and we commenced operations of the industry's largest commercial plant in July 2025. With support from NEDO subsidies, the biorefinery business launched a pre-pilot plant in March 2025 for research and development in Kisarazu City, Chiba Prefecture. While still in the research phase, we intend to market sustainable aviation fuel (SAF) and additives for food, pharmaceuticals, and cosmetics.

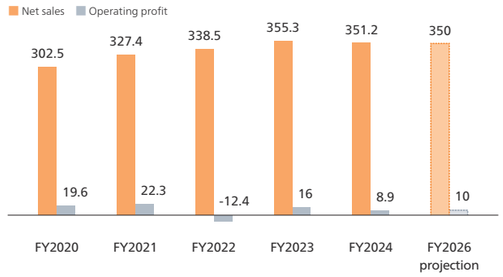
Awareness of the market environment (risks and opportunities)

Demand for paper continues to decline due to the acceleration of digitalization. While the paperboard market for packaging applications has remained relatively stable, we foresee a gradual shift to negative growth as the population declines in the future. Daio Paper holds a 10 to 20 percent share of the overall paper and paperboard market, but our operations have been concentrated in western Japan, and we believe there is room for volume expansion through ongoing structural reforms in our sales approach.
Meanwhile, there are high expectations for our advanced materials businesses, CNF and biorefinery. With the introduction of large-scale mass production plants, there is now a clear path to lowering cost barriers, and we are in a position to advance into commercial negotiations.

5th MTBP Progress

The 5th MTBP focuses on rebuilding our business foundation primarily through various ongoing structural reforms that do not require investment. To enhance profitability by focusing on adding value to paper and shifting from quantity to quality, we established a new Solution Sales Department in October 2024, cutting across our four existing sales divisions, with the goal of delivering paper-based solutions to address customer challenges rather than simply selling paper. In June 2025, the four existing sales divisions were reorganized into the Media Solutions Division and the Package Solutions Division. The omission of "sales" from the division names reflects our commitment to solving customer challenges first, with paper sales as a natural outcome.
During the remaining two years of the 5th MTBP, we will simultaneously pursue price revisions and sales expansion to bridge the gap in our sales target while focusing on expanding profits in the robust packaging business. In regard to domestic paperboard, we will continue to strengthen our alliances with independent corrugated container companies that we have been working with. We see significant opportunities to transition from wooden boxes, styrofoam, and plastic resins to corrugated container in packaging applications. To capture new markets, including the fishing industry, we are developing water-resistant, water-repellent, and waterproof solutions.
Regarding exports, we anticipate that manufacturing operations will shift to Southeast Asia based on macroeconomic trends, and we will establish sales channels to Southeast Asia and work to expand our business.
Regarding CNF, in addition to other companies in the paper industry, we are also seeing entry from other industries such as chemical manufacturers and home appliance manufacturers. In this business, we will break away from conventional thinking about paper and challenge ourselves to explore new possibilities with an open mindset. We are also recruiting experienced personnel with sales and development backgrounds in diverse industries such as chemical manufacturers, aiming to invigorate our advanced materials business while fostering diversity in our workforce.

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



FY2024 review and outlook for FY2025

In FY2024, we implemented cost reductions and price revisions as planned. As a result, while sales and profit declined year-on-year, performance aligned with our forecast, with both net sales and operating profit meeting expectations. Amidst an industry-wide decline in paper and paperboard demand of 3% year-on-year (volume basis), our sales maintained a favorable level, decreasing by only 1–2% year-on-year. Furthermore, despite the extremely challenging earnings environment caused by persistently high raw material and fuel prices, we steadily advanced ongoing structural reforms, including organizational restructuring, and surpassed our initial targets. For FY2026, the final year of the 5th MTBP, we expect the results of this year's initiatives to materialize, and we are aiming for increased sales and profit.

Contribution to sustainability management

In our paper and paperboard business, we have placed strategic emphasis on recycled paper and advanced efforts to promote paper recycling. Now, we are expanding our recycling efforts beyond paper through an initiative led by young employees in our Solution Sales Department, using mill wastewater treatment systems to recycle chemical solutions that would otherwise be disposed of as industrial waste by our customers, bringing them into our recycling loop. As part of our plastic-free solutions, we are innovating beyond paper cutlery, developing technologies to strengthen and densify base paper, and delivering sustainable solutions as alternatives to ABS resin for industrial applications. We also continue to reduce driver workload and CO_2 emissions through measures such as consolidated shipping in logistics. In sustainability management, we do not operate in isolation as a single company, but rather collaborate with various external businesses and organizations to expand our activities while contributing to the environment.

Contributing to enhancement of corporate value

Amidst shrinking demand for paper and paperboard, we must improve labor productivity to achieve sustainable growth of the organization. Our Business Group will implement structural reforms in our sales approach by shifting from quantity to quality, and will strive to rebuild our business model by mastering solution-based sales. As the core unit underpinning Daio Paper's growth businesses, we will generate stable cash flows to fund investments in new business areas and serve as the backbone of corporate value creation.

[Notable products]

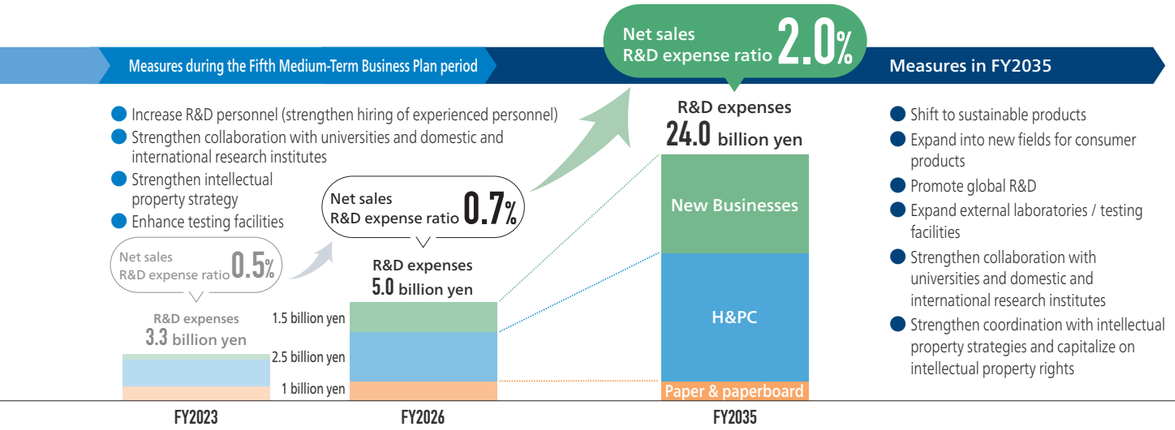


● Product development

We handle paper for media applications such as newspapers and magazines, packaging paper gaining attention as an alternative to plastic, and containerboard and corrugated container products widely used in e-commerce. In recent years, we have also focused on developing environmentally friendly products, particularly expanding our range of plastic-free and low-plastic items. Our elipla series played a key role in earning us recognition in "Ehime's Amazing Techniques" program for advanced technology and outstanding products, and we have greatly expanded its lineup since its launch. We are also expanding the number of fields for commercialization of CNF.

Research and Development

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



H&PC Business

The Development Unit continues to pursue product development that meets consumer needs while also advancing solution-oriented manufacturing aimed at solving social issues. Rather than merely being market-oriented, we have a clear vision of "realizing a sustainable society" and are advancing initiatives that have a profound impact on both society and individuals. As one specific measure, we are working to reduce the use of virgin plastic derived from petrochemicals in packaging and promotional materials to promote the efficient use of resources, and also promoting the use of biomass-derived materials and recycled plastics. In the caregiving field, we are advancing the development of new products based on the concept of "comfortable and effective care," which aims to reduce not only the physical burden on caregivers, care recipients, and their families, but also their psychological stress. Furthermore, to swiftly incorporate diverse perspectives and cutting-edge technologies and insights, we will strengthen global collaboration and develop sustainable and competitive businesses. Through these comprehensive initiatives, we aim to achieve not only short-term profit growth but also the realization of a sustainable society and the enhancement of long-term corporate value.

[New products launched in FY2024](Example)



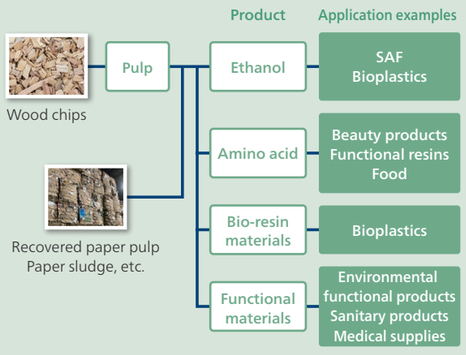
Existing product Updated product *Compared with Daio Paper's existing product

Advanced materials field (cellulose nanofiber/biorefinery)

Toward the realization of a decarbonized society, the Daio Group is developing advanced materials derived from wood to replace fossil-based fuels and materials. During the 5th MTBP period, we will focus on investing in two fields: cellulose nanofiber and biorefinery, aiming to strengthen our R&D structure. CNF commenced commercial plant operations in July, while the biorefinery began bench-scale plant operations in March.



Overview of Biorefinery R&D and Business Operations



Material issue: **Strategic transformation of our business portfolio**

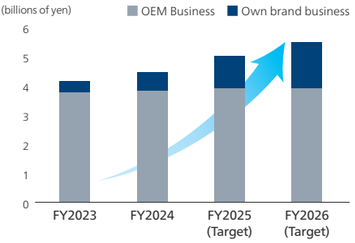
Pet care business

In recent years, pets have shifted from being "owned" as "companion animals" to becoming "members of the family," and the trend of "family integration/humanization of pets" is progressing. Although the number of pets kept continues to be on a slight downward trend, changes in styles of keeping pets combined with the extension of pets' average lifespans are driving up the cost per pet, and the pet market is expected to expand as a result.
Leveraging the product development capabilities and manufacturing expertise cultivated through our elleair brand, we entered the pet care products market in September 2023 with the launch of the "elleair Pet kimiomoi" brand, guided by the theme of "how kind can we be to both pets and people." By pooling our group's development and technological capabilities, we are proposing new value to address unmet needs, such as utilizing cellulose nanofiber (CNF) produced at our Mishima Mill to launch Japan's first CNF-coated cat litter in spring 2025. To realize happier lives for both pets and the families who live with them, we will solidify our foundation during the 5th MTBP period and grow our pet care business.

[Policies of the 5th MTBP]

1	Acquiring and nurturing brand users	Have as many people as possible try our brand and become brand users, and also propose and expand offerings to encourage the use of multiple products.
2	Developing new products through deeper partnerships	Continue to introduce new products by combining the strengths of business partners (Kitasato University School of Veterinary Medicine and OEM contractors) with marketing and product development capabilities of the Daio Group
3	Strengthening communication	Strengthen communication through direct touchpoints with pet owners (digital, e-commerce, in-store, events, etc.)

[Sales target]



[Initiatives in the pet care business]

Joint research with Kitasato University School of Veterinary Medicine

Since its launch in 2023, "elleair Pet" has been engaged in collaborative research with the Kitasato University School of Veterinary Medicine, which is engaged in advanced education and research based on "animal life science" aimed at coexistence between humans and animals. We are leveraging insights from animal behavior studies to develop products tailored to pets' characteristics, senses, and habits. The results are also reflected in the design of Japan's only* pants-type dog diaper, "kimiomoi Activewear."

* As a size-adjustable pants-shaped diaper with a pocket structure around the waist, based on prior art research and company research using Mintel GNPD (April 2023).



Educational activities for attentive pet care

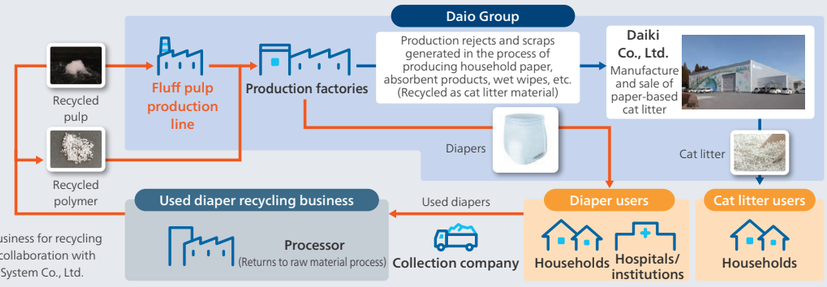
elleair Pet, which aims to realize a "happier life" for pets and their owners, is promoting "attentive pet care" encouraging people to carefully observe the signs animals give and understand their true meaning while caring for them. In February 2025, we established the Attentive Pet Care Promotion Committee in collaboration with animal behavior experts, and we have been engaged in awareness-raising activities such as holding seminars and distributing booklets for pet owners. Through our ongoing activities, we will contribute to realizing a society where pets and people live together in harmony.



Event to raise awareness for attentive pet care

Material cycle

We utilize production rejects and scraps generated during the production of sanitary paper and diapers to manufacture paper-based cat litter, contributing to the realization of a recycling-oriented society.



In June 2022, joint research on a business for recycling used disposable diapers started in collaboration with LiveDo Corporation and Total Care System Co., Ltd.

*Initiatives for achieving Target 5 of Goal 12 and Target 16 of Goal 17.

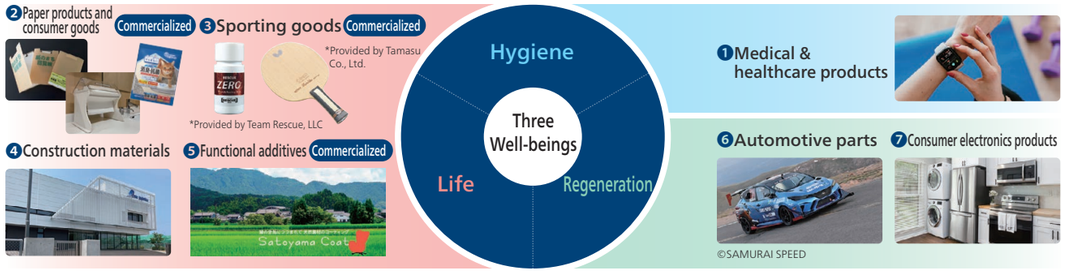
Material issue: Creation of new businesses

Application development of cellulose nanofiber

Cellulose nanofiber (hereinafter, "CNF") is a wood-based material that has the properties of being both high strength and lightweight. NEDO (New Energy and Industrial Technology Development Organization) predicts that the CNF market will reach 6 trillion yen by 2050. We have established a manufacturing process by making full use of the facilities, technologies, and know-how that we have cultivated as a pulp and paper manufacturer, as well as our three CNF pilot plants, and are developing applications that take advantage of the diverse functions of CNF that are not found in pulp and paper. In particular, there are high expectations for composite resin utilizing the lightweight and strong features of CNF, and demand is growing as a material that can contribute to the realization of a low-carbon society by reducing the weight and amount of plastic materials used. Against this backdrop, in July 2025, we started operation of a commercial plant for composite resin on a scale that will enable the social implementation of CNF and increased production capacity to 2,000 t per year, 20 times the current level. With the launch of this commercial plant, we will actively expand applications across automotive parts, home appliances, building materials, logistics supplies, daily necessities, containers, and packaging, while addressing the challenge of high costs by reducing manufacturing expenses through mass production, and stabilizing supply to promote social implementation.
Based on our vision of "Three Well-beings," with our applications of CNF, we are aiming to commercialize products in seven fields, including medical & healthcare products, paper products and consumer goods, and automotive parts, and by FY2023 achieved commercialization in three fields. We will expand sales volume by targeting increased utilization of CNF in automotive parts and consumer electronics products that leverage its advantages such as weight reduction, material recycling, and plant-based origin, aiming to develop applications across five fields by FY2026.

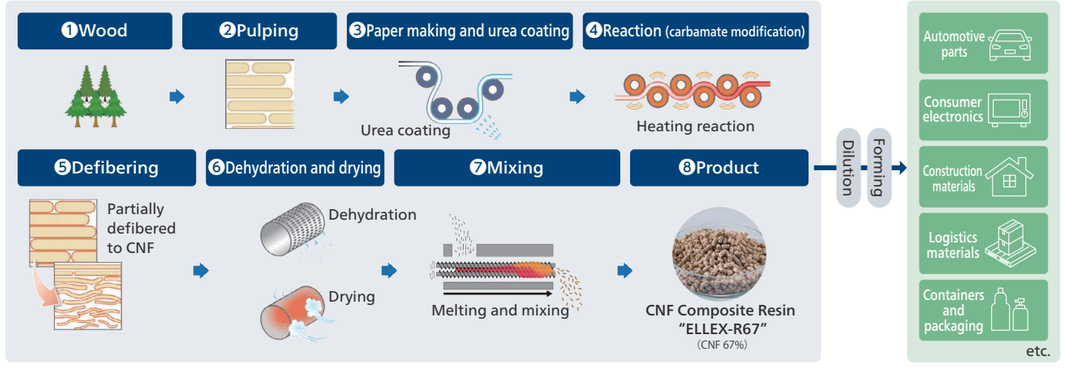
https://www.daio-paper.co.jp/en/development/cnf/

[FY2030 targets in seven fields]



	FY2019 result	FY2020 result	FY2021 result	FY2022 result	FY2023 result	FY2024 result	FY2026 target	FY2030 target
Number of fields where CNF is commercialized	1	2	2	2	3	3	5	7

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

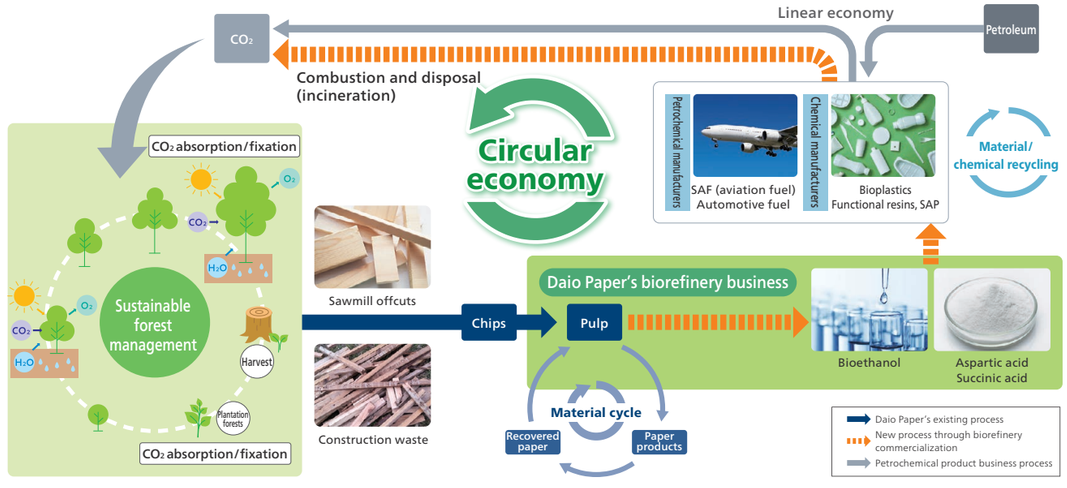


*Initiatives for achieving Target 2 and Target 4 of Goal 8, Target 5 of Goal 9, Target 2 of Goal 12 and Target 16 of Goal 17.

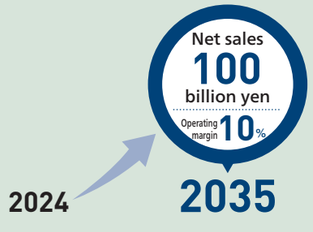
Biorefinery

Our lives have long been supported by fossil-derived products refined from petroleum (oil refinery products), but as measures against global warming demand reductions in CO_2 emissions, there is a growing need to transition to chemical manufacturing using biomass as feedstock (biorefinery). Under these circumstances, Daio Paper is leveraging its existing pulp manufacturing technology to advance initiatives in the biorefinery business. We aim to produce biorefinery products (such as ethanol, aspartic acid, and succinic acid) using a saccharification and fermentation processes that utilize surplus kraft pulp, recovered paper pulp, and paper sludge undergoing thermal recycling within the paper manufacturing industry. According to our estimates, energy consumption associated with biorefinery manufacturing can be reduced by approximately 40% compared to paper product manufacturing, enabling significant reduction of environmental impact. We will proceed with commercialization by transitioning from the current pre-pilot plant to a pilot plant, and then aiming to operate commercial facilities with an annual capacity of tens of thousands of kiloliters by 2030. This project is part of the "Research and Development of Technologies to Promote Biomanufacturing" for which NEDO (New Energy and Industrial Technology Development Organization) opened to applications in FY2023, selected as the "Research, Development, and Demonstration for Commercial Production of Biofuels and Resin Raw Materials Utilizing Materials from the Paper Industry," proposed jointly with Green Earth Institute Co., Ltd. (Address: Shinjuku-ku, Tokyo). The research results were recognized during the stage gate review at the end of FY2024, and it has been decided that the project will advance to Stage 2 of the subsidized and commissioned program for FY2025 to FY2027.
Going forward, we will build a sustainable business foundation by obtaining product certifications and expanding our supply chain. Through this biorefinery business, we will work to reduce environmental impact and effectively use resources, thereby contributing to the realization of a low-carbon society.

[Realization of a circular economy]



Sales target of new businesses



Initiatives during the 5th MTBP period

CNF
Strengthen supply capabilities, mainly of composite resins, and increase the number of fields for commercialization

Common to both fields
Increase R&D expenses and personnel to strengthen the R&D structure

Biorefinery
Focus on establishing technology, aiming to conduct demonstration experiments on a scale of tens of thousands of kl/year by FY2030

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

Intellectual Capital
– Intellectual Capital Management to Enhance Corporate Value –

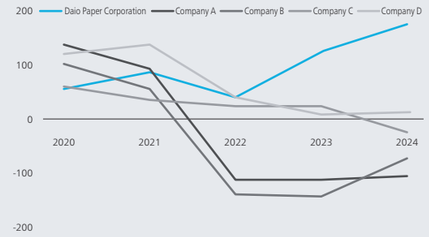
To realize our Long-Term Vision, we will promote intellectual capital management, strategically utilizing intellectual capital as a source for enhancing corporate value and strengthening competitiveness.

Basic policy on intellectual capital

We define intellectual capital broadly as various elements that can be converted into corporate value (examples include brands, knowledge, know-how, trade secrets, and data), and we promote intellectual capital management that contributes to our sustainable growth and maximization of corporate value. In our intellectual capital management, we place particular emphasis on intellectual property ("IP"), the most crucial element within intellectual capital as the source of corporate value. Aligned with our Long-Term Vision and Fifth Medium-Term Business Plan ("5th MTBP"), we strategically leverage our IP to strengthen our business, secure competitive advantage, achieve high profitability, and also support the enhancement of corporate value.
We position our IP utilization strategy as the pathway to achieving sustainable value creation. Based on the value creation process of the International Integrated Reporting Framework, we implement a cyclical IP process centered on three core initiatives: visualization of IP, formulation and execution of IP strategy, and value creation through IP. In visualization of IP, we comprehensively illuminate IP possessing unseen value and hidden strength from various angles through IP landscape analysis and macro market analysis from an IP perspective, leading to identification of core IP and uncovering IP that serves as a competitive advantage. Furthermore, in formulating and executing IP strategy, we strategically utilize IP as a management tool to support business activities by integrating IP strategy into management and business strategy at an early stage of business activities. Furthermore, in the process of executing IP strategy, we transform IP rights into economic value capable of generating future revenue and social value that contributes to a better society and improved quality of life, thereby creating IP that is able to deliver value.
By continuously implementing these initiatives, we aim to create IP with high added value that balances profitability with social contribution. Furthermore, by further strengthening our support from an IP perspective for strengthening business, securing competitive advantage, and creating corporate value, we will steadily implement intellectual capital management across all our business activities.

Support for the creation of innovation

[Innovation Momentum]



We position intellectual property as the foundation for promoting innovation and support the creation of innovation that generates new value through its utilization. Specifically, we leverage our established strengths while fostering new ideas and technologies from an IP perspective by combining our own IP with complementary IP from our partners, or integrating our current strengths with forward-looking IP. The comparison of IM (Innovation Momentum) values* in the figure on the right shows that Daio Paper maintains a high level surpassing domestic competitors in the paper and hygiene products industry, indicating that intellectual property utilization contributes to our innovation creation and revitalization. We will continue to drive sustainable innovation and the associated value creation through ongoing IP utilization.
In particular, in new business areas such as cellulose nanofiber and biorefinery, we are advancing collaborations with academia and research institutions both in Japan and overseas. We are building an attractive and sustainable IP ecosystem for our partner companies, promoting open innovation and co-creation from an IP perspective. Alongside accelerated R&D investment in new business areas based on our Long-Term Vision, we will prioritize IP investment and support in these areas, gradually increasing the proportion of our IP portfolio dedicated to new businesses.

* The IM value is an innovation assessment metric designed to identify innovators who have achieved rapid growth over the past two years, based on patent analysis data from LexisNexis® PatentSight+™.

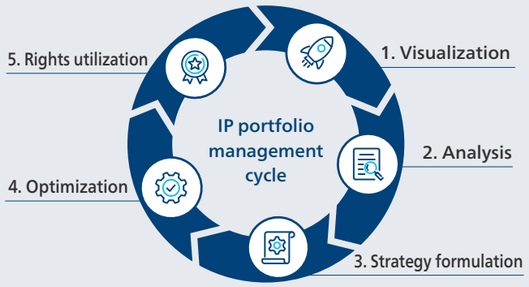
IP initiatives to enhance brand value



We position our brands, including elleair, not merely as product names but as vital management resources that support the Company's sustainable growth, and we are committed to enhancing brand value as a source of competitive advantage.
Daio Paper enhances the value delivered to customers through our brand by implementing an IP mix strategy that weaves together various IP rights (trademarks, design rights, patents, and copyrights) and seamlessly harmonizes all IP. Specifically, the Intellectual Property Department, positioned within the Corporate Unit, works in close collaboration with business units to organically integrate initiatives based on the three pillars of brand management, brand development and brand protection, thereby enhancing brand consistency and credibility. Additionally, we are working to strengthen our brand governance system through the establishment of rules governing brand usage and operations, as well as strict management. Through these initiatives, we are enhancing the value our brand delivers on multiple levels, both functionally and emotionally.
Going forward, we will continue to enhance brand value from an IP perspective with the aim of respecting the worldview and concepts our brands shape and ensuring that our brands remain the top choice for consumers in order to realize our management philosophy of "Shaping an Abundant and Affable Future for the World."

Optimizing IP investments and the IP portfolio

[Portfolio management cycle]

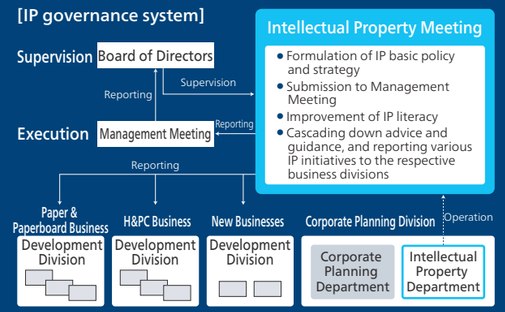


We are working to optimize our IP portfolio and improve the efficiency of our IP investments by building and dynamically rebalancing an optimal IP portfolio for future domestic and overseas business from a medium- to long-term perspective in alignment with our Long-Term Vision and the 5th MTBP.
As an example of IP portfolio optimization, we continuously rebuild and strengthen our IP portfolio by applying an IP portfolio management cycle, which consists of visualization, analysis, strategy formulation, optimization, and rights utilization. Furthermore, we position the costs associated with filing, securing, and maintaining IP rights as "IP investment," and as a metric to determine the cost-effectiveness of these investments, we have collaborated with Indian analytics firm iCuerious® to develop a new IP ROI (Return on Investment) metric, which is now being utilized to restructure our IP portfolio. As a concrete example, this IP ROI metric visualizes the value of each IP right, and by actively pruning low-value IP rights (Intellectual Property Pruning), the freed-up funds are redirected toward maintaining higher-value IP rights or investing in acquiring new IP rights, simultaneously enhancing the efficiency of IP investment and the quality of the IP portfolio. By controlling the investment costs for each individual IP right while comprehensively improving the investment efficiency of the IP portfolio, we maintain the linkage and consistency between our business strategy and IP strategy.

IP functions and IP governance system

Daio Paper strategically leverages intellectual capital as a vital management resource. We integrate our management strategy with our IP strategy, establishing an IP governance system that enhances corporate value and achieves sustainable growth from an IP perspective.
The Intellectual Property Department responsible for IP governance plays a role in driving the formulation and execution of IP strategy encompassing the entire Group, and it is positioned within the Corporate Unit to enable close collaboration with the Corporate Planning Division. Furthermore, we have established a structure where the executive officer overseeing the Corporate Planning Division bears overall responsibility for the execution of IP operations.
As part of our IP governance system, we have established an Intellectual Property Meeting to achieve both the executive function for IP-related operations within the Management Meeting and the supervisory function for IP within the Board of Directors, following our transition to a company with an Audit and Supervisory Committee. This meeting, established to promote intellectual capital management, enables management to promptly grasp important matters related to IP and make swift decisions. It also formulates IP strategy policies and plans, and regularly monitors the execution of IP-related operations with the involvement of management. Furthermore, the meeting also plays a role in cascading down policies and directives from management to departments such as R&D, thereby instilling the principles of intellectual capital management throughout the entire Group. As part of its measures to enhance IP governance, the Intellectual Property Department promotes internal training to improve IP literacy across all departments, including R&D, contributing to fostering company-wide IP awareness and realizing intellectual capital management.

[IP governance system]



Daio Abundant and Affable Future 2030

The Daio Group will achieve the Three Well-beings (Hygiene, Life, and Regeneration) to realize an abundant and affable future through the four pillars of our management philosophy.
We will ensure a link between solutions to social issues that we have been addressing and the SDGs, thereby contributing to the attainment of the SDGs through our business operations.

▶Daio Group Sustainability Vision
https://www.daio-paper.co.jp/wp-content/uploads/2022_sustainability-vision_e-1.pdf

Three Well-beings

Hygiene
Protect well-being of the body

Hygiene

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

Life
Enhance well-being of lifestyles

Life

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

Regeneration
Restore well-being of the earth

Recycling

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

Four Management Philosophy pillars and social issues tackled

D Dedicated
Dedication to manufacturing

1. Strategic transformation of our business portfolio
2. Acceleration of global expansion
3. Creation of new businesses

As a manufacturer closest to customers, we embody our sales philosophy: "What is made by Daio is sold only by Daio sales representatives."
By identifying society's needs quickly, we have reflected them into our business operations, products, and services.

A Attentive
Bonds with local communities

4. Coexistence with local communities
5. Establishment of a sustainable supply chain

Our united efforts with local government and communities, as well as related industries, including papermaking, conversion, distribution, and logistics, have led to the development of Shikokuchuo City, the place of our founding, into Japan's top "paper" city.

I Integrated
Corporate culture providing safety and motivation to work

6. Respect for human rights, development of human resources, and compassion for employees
7. Fair and highly transparent management

Believing that employees are a company's driving force, we established a health insurance association in 1958. Since then, we have been working on employee health and vitality from a management viewpoint, and are fully committed to human resource development (e.g., foreign language training, study abroad programs, and technical skills training).

O Organic
Contribution to the global environment

8. Response to climate change
9. Realization of a recycling-oriented society
10. Forest conservation and maintenance of biodiversity

Inheriting our founder's tenet, "Should our business cause pollution in my hometown and disturb the local community, we had better not carry on that business," we have been engaged in forest recycling (afforestation), paper recycling (achievement of a high utilization rate of recovered paper), etc.

Business development

Structural shift of product mix according to demand

Pulp and paper products
Maintain a competitive edge

Converted products
Increase added value

Paper & Paperboard Business
Newsprint and paper / Industrial paper / Printing / Corrugated containers

H&PC Business
Household paper products / Processed paper products

New Businesses
Cellulose nanofiber
Biorefinery

Market-oriented sales style

Contribution to achieving the SDGs

Major initiatives

Sales of environmentally friendly products
- Environmentally conscious products
- Plastic-replacing products
- Low-plastic products
- FSC-certified paper

Sales of products against infectious diseases
- Masks, sanitizing wet wipes, and paper towels

Provision of products and services for an aging population
- Provision of services to reduce caregivers' anxiety and burden
- Sales of products for active seniors

Major initiatives

Contribution to invigorating and developing local communities
- Coexistence together with local business partners
- Preservation and creation of employment through capital investment
- Formation of a pulp and paper industrial cluster

Coexistence with and support for the local community of each production base
- Invigoration of the local economy
- Cooperation with local communities toward establishing essential infrastructure, including water supply for daily use and irrigation

Major initiatives

Respect for human rights and diversity
- Empowerment of women employees (increasing the percentage of women managers)
- Promotion of paternity leave uptake
- Employment of people with disabilities

Development of global human resources
- Reinforcement of language training programs
- Overseas training programs for young employees

Work-style reform and health and productivity management
- Promotion of paid leave uptake
- Promotion of smoking cessation rates and improvement of mental health care

Major initiatives

CO_2 emissions reduction, absorption, and fixation
- Transition to biomass fuel
- Use waste fuel effectively
- Energy saving and improvement in energy use efficiency
- Improvement of logistics efficiency and promotion of a modal shift
- CO_2 absorption and fixation through forestation

Reduction, reuse, and recycling (3Rs)
- Advanced use of recovered paper
- Recycling and reuse of water

Material Issues and Contribution to Achieving the SDGs

To solve each of the material issues that it has identified, the Daio Group has formulated business strategies and initiatives, and has set numerical targets for the relevant key performance indicators (KPIs).

Four pillars of our management philosophy	Material issues	Business strategies and major initiatives	KPI	Result FY2022	Result FY2023	Result FY2024	Target FY2030	Relevant SDGs
D Dedicated Dedication to manufacturing (Hygiene, Life, Recycling)	Strategic transformation of our business portfolio	● **Newsprint and paper:** Review the production system and sales structure, strengthen the downstream printing business ● **Industrial paper & corrugated containers:** Continue to ensure a stable supply in Japan [Contribution to solving social issues] Shift from paper to paperboard → Preserve employment by continuing the operation of machines	— — —	— — —	— — —	— — —	— — —	
	Acceleration of global expansion	● **H&PC Domestic:** Increase domestic market share of absorbent products and establish a multi-category business model ● **H&PC Overseas:** Strengthen the foundation of existing businesses and develop new markets [Contribution to solving social issues] Contribute to local development at each overseas base → Improve technological and development capabilities, and create and preserve employment	— — —	— — —	— — —	— — —	— — —	
	Creation of new businesses	● **New Businesses:** Cellulose nanofiber (CNF), biorefinery [Contribution to solving social issues] Reduce environmental impact by eliminating or reducing the use of plastics	Number of fields where CNF is commercialized —	2 —	3 —	3 —	7 —	
A Attentive Bonds with local communities (Hygiene, Life, Recycling)	Coexistence with local communities	● Attento Meister Professionals certification for caregivers ● Skills training for community residents by Forestal Anchile Ltda. ● Development of essential infrastructure, including water supply for daily use and irrigation, in Purranque, Chile	Number of certified Attento Meister Professionals Number of skills training sessions held —	4,787 ppl. 0 times —	7,294 ppl. Once —	10,959 ppl. 3 times —	22,000 ppl. Once a year —	
	Establishment of a sustainable supply chain	● CSR procurement: Procurement based on the Daio Group Sustainable Procurement Guidelines Based on the SDGs ● Forest certification	Supplier survey response rate └ Percentage of suppliers rated 3.5 or higher on a 5-point scale Retention rate of forest certification at home and abroad	96% 61% 100%	100% 61% 100%	100% 61% 100%	100% 90% 100%	
I Integrated Corporate culture providing safety and motivation to work (Life)	Respect for human rights, development of human resources, and compassion for employees	● Supporting growth of individual employees ● Making the most of our diversity ● Promoting transformation and challenge ● Talent portfolio aligned with business strategy ● Respect for individual employees, fair and co-creative relationships between the Company and employees: Health and productivity management : Safety and health	Percentage of employees voluntarily participating in the programs*1 Percentage of women managers Women Leaders (Assistant manager level) percentage Paternity leave uptake rate 1-on-1 meeting completion rate Number of young employees with international work experience*2 Percentage of experienced hires Follow-up screening uptake rate Lost time injury frequency rate	Unconsolidated) 11.5% Consolidated) 5.2% — Domestic consolidated) 79.3% — Unconsolidated) 71 ppl. Unconsolidated) 22.8% — Consolidated) 1.01	Unconsolidated) 9.4% Consolidated) 6.4% Consolidated) 6.8% Domestic consolidated) 65.3% — Unconsolidated) 74 ppl. Unconsolidated) 43.0% Consolidated) 37.0% Consolidated) 0.88	Unconsolidated) 12.5% Consolidated) 7.2% Consolidated) 7.2% Domestic consolidated) 67.7% — Unconsolidated) 78 ppl. Unconsolidated) 62.3% Consolidated) 62.9% Consolidated) 0.93	Unconsolidated) 30% Consolidated) 10% Consolidated) 12% Domestic consolidated) 100% Unconsolidated) 100% Unconsolidated) 100 ppl. Unconsolidated) 50% Consolidated) 100% Consolidated) 0.69	
	Fair and highly transparent management	● Sustainably enhance the effective and highly transparent governance system ● Compliance training for employees	— Percentage of departments conducting compliance discussions (FY2022: Out of 5 sessions, FY2023: Out of 11 sessions)	— Unconsolidated) 97.6%	— Unconsolidated) 86.9%	— Unconsolidated) 91.2%	— Unconsolidated) 100%	
O Organic Contribution to the global environment (Life, Recycling)	Response to climate change	● Transition to biomass-derived fuel, effectively use waste fuel, and adopt other measures toward decarbonization	Fossil fuel-derived CO_2 emissions reduction rate (from the FY2013 level)*3 Energy intensity (compared to previous fiscal year) Reduction in Scope 1 & Scope 2 GHG emissions (from the FY2013 level)*3 Reduction in Scope 3 emissions (domestic category 1 & 4) (from the FY2022 level)*3	7.0% Achieved 6.9% —	18.0% Achieved 19.2% 11.6%	17.4% Not achieved 18.2% 9.0%	46% 1% reduction per year 20% 15%	
	Realization of a recycling-oriented society	● Promote the use of hard-to-recycle recovered paper (by increasing the content of recovered pulp in paperboard at the Mishima Mill) ● Zero emissions ● Water recycling and reuse, and proper wastewater treatment to clean wastewater	Recovered paper content in paperboard Waste recycled Number of plastic-reducing product items Reductions in water withdrawal intensity and wastewater COD intensity (sales-based, compared to previous fiscal year)	14.2% 97.1% 31 Water withdrawal : 10.5% COD: 6.0%	17.0% 98.3% 35 Water withdrawal : 2.8% COD: 5.9%	14.9% 98.0% 37 Water withdrawal : -4.0% COD: -5.9%	30% 100% 40 Continue achieving reductions of 1% per year	
	Forest conservation and maintenance of biodiversity	● Forestry activities ● Fire prevention and firefighting education for residents living near company-owned forests ● Protect the Patagonian cypress, a designated natural treasure in Chile, in cooperation with a local NGO	Increase in the forested area (By FY2050) Preservation of the approximately 28,000 ha of existing natural forests — —	Approx. 200 ha Preserved — —	Approx. -60 ha*4 Preserved — —	Approx. 140 ha Preserved — —	15,000 ha Preserved — —	

*1 Percentage of employees who participated in the programs voluntarily, not compulsorily.
*2 Including language study abroad experience.
*3 The amount of emissions from subsidiaries that became part of the Daio Group during and after the reference year FY2013 is included.
*4 Decreased due to forest fires.

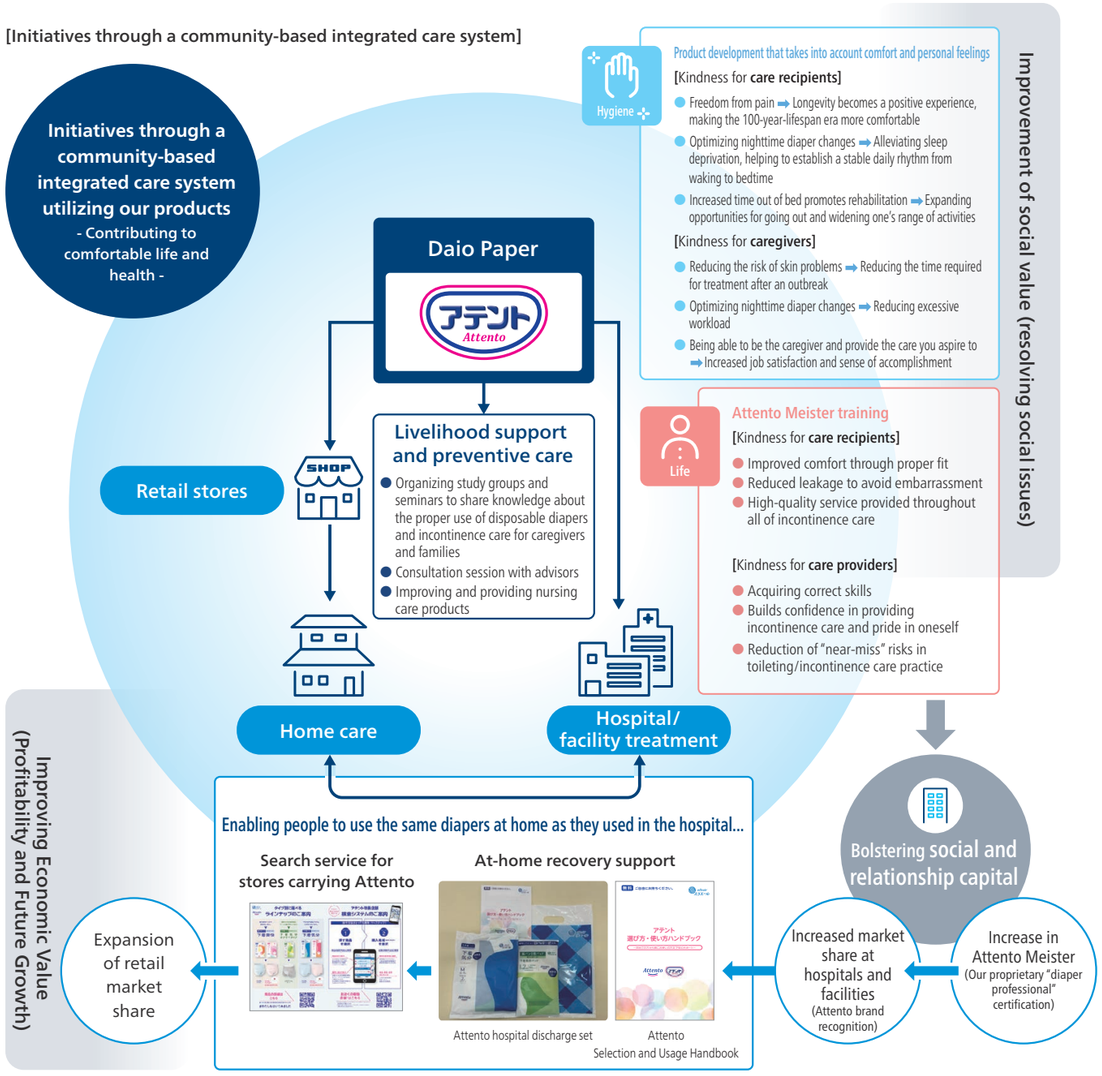
Initiatives for Value Creation

Harmony with Local Communities

Material issues: Coexistence with local communities

The proportion of the population aged 65 and over is increasing globally year by year, and the Japanese population, in particular, is aging rapidly. As the advancement of health care has extended life expectancy, there is growing interest in "healthy life expectancy," which refers to the length of time one can live independently without being burdened by health problems. We believe that the mission of our brand "Attento" is to support this healthy life expectancy, and under the slogan "Not Alone, Together for Everyone," we provide nursing care products and services to address the various concerns that come with aging, working toward the realization of a community-based society in which no one is isolated and everyone has a place to rely on and helps one another.

[Initiatives through a community-based integrated care system]



*Initiatives for achieving Target 4 of Goal 3, Target 5 of Goal 8, Target 3 of Goal 11, and Target 16 of Goal 17.

Realization of comfortable and effective incontinence care
Secure and comfortable for both the caregiver and the recipient

As the birthrate declines and the population ages, there is the risk of a decline in the quality of care at nursing care facilities due to a shortage of caregivers. In particular, problems relating to incontinence can affect healthy life expectancy. Therefore, it is important to increase the number of caregivers with knowledge of incontinence care. To address this challenge, in 2017, we began certifying "Attento Meister Professionals" and have been sharing knowledge about the proper use of disposable diapers and incontinence among caregivers. As of the end of March 2025, 10,959 people have been certified, with the goal of certifying 22,000 people by FY2030. In addition, incontinence care advisors throughout Japan help streamline caregiving operations and improve care. We provide information on managing incontinence-related dermatitis, applying for the incontinence support premium under long-term care insurance, incontinence care reports, and the latest industry news. We also improve caregiver knowledge and skills through study sessions and onsite advice for diaper changing. By implementing these measures, we aim to enhance the quality of life for our product users, support caregiver growth and motivation, and realize incontinence care that ensures both caregivers and recipients can achieve self-fulfillment in a secure and comfortable manner.

介護の快護化

https://www.daio-paper.co.jp/en/csr/attentive/aging-society/



	FY2020 results	FY2021 results	FY2022 results	FY2023 results	FY2024 results	FY2026 target	FY2030 target
Number of certified Attento Meister Professionals	1,805 ppl.	2,778 ppl.	4,787 ppl.	7,294 ppl.	10,959 ppl.	**12,700 ppl.**	**22,000 ppl.**

Feedback from staff at nursing care facilities who support comfortable and effective care!

The Happiness Welfare Association, located in Niihama City, Ehime Prefecture, believes that respectful, person-centered care is the foundation of all caregiving, and that incontinence care is an integral part of this approach. They consider careful selection and proper application of diapers to ensure users' comfort to be a form of non-verbal care. Sharing our vision of "comfortable and effective care," the Association has long participated in our Attento Meister Professional training program and continues to work toward improving the quality of incontinence care. Shown on the right is feedback we received from the Happiness Welfare Association, which participates in our training programs.

Comment from the Happiness Welfare Association



With the support of Daio Paper Corporation, our staff have gradually strengthened their leadership capabilities and ability to improve on-site practices, resulting in positive changes in daily operations.
As we have a diverse, multinational workforce, staff members who have completed the training now serve as on-site leaders, passing on their knowledge to others. As a result, what individuals have learned is no longer confined to them alone, but is spreading throughout the facility and across the organization as a whole.
Currently, we are visualizing the status of incontinence care using quantitative indicators while exploring more effective approaches. Step by step, we continue to take on new challenges to bring "comfortable and effective care" into practice at the workplace.

Material issues: Establishment of a sustainable supply chain

Daio Group's approach to procurement activities

The Daio Group fulfills our corporate social responsibilities (CSR) as expected by the international community, and we aim to contribute to that community as well as enhance our corporate value by actively tackling the SDGs.
While operating in accordance with social norms and company rules, we have also established the Daio Group SDGs Procurement Guidelines to actively promote initiatives focused on achieving a sustainable society while respecting our business partners' cultures and practices.

SDGs Procurement Guidelines Questionnaire results and follow-up initiatives

The FY2024 SDGs Procurement Guidelines Questionnaire was conducted at 535 companies with (1) a 100% response rate and (2) 61% of all business partners had a score of at least 3.5 on a five-point scale, with an average score of 3.7. We will continue to conduct evaluation hearings and provide support to business partners that are not working on the 15 items (legal, human rights, environment, safety and health, quality) on which we absolutely require strict compliance as we conduct sustainable procurement activities throughout the entire supply chain.

"SDGs Procurement Guidelines"
https://www.daio-paper.co.jp/wp-content/uploads/2024.SDGs-Procurement-Guidelines_eng.pdf

	FY2020 results	FY2021 results	FY2022 results	FY2023 results	FY2024 results	FY2025 target	FY2026 target	FY2030 target
Supplier survey response rate (%)	87	95	96	100	100	**100**	**100**	**100**
Percentage of suppliers rated 3.5 or higher on a 5-point scale	56	62	61	61	61	**75**	**85**	**90**
Retention rate of forest certification at home and abroad (%)	100	100	100	100	100	**100**	**100**	**100**

*Initiatives for achieving Target 7 of Goal 8, Target 3 of Goal 10, Target 4 and Target 6 of Goal 12, Target 1 and Target 2 of Goal 15, and Target 16 of Goal 17

Human Capital Management

Material issues: Respect for human rights, development of human resources, and compassion for employees

Human resources strategy to enhance corporate value

Guided by our belief that people are the source of value creation, since FY2024—the first year of our Fifth Medium-Term Business Plan (hereinafter, MTBP)—we have been advancing initiatives to foster a corporate culture that encourages individual challenges and supports continuous growth. To this end, we have strengthened the structure of our Human Resources Division and are implementing various measures with a strong sense of speed.
We believe that employees who proactively embrace change and take on new challenges will act autonomously to create new value for the Daio Group, thereby driving corporate transformation and ultimately enhancing corporate value. Based on this conviction, we will continue to focus on attracting and developing talent that is willing to engage positively with change and challenges. In addition, to create a workplace where each employee with diverse talents can work with confidence and vitality, we are improving the working environment through revisions to our HR systems and initiatives to enhance our organizational culture. By placing dialogue with each individual at the core of our communication, we aim to build fair and co-creative relationships between the company and its employees, ensure psychological safety, and establish a framework in which both individuals and the company can grow together.

Takeshi Kojima
Executive Officer
General Manager of
Human Resources Division
Corporate Unit



Verifying the effectiveness of HR measures based on human resources strategy

Daio has been implementing engagement surveys (ES) since 2021 for the purpose of comprehensively assessing the health of company-employee relationships and analyzing both the organization's strengths and remaining issues based on survey response results. In order to achieve the "relationships we aim for," we identify priority items from among the ES responses and link them to the issues facing the company to enable quantitative, objective effectiveness verification. Some issues that were especially salient in the responses were "Drawing out employees' individuality and competencies," "Individuals' job satisfaction and motivation," "Validity of the evaluation for each employee," and "A spirit of mutual respect throughout the entire domestic Group in Japan." Based on these results, we have been gradually implementing plans of action based on our three pillars of human resources strategy, coordinating between divisions and the head office rather than uniformly throughout the company, in order to develop measures more firmly rooted in the front lines. The specifics of these measures based on human resources strategy will be discussed in more detail below.



Supporting growth of individual employees

Leveraging each employee's desire to learn and grow to help them improve their skills and expand their experience and further stimulating their motivation to grow are the key to strengthening an organization. In addition to enhancing investment in education, we will work to improve our environment and system that capture career aspirations of employees to enable them to proactively develop their careers.

Making the most of our diversity

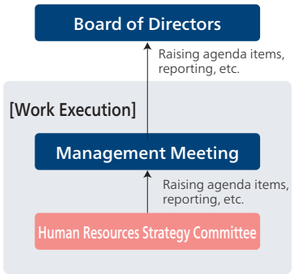
We are committed to making the most of a variety of talent, and we will work to create an organizational culture and environment in which employees can demonstrate their full potential without the constraints of employment type, the channel of recruitment, working hours, and location.

Promoting change and challenges

To capitalize on new ideas that each one of the employees has, management transformation is necessary. We aim to create an environment where our vision is shared through dialogue at all levels and a habit to promote the transformation of individual members and encourage them to take on challenges is established. We will review the roles expected of those who are in managerial positions and work to deepen their understanding of their role and have them acquire relevant skills through education and training.

Governance system

The Daio Group holds monthly meetings of the Human Resources Strategy Committee where members deliberate and decide on basic policy for human resources strategy that will contribute to overall management strategy, medium-term targets and KPI, training of the next generation of leaders, DE&I (diversity, equity & inclusion) policy, and implementation of various HR measures.
With respect to the above topics, the committee regularly reports issues and initiative status to the Management Meeting, and depending on the content of these reports, the Management Meeting reports to the Board of Directors.
In FY2025, we will deliberate the following priority initiatives based on our human capital-related risk and opportunities.



- Building an HR system that uses diverse work styles to promote success for personnel with motivation and skill
- Compensation design focused on roles and contributions that make sense to personnel
- Cultivating and promoting the next generation of leaders
- Measures promoting the success of female personnel and foreign nationals
- Promoting human resource development and engagement improvement measurements throughout the entire Group
- Hiring of talent and building organizational frameworks in fields prioritized to bolster

Human capital KPI

[Engagement KPI comprehensively validating the effectiveness of HR measures]

Relationship we aim for	KPI engagement survey items	FY2024 Actual score	FY2025 Target score	FY2026 Target score	FY2030 Target score
"A corporate culture that supports employees who take up challenges" × "Self-motivated talent who are positive about change and challenges"	Employees' ability to demonstrate individuality and capability	3.2	3.3	3.3	3.6
	Individuals' job fulfillment and job satisfaction	3.2	3.4	3.5	3.8
	Accuracy of individuals' evaluations	2.8	3.2	3.3	3.6
	Attitude of mutual respect within the Group overall in Japan	2.9	3.2	3.3	3.6

*Satisfaction scores are a simple average of ratings given by personnel on a five-point scale with a maximum of 5.0.

[KPI pertaining to HR measures focused on achieving HR strategy]

Strategy	KPI		FY2024 Result	FY2025 Target	FY2026 Target	FY2030 Target	Target range
Supporting growth of individual employees	Percentage voluntarily participating in the programs*1		12.5%	15.8%	20.0%	30.0%	Daio Paper
Making the most of our diversity	Percentage of women managers		7.2%	7.5%	8.0%	10.0%	Consolidated Group companies
	Percentage of women leaders (assistant manager class)		7.2%	8.0%	9.0%	12.0%	Consolidated Group companies
Promoting change and challenges	1-on-1 meeting implementation ratio		—	60.0%	80.0%	100%	Daio Paper
Human resources portfolio aligned with management strategy	No. of young personnel with overseas work experience*2		78 ppl.	80 ppl.	85 ppl.	100 ppl.	Daio Paper
Respect for individual employees, fair and co-creative relationships between the Company and employees	Early detection of disease/ treatment	Follow-up checkup uptake rate	62.9%	100%	100%	100%	Domestic Consolidated Group companies
	Promoting work-life balance	Percentage uptake of paid leave	75.7%	77.0%	80.0%	90.0%	Domestic Consolidated Group companies
	Lost time injury frequency rate*3		0.93	0.84	0.80	0.69	Domestic Consolidated Group companies (Production subsidiary, etc.)

*1 Voluntary measures: Voluntary/self-improvement support measures (e.g. online education, English education program). Percentage of employees who participated in the programs voluntarily.
*2 Includes participants in study abroad for language learning purposes.
*3 Calculated for the full year.

Initiatives for achieving Target 4, Target 6, and Target 9 of Goal 3; Target 4 of Goal 4; Target 1, Target 5, and Target C of Goal 5; Target 5, Target 7, and Target 8 of Goal 8; and Target 2 and Target 3 of Goal 10.

■Human resources strategy I: Supporting growth of individual employees

We believe that the skill acquisition of employees, leveraging their desire to learn and hard work, will lead to growth for both individual employees and the Company. Thus, our basic policy for human resource development is to provide them with education and opportunities for growth that enhance their motivation and autonomy.
We are working to create an environment and tools that allow all employees to develop their career autonomously, rather than in a one-fits-all manner.

■ Concepts for investing in education for human resources

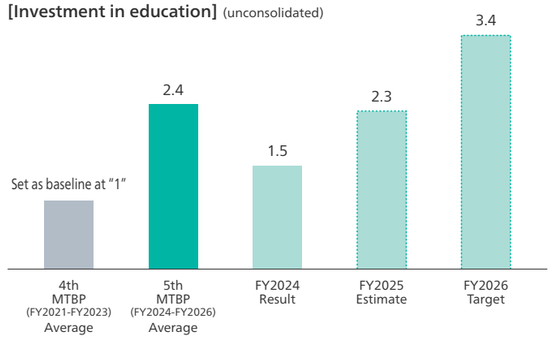
Our education and training mission for human resource development is "to cultivate self-motivated talent who are positive about change and challenges, and who can respond flexibly to changes in their external environment."

Three Concepts

1. Implementing career development strategies that promote skill acquisition and better understanding of roles at every employee tier in order to promote the cultivation of self-motivated talent
2. Extensive voluntary measures to assist individual learning and growth in order to help achieve each individual's career plan
3. Promoting the systematic cultivation of next-generational leaders and global human resources who will be responsible for the core of our growth strategy

In line with the above concepts, we are actively investing in employee education, and in the 5th MTBP we have budgeted approximately 2.4 times the education and training expenses allocated in the 4th MTBP to steadily expand our training programs.

[Investment in education] (unconsolidated)



* Comparison with average education investment the 4th MTBP as the baseline (1.0) versus the 5th MTBP average and each respective fiscal year

■ Supporting self-motivated career formation

Through our hierarchy-based training programs, we conduct career design training tailored to each age group, such as employees in their 30s and 40s providing opportunities for individuals to focus on their own sense of values and job satisfaction. We have also introduced self-improvement support systems such as financial assistance with online courses to support self-directed learning. One of our measures to promote self-driven career development is the "Daio Career Challenge" (a system that enables employees to apply to internal openings for elective career development) and a "Self-Declaration System" (enables employees to declare preferences regarding job rotations, etc.). Furthermore, beginning in FY2024, career consultation interviews were made mandatory between supervisors and their subordinates during semiannual performance reviews. In these discussions, supervisors are expected to develop an understanding for employees' career aspirations, provide appropriate guidance, and actively support individuals' career development.

Number of career consultation interviews held
FY2024 **512** ppl./year
*Non-management positions

■ Cultivating the next generation of leaders

We have a long-term training program that targets candidates for the next generation of leaders (who will lead respective business divisions), which we define as leaders capable of embracing change and differences while driving sustainable growth for the entire company. In the interest of promoting systematic and strategic candidate cultivation, we have expanded the target group beyond developing potential department GMs to include section managers and prospective management-track employees recommended by unit directors. In FY2024, we selected 120 candidates for this program. The training program is built around the pillars of "off-the-job training (Off-JT)" that provides new experiences and realizations through interaction with the world outside the company, and "on-the-job training (OJT)" that deepens experience through challenging assignments. Initiatives include dispatching employees to external executive training programs, planned job rotations into positions such as unit director necessary before serving in upper-management roles, and providing opportunities to exchange views directly with outside directors who have extensive management experience at other companies. These measures broaden perspectives and elevate awareness to the bigger picture, helping to develop our pool of next-generation leader candidates.

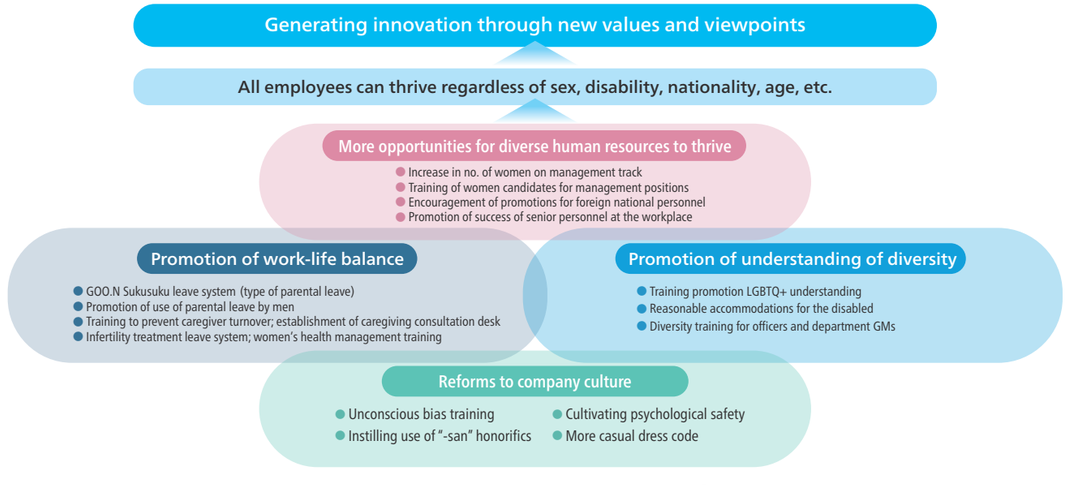
No. dispatched for training cultivating the next generation of leaders
FY2024 **13** ppl. dispatched

■ Development of global human resources

To cultivate employees who not only possess strong foreign language skills but can also take on challenges proactively in cross-cultural environments, since FY2024 we have had an overseas language study program for young employees, cross-cultural competency training for different employee tiers, and grants for the recently revamped online English study program as well as for taking the TOEIC online IP Test. Moving forward, we will expand our lineup of training programs by adding overseas study abroad opportunities and training at overseas Group companies for mid-level through to management-level employees. Through this, we aim to expand our training measures focused on bolstering foreign language and cross-cultural capabilities both in Japan and globally, and to accelerate the rapid cultivation of personnel capable of driving our global expansion while building a robust global talent pool.

■Human resources strategy II: Making the most of our diversity

Amid an increasingly fast-changing and complex environment, we believe that sustainable growth depends on employees with diverse experiences and knowledge coming together to share ideas, engage in open dialogue, and make better-informed decisions. To that end, we promote the recruitment and cultivation of diverse talent and the creation of a company culture and systems that enable each and every individual to find job satisfaction and perform to their fullest potential (DE&I). Through these efforts, we aim to evolve as an organization that continually takes on challenges in pursuit of our company mission.

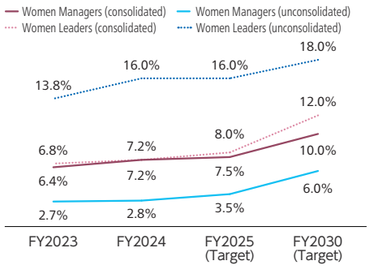


■ Support for women's advancement

The primary market for our Home & Personal Care products is women, and promoting women's success within this division is essential to our growth strategy. In line with this, we position the promotion of women's advancement as one of our key initiatives, focusing in particular on improving motivation among female managers and strengthening the training infrastructure for women in pre-management leadership roles (assistant manager and senior staff levels). More specifically, we support employee growth through career-related training and workshops designed to foment cross-departmental connections among female leaders. These initiatives have been received positively, and in the current fiscal year we received the "Eruboshi (Two Stars) Certification" from the Ministry of Health, Labour and Welfare in recognition of us as a company actively promoting women's advancement.



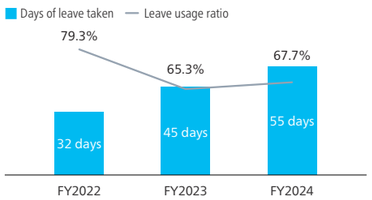
[Women's representation among managers/ leadership roles] (consolidated, unconsolidated)



■ Initiatives promoting parental leave for men

In 2021, we declared a goal of achieving 100% paternity leave usage rate ("100% Paternity Leave Declaration"). Since then, we have provided "Papa & Mama Classes" and the "Papa Handbook" (a guide to understanding our parental leave systems and preparing to take leave) for eligible employees, while requiring supervisors to attend mandatory "manager seminars" to promote company-wide understanding of men's participation in childcare. Approximately three months before the child's expected due date, we hold a meeting that includes the expecting employee, their supervisor, and the HR department. This three-party discussion ensures that relevant information is shared in advance, enabling the employee to formulate a parental leave plan according to their preferences and helping their department prepare the necessary follow-up structure for their period of leave. These efforts have successfully increased the number of days of parental leave taken by employees. These initiatives are being gradually expanded across Group companies, facilitating the sharing of information to resolve common challenges and raising parental leave usage rates Group-wide. At the same time, since we expect an increase in users of parental leave, we are actively implementing measures to reduce the workload burden placed on team members by parental leave users.

[Men's parental leave usage rates and number of days taken]
(Japan, consolidated)



TOPICS

One of our Group companies, Daio Techno-Research & Security Co., Ltd., has been working to create an inclusive and supportive working environment where persons with disabilities can work with confidence, while expanding opportunities for them to thrive.
In addition to its traditional operations such as in-house facility cleaning and testing and analysis services, the company has launched a new indoor hydroponic lettuce cultivation business and has begun production and sales. This initiative not only broadens employment opportunities for persons with disabilities, but also aims to establish an employment model that maximizes each individual's motivation and capabilities, including enabling employees with disabilities to take on leadership roles.



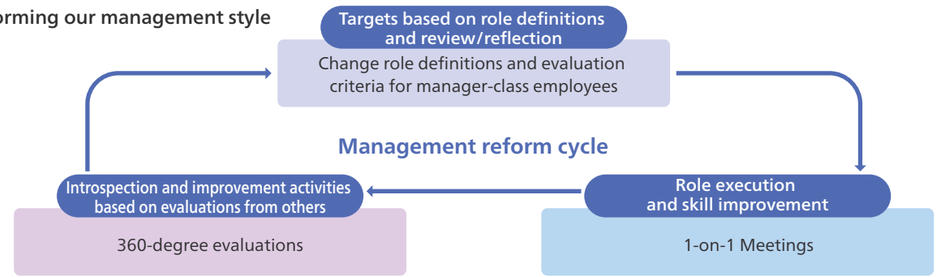
We were also certified as a "Best Workplace," the highest ranking in the D&I AWARD 2024 award organized by JobRainbow Inc. We received high marks not only for cultivating a corporate culture that advances D&I at a high level both in Japan and globally, but also for the proactive engagement of individual employees in D&I initiatives. Furthermore, the recognition reflects the extent to which D&I principles have permeated every one of the company's services businesses, and every other aspect of the company organization, exerting a positive influence both inside and outside the company.

D&I AWARD BEST WORKPLACE for diversity & inclusion 2024

■Human resources strategy III: Promoting change and challenges

In recent years, the environment surrounding our company has changed significantly, making the rapid establishment of business foundations—including global expansion and new business development—essential.
Under these circumstances, we aim to cultivate more employees with a mindset open to change and challenge. As a fundamental corporate stance, we welcome ideas that contribute to overall optimization, reward those who take on challenges, and value proactive behavior through the operation of our human resources systems and ongoing management reforms.
Through these initiatives, we are promoting a transition toward a corporate culture in which employees are encouraged to support and drive one another's challenges.

■ Reforming our management style



In FY2024, we revised the performance evaluation criteria and behavioral requirements for career-track personnel to create a framework that encourages "embracing change" and "contributing to the team."
In addition, we are promoting behavioral changes to management to encourage actions that support growth and change among their subordinates. We collectively refer to these initiatives as "Reforming our management style," beginning to shift management from a traditional directive/administrative model to one that supports each individual employee in taking on new challenges.
As a first step in instilling this mindset for a transformed management style, we defined the roles and performance evaluation criteria for management roles to place stronger emphasis on supporting subordinates' endeavors and growth. Moreover, we acted to support individuals in taking on new challenges by introducing regular 1-on-1 meetings throughout the company. These meetings, which must be held monthly, are a venue for transforming management by way of supervisors and subordinates sharing company and departmental policies and issues to encourage them to take on challenges and to promote growth directly to each and every subordinate.
We also introduced 360-degree evaluations for managers as an opportunity for them to reflect on their own management practices. These evaluations do not affect compensation or promotions, but they are intended as a training measure encouraging managers to absorb evaluations of their performance, engage in self-reflection, and begin to improve their behavior.
These three initiatives should reinforce one another and generate positive synergies, and to that end we will continue implementing linked measures to further enhance the effectiveness of our management transformation efforts.

■ Promoting mutual understanding through discussion

To foster a "corporate culture that supports employees who take up challenges," we believe it is necessary to set up venues to pursue mutual understanding through open communication. To this end, we are actively working to establish venues where management can convey their thinking and listen to employees' feedback as well, as well as measures that promote information sharing across departments.

■ Examples of initiatives

New initiatives following the announcement of the Long-Term Vision

- Launch of discussions between the President and employees
- Distribution of video messages from all unit directors and division general managers
- Live streaming of messages from the company president
- 1-on-1 meetings throughout the company
- Reform activities implemented by personnel on a volunteer basis and aimed at strengthening a sense of solidarity and unity

Ongoing initiatives

- Use of in-house social media within the company
- Distribution of messages from the company president
- Information sharing among employees

[Discussions between the president and personnel to promote a bottom-up approach]

We began holding discussions between the president and employees in May 2024 as a forum for promoting organizational revitalization through dialogue between top management and employees. The president visits production mills, sales offices, and Group companies across Japan to exchange views primarily with young and mid-level employees. Between May 2024 and March 2025, a total of 14 such discussions were held, with 158 employees participating. These were lively discussions on topics such as how to create a company culture that yields more job satisfaction.



Number of discussions held between the president and personnel
FY2024
14 times

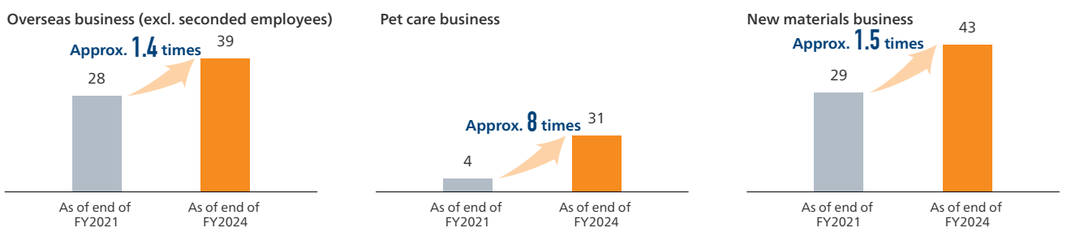
■ Human resources portfolio

In alignment with our business strategies and to drive the growth of priority businesses such as the H&PC business, overseas businesses, and new lines of business, we are not only promoting personnel from within the company but also hiring individuals from outside who have specialized skills. Through this approach, we aim to build the necessary organizational structure while also creating positive synergies generated by more diverse human resources.

■ Building a human resources portfolio aligned with management strategy

We are strengthening our people and organizational systems in alignment with our Long-Term Vision, "Daio Group Transformation 2035," with a particular focus on expanding key areas such as overseas business, pet care, and advanced materials.
In the overseas business, we will revise our strategy in FY2025 and reinforce our organizational structure in line with the revised strategy. At the same time, we are redefining the job experience and skills (such as language proficiency and cross-cultural competence) required by our pool of human resources in order to support the expansion of global operations.
To identify and broaden the base of global talent moving forward, in addition to our study abroad program for young employees, we will begin implementing short-term overseas work-experience programs for young and mid-level employees, fostering personnel in a phased and systematic manner that are capable of driving our global business forward.
In appointing personnel to key departments, we not only rotate motivated employees from within the company but also actively hire experienced professionals from outside the company to bring in new perspectives and specialized expertise.

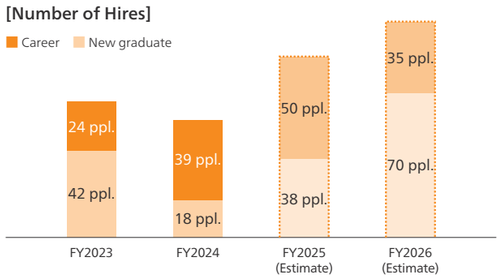
[Increased personnel in key departments]



Securing diverse human resources aligned with management strategy

As population decline and competition for talent intensifies, we continue to hire new university graduates while accelerating mid-career recruitment to bring in the advanced expertise, skills, and experience that are difficult to cultivate internally.
To further secure diverse human resources, we are also preparing to launch the Alumni Rehiring Program as a new recruitment arm.

[Number of Hires]

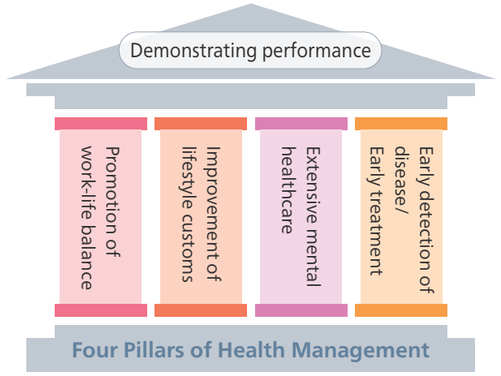


Basis of human resources strategy: Respect for individuality, fair and co-creative relationships between the company and employees

To realize the Daio Group's human resources strategic vision, we believe it to be essential to have healthy, constructive, and co-creative relationships of trust between the company and our employees. We are striving to create a workplace environment where safety and security are assured and where employees can thrive as they pursue self-fulfillment.

Health and productivity management

Through health promotion initiatives tailored to each workplace and living environment, the Daio Group supports personnel in leading vigorous lifestyles and performing at their best in the workplace. These initiatives enhance productivity, revitalize the organization, and ultimately improve business performance, making them a foundation for sustainable growth by the company. We have identified especially key priority areas as the "Four Pillars of Health," and we work to improve each and every employee's health literacy and encourage proactive health maintenance and improvement. In terms of our health management promotion infrastructure, the Executive Vice President and Representative Director serves as Chief Health Officer (CHO). The Health Management Committee, chaired by the CHO, formulates health policy and evaluates its effectiveness. In addition, health promotion staff at the head office, mills, and branch offices also collaborate to build a support framework that includes implementing education and events, as well as following up on employee health-checkup results.
These initiatives have been recognized by outside organizations. In FY2024, Daio Paper was recognized for the eighth consecutive year as a Health & Productivity Management Outstanding Organization (Large Enterprise Category - White 500), while four Group companies were recognized for the first time in the Small and Medium Enterprise Category. Furthermore, our initiatives to promote employee health through sports earned us recognition as a Sports Yell Company 2025.
Going forward, we will continue to strengthen health management by promoting efficient and effective health practices using a Group-wide health management system and by jointly implementing education and events across the entire Group.



2025 健康経営優良法人 KENKO Investment for Health 大規模法人部門 ホワイト500

Daio Paper
(8 consecutive years)

2025 健康経営優良法人 KENKO Investment for Health 中小規模法人部門

Four Group companies

SPORTS YELL COMPANY 2025

Domestic Group companies

- Good sleeper ratio 62.9% — FY2030 target 70.0%
- Smoker ratio 27.9% — FY2030 target 20.0%
- High-stress ratio 18.7% — FY2030 target 10.0%

TOPICS

Understanding with respect to women's unique health issues

To mark International Women's Day on March 8, we held events inside and outside the company to deepen understanding of women's unique health issues that affect their participation in the workplace, focusing in particular on menstruation. Through these event, we seek to promote more accurate understanding of menstrual pain and the effects of menstruation on physical condition and performance, while also aiming to create a workplace environment that is considerate of a wide range of women's health issues, including pregnancy, childbirth, and menopause.





Sleep seminars

Focusing on sleep-related issues, which are closely linked to mental health and productivity, we held company-wide sleep seminars attended by more than 1,500 employees. Because many of our employees work in shifts, we recognize that sleep concerns represent a significant health issue to them. We continue to promote understanding of how better sleep contributes to both mental and physical well-being and to improved job performance, while providing ongoing support for improving daily lifestyle habits.



Safety and health activities

At the Daio Group, we prioritize the health and safety of our employees and are committed to creating a "vibrant work environment that prioritizes employees' safety and sense of security" where employees can work with integrity and enthusiasm. Providing a safe and secure working environment for all people involved in production activities not only protects the lives and health of all those people but also helps maintain the happiness of their families. We also believe that fostering a "safe and secure working environment" ensures the sustainable growth and stability of the Company, which is to say, it is a shortcut to achieving our management philosophy of "Shaping an abundant and affable future for the world." The Daio Group's voluntary safety activities are based on the three pillars of the safety philosophy: "safety awareness," "safe environment," and "safe work." Based on these, we continue to identify risks and take countermeasures, aiming for zero serious accidents for all employees.

Policy

The Daio Group promotes the formation of a company culture of safety and job satisfaction based on the Daio Group Safety and Health Activities Policy, aiming to help achieve a sustainable society and enhance corporate value.

Daio Group Safety and Health Activities Policy
https://www.daio-paper.co.jp/en/csr/integrated/employees/

Governance and risk management

Activities related to occupational safety, health, and disaster prevention are overseen by the Risk and Compliance Committee, which reports to the Management Meeting (chaired by the President & Representative Director) through the Safety and Health Subcommittee. We promote integrated safety management across all operations, including paper production, household paper products, corrugated containers, printing, transportation, and our overseas sites.

Strategy

As an initiative to share our commitment to safety and foster a sense of unity and solidarity, we designate every Wednesday as "Safety Wednesday." On this day, we hold an online safety meeting attended by more than 200 participants each session from all domestic Group manufacturing companies. Examples of effective disaster preparedness and improvement measures include Safety BP News (Best Practice News), sharing BCP initiative case studies, and other safety activities conducted under unified management with the aim of eliminating serious work accidents, eliminating injuries resulting in lost time, and eliminating fire outbreaks.

[Examples of major safety and health activities]

Experiential training to put safety principles into practice

To help employees understand the dangers of accidents on a more personal level, identify hazardous points that can result in safety incidents, and apply this knowledge to equipment countermeasures and risk assessment activities, we have introduced VR-based experiential training systems that help cultivate human resources who can think proactively and take action on their own. (Photo on left). In addition, we provide first-aid and emergency response training, primarily for new employees, and are rolling out company-wide programs that enable employees to obtain the relevant certifications through formal instruction, including cardiopulmonary resuscitation (CPR) and AED training.





Examples of BCP activities

In emergency evacuation drills conducted on the assumption of a large-scale disaster, we conduct training to ensure that employees can quickly cooperate to prevent secondary damage in surrounding areas, prioritizing securing human life. Furthermore, we have formulated a Business Continuity Plan (BCP) to maintain or promptly restore production after earthquakes and other emergencies.



Eliminating accidents through risk assessment activities

To prevent accidents before they occur, we promote the development of essential safety through risk assessment. Based on these assessments, we revise work procedure documents and apply the findings to enhance the essential safety of our facilities. By reliably implementing the PDCA cycle in our safety activities, we are shifting from reactive, post-hoc countermeasures to proactive, preventive management.

[KPI for safety and health activities]

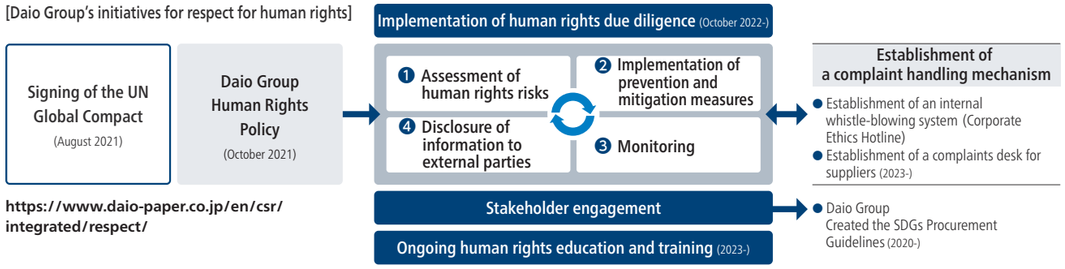
	FY2020 results	FY2021 results	FY2022 results	FY2023 results	FY2024 results	FY2026 target	FY2030 target
Lost time injury frequency rate*	1.16	1.14	1.01	0.88	0.93	**0.80**	**0.69**

*At consolidated companies (Domestic/overseas subsidiaries, etc.)

Daio Group's initiatives for respect for human rights

One of the Daio Group's material issues is "respect for human rights." To realize this commitment, in October 2021 we formulated the Daio Group Human Rights Policy, which is based on the United Nations Guiding Principles on Business and Human Rights, and we promote all business activities in accordance with this policy. In addition, to fulfill our social responsibilities across the entire supply chain, we have established the Daio Group SDGs Procurement Guidelines, which include provisions related to human rights, and apply them to all procurement activities. Going forward, as we continue to expand our business globally, we will work closely with our business partners to advance human rights due diligence and continue human rights education to contribute to the realization of a sustainable society.

[Daio Group's initiatives for respect for human rights]



https://www.daio-paper.co.jp/en/csr/integrated/respect/

■ Human rights due diligence

Through our human rights risk assessments, we have identified eight human rights risks that should be prioritized by the Daio Group. We are conducting assessments of these identified items to confirm that the Daio Group is not directly the cause of any adverse effects on human rights, and that our business activities, products, and services are not having a negative effect on human rights.

	1 Assessment of human rights risks (Initiatives to be prioritized)	2 Prevention and mitigation measures	3 Monitoring	Result	Response/relief
1	Excessive or long work hours	As some of Daio Paper's work style reforms, we are working to reduce overtime hours and introducing a flex-time system, among many other measures.	Safety and Health Subcommittees at company work sites	FY2024: Monthly overtime over 80 hours 1.3% (Daio Paper, unconsolidated) FY2024: Monthly overtime over 80 hours for three or more months 1.5% (Daio Paper, unconsolidated)	Contact the relevant department to address the issue
2	Right to work under safe and healthy work conditions (Safety & Health)	Conduct disaster prevention and amelioration activities on Safety Wednesday (≫ P70)	Risk and Compliance Committee	Lost time injury frequency rate: 0.93	Continuation of Safety Wednesday activities
3	Consumer safety and health	Established a customer consultation desk and prepared mechanisms to respond in cases where health damage may occur	H&PC Quality Subcommittee	FY2024: 0 incidents/year	Ongoing monitoring by the H&PC Quality Subcommittee
4	Right to privacy	(1) Protecting employees' personal information			
		Daio Paper properly handles employee personal information by clarifying the purpose of collection/use and obtaining prior consent. Moreover, measures are in place to prevent information leakage and unauthorized access.	Labor and Human Rights Subcommittee	HR information is centrally managed. Access is limited to what is necessary for work operations. Prior approval based on written request is required before use of HR information is permitted. In this way, information usage is monitored and managed.	HR information is centrally managed, access rights are restricted, and usage is recorded and monitored. If a leak occurs, employees are promptly notified and reports are submitted to relevant organizations. Periodic training is conducted to raise awareness.
		(2) Protecting customers' personal information			
		Daio Miura has obtained a privacy mark	Internal audit / External review	No instructions issued to make corrections	Continue building and operating the management system
5	Impact on local residents' lives	Monitoring and managing odors and noise around each work site	Environment Subcommittee	Confirmed reduction in environmental incidents	Ongoing monitoring by the Environment Subcommittee
6	Environment management				
7	Child labor	SDGs procurement (CSR procurement) initiatives: Confirmed via questionnaires (≫ P62)	SDG-based Procurement Promotion Committee	Human rights score: 4.3 / 5.0 (high score)	Continuation of initiatives
8	Harassment	• Internal whistle-blowing system (fact-finding, investigation, action to prevent recurrence) • Harassment questionnaire for all domestic Group personnel, with interviews based on opinions and issues discussed therein.	Harassment Prevention Committee	There are still 11 reports per year, so harassment has not been fully eliminated	"Harassment Elimination Declaration" from the company president (≫ P88)

Environmental Conservation

Recycling

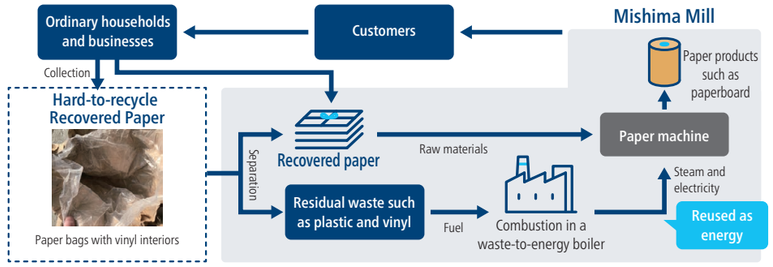
Material issues: Realization of a recycling-oriented society

Promotion of hard-to-recycle waste paper usage

At the Mishima Mill, our core paper mill, we collect paper waste that was previously landfilled or incinerated, as hard-to-recycle recovered paper, and then separate it into recovered paper and non-paper materials, such as film, using our proprietary processing technology. After separation, the recovered paper is reused as a raw material for papermaking, while the residual waste such as plastic and vinyl is used as fuel for waste-to-energy boilers for power generation. This contributes to securing recovered paper materials and reducing GHG emissions, as well as solving the marine plastic pollution problem.

In FY2024, production activities stagnated at domestic paper mills that generate hard-to-recycle recovered paper, resulting in a decrease in both the volume generated and collected. Consequently, both the amount used and the proportion of hard-to-recycle recovered paper pulp declined. In addition, the increase in paper waste contained in combustible waste from ordinary households and businesses has contributed to higher GHG emissions in municipalities. To achieve the KPI of a 30% recovered paper content in paperboard by FY2030, we will pursue the following initiatives.

(1) Strengthen partnerships with source companies to secure supply that is not affected by recovered paper export market conditions, and identify new types of hard-to-recycle recovered paper through purchasing that contributes to reduced environmental impact.
(2) Consider introducing equipment capable of handling materials such as water-resistant and oil-resistant, difficult-to-disintegrate recovered paper, as well as mixed recyclable paper containing vinyl and similar materials.



*Paperboard produced at the Mishima Mill



Mishima Mill No. 23 waste-to-energy boiler

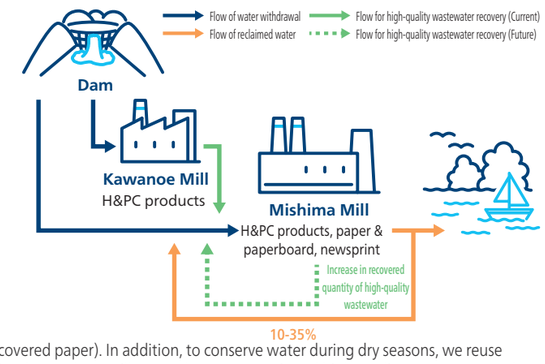
	FY2020 results	FY2021 results	FY2022 results	FY2023 results	FY2024 results	FY2026 target	FY2030 target
Ratio of hard-to-recycle recovered paper pulp in paperboard*	15.7%	15.7%	14.2%	17.0%	14.9%	16.1%	30%

Effective use of water resources

The sustainable and efficient use of our limited water resources is an important environmental issue for us because the paper and pulp production processes require large volumes of water. Under the DAIO Global Environmental Charter, we position water resource conservation and risk management as key management priorities. With the Representative Director and President serving as the final decision-maker for strategy formation and performance related to water resources, we conduct water risk assessments and take action throughout the entire business, while continually working to reduce water intake, promote water recycling, and improve water-use efficiency through purification at our production sites.

It is generally said that producing one ton of paper or pulp requires 100 m^3 of water, but our Mishima Mill operates with less than half that amount. As a facility that produces all types of paper, it has unique water recycling options such as reusing waste water from the production of Home & Personal Care products (main raw material is pulp) as water withdrawal in the production of paperboard, paper, and newsprint (main raw material is recovered paper). In addition, to conserve water during dry seasons, we reuse 10-35% of treated effluent after comprehensive wastewater treatment. Moving forward, we will pursue better separation of high-quality wastewater and reuse it as water withdrawal, thereby reducing overall water consumption.

[Mishima Mill, Water Withdrawal Flow (Dry Season)]



	FY2021 results	FY2022 results	FY2023 results	FY2024 results	FY2026 target	FY2030 target
Reductions in water withdrawal intensity and wastewater COD intensity (sales-based, compared to previous fiscal year)	Water withdrawal: 5.6% COD: 9.9%	Water withdrawal: 10.5% COD: 6.0%	Water withdrawal: 2.8% COD: 5.9%	Water withdrawal: -4.0% COD: -5.9%	Continue achieving reductions of 1% per year	
Zero violations of wastewater-related laws at paper mills	Zero violations	Zero violations	Zero violations	Zero violations	Zero violations every fiscal year	

*Initiatives for achieving Target 3 of Goal 6, Target 4 of Goal 8, Target 5 of Goal 12, and Target 1 of Goal 14

Material issues: Response to climate change

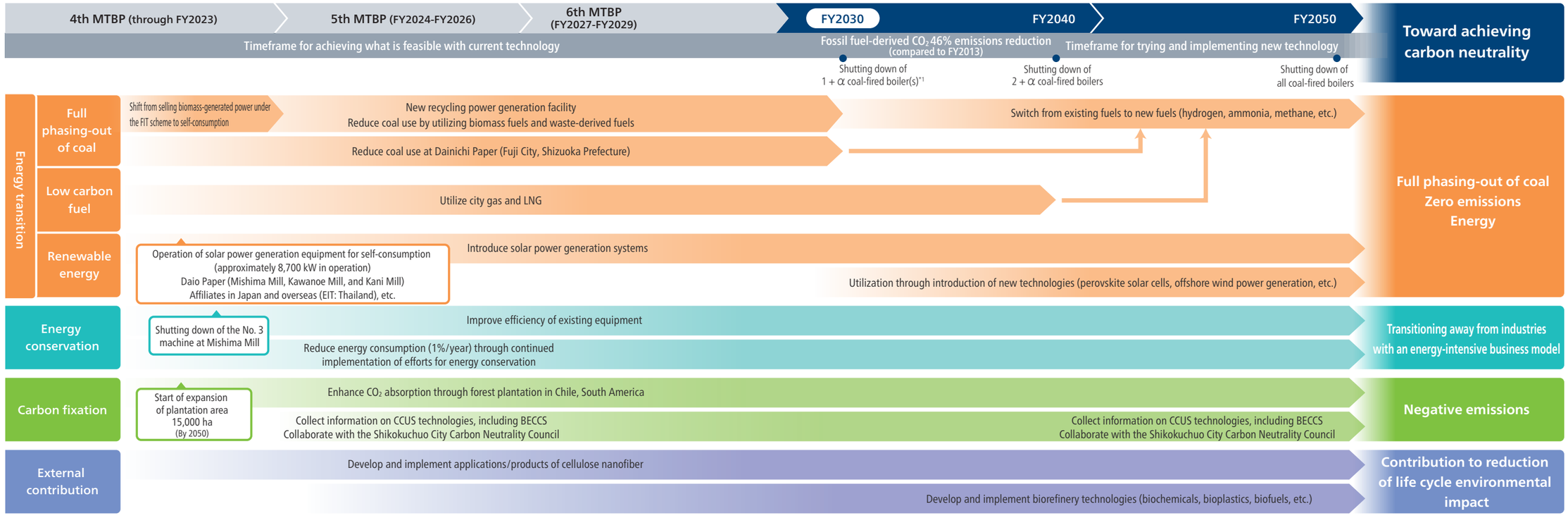
Initiatives Toward a Carbon-free Society

The Daio Group aims to achieve carbon neutrality by FY2050, and is promoting various environmental initiatives, such as energy conservation and the use of biomass fuels, in accordance with our DAIO Global Environmental Charter.

We have identified climate change response as one of our most critical management priorities. In line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we will continue to advance both disclosure and initiatives, formulating and implementing measures based on the roadmap we have established to achieve carbon neutrality.

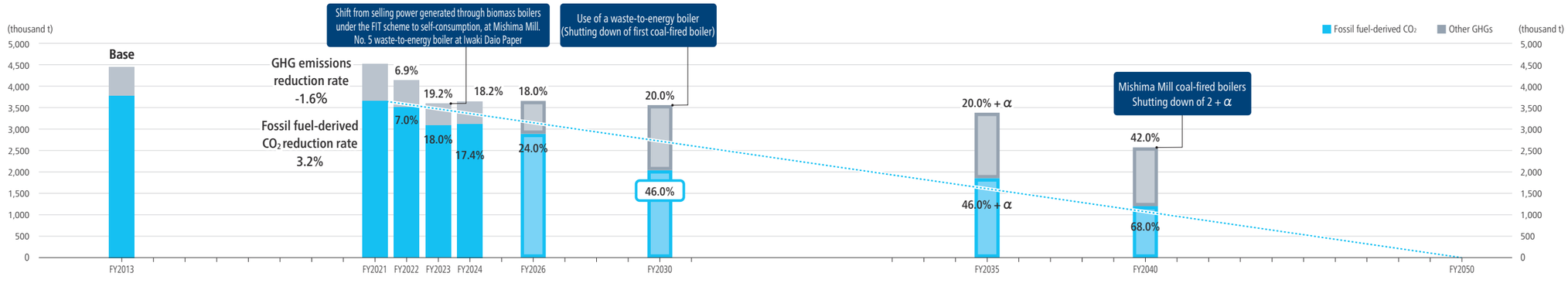
Roadmap to achieving carbon neutrality by 2050

Actively working to reduce the use of fossil fuels in collaboration with local communities by utilizing a wide variety of fuels and introducing new technologies.



*1: Includes the scenarios where we manage to shut down the next coal-fired boiler or repurpose the next coal-fired boiler to be shut down to use alternative fuels in place of coal

Projected CO_2 reductions (vs. Base FY)





● Message from the director responsible for the Production Unit

We aim to achieve both carbon neutrality and sustainable growth of our business by promoting a shift toward biomass fuels in harmony with local communities, and by transitioning to and expanding our low-environmental-impact biorefinery business

Toshikatsu Tanahashi
Director, Managing Executive Officer
Responsible for Production Unit

Toward achieving carbon neutrality by 2050

The Daio Group has formulated a roadmap toward achieving carbon neutrality by FY2050, built around three approaches: "Full phasing-out of coal and energy transition," "Energy conservation," and "Carbon fixation." We are diligently pushing this roadmap ahead. At our Mishima Mill, we currently operate three coal-fired boilers. In line with our transition plan, we will decommission one boiler in FY2030, a second in FY2040, and the final boiler in FY2050, progressively phasing them out in ten-year intervals.
As milestones during this transition, we have set targets of reducing fossil fuel-derived CO_2 emissions from production activities by 46% and total greenhouse gas (GHG) emissions by 20% compared to FY2013 levels. To achieve the FY2030 milestone of shutting down one coal-fired boiler, we have formally decided to construct a waste-to-energy boiler at the Mishima Mill that uses waste as fuel. In formulating our capital investment plan, we evaluated the economic viability of shifting from coal to waste and biomass fuels, sought to maximize the use of GX Transition Bond subsidies, and incorporated risks and countermeasures related to interest-rate increases, rising labor and construction costs, and stable procurement of fuel. This plan was then discussed in depth by the Investment and Loan Committee. We are currently making steady progress with the required environmental impact assessments for the construction of the waste-to-energy boiler, and we plan to begin site preparation and construction between FY2025 and FY2026. The waste-to-energy boiler is scheduled to enter operation around FY2030, and we will work to advance the schedule as much as possible.
Across the Daio Group, we aim to achieve our FY2030 environmental targets by also promoting energy conservation, introducing renewable energy such as solar power, and optimizing energy efficiency at our mills.
At Iwaki Daio Paper, the No. 5 waste-to-energy boiler entered operation in February 2023 as a boiler than can effectively utilize high chlorine waste-derived fuels. We have also rebuilt the No. 4 biomass boiler, which had been offline since an accident in September 2022, and successfully restarted it in July 2025 with stable operation since. With the restarted No. 4 Boiler combined with the No. 5 Boiler, Iwaki Daio Paper has become the only paper mill in Japan capable of generating 100% of its own electricity using no fossil fuels and relying solely on waste-derived and biomass fuels. Moreover, beginning in February 2026, surplus electricity is planned to be transmitted to the neighboring Fukushima Factory of a Group company, Elleair Product.
In the Daio Group's Production Unit, we are pursuing the optimization of mills' overall production systems and production facilities' energy efficiency, while flexibly responding to changes in the market environment, such as shifts in demand structures for paper and paperboard. Leveraging our core Mishima Mill facility and its ability to flexibly switch production grades, we are improving machine operating rates by consolidating production equipment and optimizing energy efficiency by shutting down unnecessary (excess) facilities. Going forward, while monitoring changes in demand for paper and paperboard in addition to forecasting future trends in energy and environmental requirements, we will continue to pursue optimal production systems and energy efficiency across the entire Daio Group, both within individual mills and across Mishima Mill, Kani Mill, Iwaki Daio Paper, and other affiliate company production units as a whole. In recent years, there has been increasingly proactive development of energy-saving technology by paper machine manufacturers and energy-efficient paper machine clothing by tool manufacturers. Within the Production Technology WG established under our strategic business alliance with the Hokuetsu Corporation, we actively share knowledge on energy-saving equipment, technologies, and operational improvement case studies and apply these learnings to our improvement initiatives. We will work with machinery and component manufacturers and the broader paper industry to drive the development and deployment of the cutting-edge technologies to further reduce our energy consumption.



Iwaki Daio Paper No. 4 Biomass Boiler

Issues and anticipated risks in future carbon-neutrality initiatives

With respect to our FY2030 targets of a 46% reduction in fossil-fuel-derived CO_2 emissions and a 20% reduction in total GHG emissions, we are already in the implementation phase of specific plans including shutting down one coal-fired boiler at the Mishima Mill and constructing a waste-to-energy boiler, as well as promoting energy-saving activities at each mill, introducing solar power generation, and optimizing production systems and energy efficiency. We therefore believe that the likelihood of achieving our FY2030 targets is high.
However, for FY2040 and beyond, several uncertainties remain, and we recognize the associated challenges and risks. To achieve carbon neutrality, we must effect a transition of the energy sources used in production activities from coal and other fossil fuels to low- or zero-carbon alternatives and decommission one coal-fired boiler at Mishima Mill in FY2040 and the final boiler in FY2050. Potential alternative fuels such as hydrogen and ammonia are currently shrouded in uncertainty regarding stable supply and procurement costs. Moreover, fuel conversion will require expensive capital investment, but the scale of these costs and the extent of financial support from governments and other public bodies remain unclear, making it difficult to formulate concrete plans and to make definitive management decisions at this stage. We believe it is necessary to assess the transition from fossil fuels to new alternatives with due caution, including from the perspective of economic viability, while factoring in future carbon pricing (carbon taxes). While continuously monitoring the latest technological trends and developments in other industries, we will maintain close collaboration with national and local governments, including the Shikokuchuo City Carbon Neutrality Council, and conduct regular discussions and technical exchanges with boiler manufacturers and electric and gas utility companies. By assessing the future carefully and comprehensively, and by preparing for multiple possible scenarios, we aim to ensure that the company is prepared to move decisively in whichever direction we ultimately choose.

FY2024 CO_2 emissions

Looking at the current situation, CO_2 emissions in FY2024 increased by approximately 2% year on year. Although we achieved our planned energy-saving and other improvement initiatives, the main factors behind the increase were higher production volumes to fulfill our responsibilities to customers, a rise in the proportion of production of energy-intensive product types and mills, and a fuel mix that, while lower in cost than the previous year, resulted in higher CO_2 emissions.
In line with our roadmap toward achieving carbon neutrality by 2050, we are steadily progressing the construction of a waste-to-energy boiler at the Mishima Mill, annual energy-saving initiatives, and the proactive adoption of solar power. While progress is on track from a medium- to long-term perspective, we will reassess our approach so that we can manage these initiatives with a stronger focus on single-year results, taking into account short-term business performance and company policies such as our responsibility to ensure stable product supply to our customers. Specifically, we plan to factor CO_2 emission projections into management decisions in the annual budgeting process, alongside production and sales mix, fuel composition, energy costs, and business outlook.

Promoting a transition to the advanced materials business and carbon neutrality

Meanwhile, while transforming our business structure, we have begun formulating and implementing measures that link this transformation to our carbon neutrality efforts, aiming to achieve sustainable business growth alongside carbon neutrality. In our Long-Term Vision, "Daio Group Transformation 2035," we set forth our intention to shift away from the declining paper and paperboard businesses toward advanced materials businesses including cellulose nanofibers (CNF) and biorefinery products, and to grow these businesses into a new pillar for the company.
Although CNF is a high value-added "dream material," it

requires more energy to produce than paper and paperboard. By contrast, we have determined that biorefinery products can be produced using approximately 40% less energy than conventional paper and paperboard. Anticipating future contraction in the paper and paperboard markets, we are accelerating our transition to a biorefinery business. This business structure transformation is projected to reduce our energy consumption sufficiently to enable the shutdown of one coal-fired boiler at the Mishima Mill by FY2040, even without capital investment into fuel conversion. We hope to achieve a business structure transformation that reduces energy consumption while simultaneously enhancing corporate value and achieving sustainable growth, all while progressing towards carbon neutrality by 2050.

Impact of carbon neutrality promotion on management

There is no doubt that global warming is progressing, and looking ahead over the long term, we recognize that reducing CO_2 and GHG emissions is absolutely essential for the survival of humanity and the global environment. Even if there are temporary policy reversals such as those seen under the Trump administration in the United States, we believe that the global momentum toward carbon neutrality will continue irreversibly in the long run.
Promoting carbon neutrality is extremely important for enhancing our corporate value and achieving sustainable growth into the future. Falling behind with respect to domestic and international environmental policies, directionality, or trends within the papermaking industry could expose us to the risk of our products losing customer relevance. In particular for our consumer products such as those in the Home & Personal Care segment, which we position as a growth engine, customer awareness of environmental issues continues to grow and interest in environmentally responsible products is on the rise. Being able to provide products with lower environmental impact means providing greater value to the customer, and we believe this represents an opportunity to generate new business. On the other hand, promoting energy transition as part of our carbon neutrality efforts at present carries the risk of higher energy costs, which may adversely affect business performance. The most immediately viable alternatives to coal are LNG and similar substitutes, which help reduce CO_2 and GHG emissions. However, given the energy cost implications, companies may struggle to cover the higher production costs themselves, potentially leading to cost pass-through that could ultimately weaken competitiveness. While our commitment to achieving carbon neutrality will not waver and we will continue our current initiatives, we will also evaluate short-term economic rationality, trends in domestic and international markets and within our industry, and customer needs, in pursuit of the best overall path forward.



<Bench Test Plant Equipment>
At Green Earth Institute Co, Ltd.'s Green Earth Research Center (Kisarazu City), bench-scale equipment have been in operation since March 2025. (Photo courtesy of Green Earth Institute Co., Ltd.)

According to our estimates, energy consumption during bioethanol production can be reduced by approximately 40% compared with papermaking.

Coexistence with local communities

We recognize the immense value in pursuing carbon neutrality across the entire supply chain and local communities. In the interest of "helping to reduce fossil fuel-derived CO_2 and GHG emissions in the region," we are proposing a scheme in collaboration with local municipalities whereby the waste-to-energy boiler scheduled for construction at the Mishima Mill in FY2030 will use general waste (currently incinerated by local governments) transformed into solid fuel. Municipalities in Shikokuchuo City (Ehime Prefecture), home to our Mishima Mill, as well as in Tokushima and Kagawa Prefectures, will employ a tunnel composting method for municipal waste. This process, leveraging microbial biodegradation, will reduce the waste's volume and dry it, converting it into pellets. These pellets are then slated to be accepted and utilized by our Mishima Mill as fuel for the waste-to-energy boiler. With the official decision to construct the boiler now having been made, we will begin discussions in earnest regarding waste acceptance systems, timing, and volume. For local municipalities, this scheme offers the following benefits: (1) Replacing aging incinerators with tunnel composting can significantly reduce costs, and (2) CO_2 and GHG emissions generated by incinerators are eliminated. For us as a company, the benefits include (3) The ability to transition from the fossil fuel coal to general waste as a fuel source. Overall, the scheme is expected to provide substantial environmental benefits for the region as a whole. We have presented the concept and merits of this scheme to the Ministry of Economy, Trade and Industry and the Ministry of the Environment, and have received positive feedback and support in response. We are now proposing this as a solution, especially to municipalities in the Shikoku region that are considering updating their aging waste incineration facilities.

Reducing environmental impact through logistics

Alongside promoting energy transition and energy conservation, we are also working to reduce environmental impact in the area of logistics. This includes modal shifts from truck-based land transport to marine transport, as well as joint transport with companies both within and outside our industry, aiming to improve load efficiency and reduce emissions. In response to Japan's "2024 problem" in logistics, we have reduced driver workload and environmental impact by reconfiguring logistics hubs and sharing relay points with joint transport partners, thereby shortening driving distances and operating hours. In the Shikoku region, we are advancing initiatives to further improve logistics efficiency and reform work styles through the introduction of double-trailer trucks, achieving reduced environmental burden at the same time. In addition, under our strategic partnership with Hokuetsu Corporation, we are working to reduce logistics costs and environmental impact by improving logistics efficiency through the shared use of chip vessels and JR freight containers.

Climate-related risks and biodiversity initiatives

The pulp and paper industry not only emits CO_2 and other greenhouse gases through the use of significant amounts of fossil fuels, it also uses forest resources as raw materials and makes extensive use of water resources. As a company engaged in such business activities and mill operations, we recognize that it is essential to engage in corporate and mill management that take climate-related and nature-related risks into account.
We are engaged in information disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD). At the same time, we must continue to raise environmental awareness among every employee and actively promote initiatives that contribute to environmental conservation and the preservation of biodiversity.
We have long maintained and managed a company-owned forest in Shikokuchuo City, where Daio Paper was established, for forest conservation purposes. In 2024, it was certified by the Ministry of the Environment as a "Nature Coexistence Site." Although the forest area is relatively small and the CO_2 absorption from our company-owned forest is modest compared with the emissions generated in Shikokuchuo City, we view this certification as recognition of our longstanding commitment to environmental conservation. We are also continuing our afforestation and forest-conservation initiatives at our plantation forests in Chile, South America, where we manage forests with an eye toward future chip demand. We will continue to operate these activities as part of our commitment to protecting nature.
Regarding water resources, the water used in our production activities is treated to meet regulatory standards set by the national government as well as the standards and reporting requirements set by local municipalities, and it is discharged into the sea or rivers under 24-hour continuous monitoring and control. In this process, we are continually improving our wastewater treatment facilities and processes while staying mindful to remove as much as possible of the fine vinyl and plastic residues that inevitably arise during the repulping of recovered paper that is collected and reused.

Toward achieving carbon neutrality together with sustainable management

Driven by a strong sense of mission, we are fully committed to achieving carbon neutrality, an initiative that we consider absolutely essential for continuing our business activities and mill operations into the future while sustainably enhancing corporate value. We will firmly develop our biorefinery business, one of our advanced materials businesses, into a new core pillar for the future, as we position the pursuit of both sustainable business growth and economic rationality in harmony with carbon neutrality as a central guiding principle for the entire company. Building on this foundation, we will establish a concrete direction for achieving carbon neutrality beyond 2040 and fulfill our accountability to stakeholders both inside and outside the company. In an environment characterized by rapid and significant changes in domestic and global environmental policies, industry trends in the pulp and paper sector, fluctuations in demand for paper and paperboard, and violent fluctuations in the cost and availability of fuels and raw materials, our commitment remains firm. We are dedicated to taking a long-term perspective, gathering comprehensive intelligence from diverse sources, and collaborating closely with our stakeholders to make the best possible decisions for the company, for our stakeholders, and for the global environment. In this, we value your continued understanding and support.

Information Disclosures based on the TCFD/TNFD Recommendations

The Daio Group is engaged in information disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD).

▶TCFD measures **https://www.daio-paper.co.jp/en/csr/organic/tcfd/**
▶TNFD measures **https://www.daio-paper.co.jp/en/csr/organic/tnfd/**

Governance

Common to both TCFD & TNFD In May 2021, Daio Paper's Board of Directors formulated the Daio Group Sustainability Vision, the Group's sustainability strategy. In conjunction with that, the Sustainability Committee meets once every quarter to assess climate- and nature-related risks and opportunities, set targets, policies, and strategies, and monitor the progress of the Group's relevant initiatives.

TCFD Specific efforts related to climate change risks and opportunities are considered and promoted by four subcommittees (the Global Warming Countermeasures Subcommittee, TCFD Response Subcommittee, Forest and Biodiversity Response Subcommittee, and Value Co-Creation Subcommittee), and are monitored by the Sustainability Committee. The Daio Group has identified response to climate change as one of its material issues, placing a particular focus on decarbonization. The promotion of the full phasing-out of coal, in particular, is overseen by the Managing Executive Officer and Director responsible for the Production Unit, and the relevant initiatives are also reported and monitored at the Production Meetings and Management Meetings, which are attended by Directors and Executive Officers.

Decisions made by the Sustainability Committee (chaired by the Representative Director) are reported quarterly to the Management Meeting. The Management Meeting oversees the implementation and progress of climate change and nature-related initiatives and makes decisions on important matters. Depending on the content and status thereof, the Management Meeting reports to the Board of Directors. There are seven subcommittees underneath the Sustainability Committee.

TNFD Specific initiatives related to nature-related risks and opportunities are examined and promoted by the Forest and Biodiversity Response Subcommittee, and are monitored by the Sustainability Committee.
In addition, the Daio Group has formulated the Daio Group Human Rights Policy in accordance with the United Nations' Guiding Principles on Business and Human Rights and respects the human rights of all its stakeholders, including indigenous peoples and local communities. With respect for human rights and coexistence with local communities identified as material issues, we are working to identify, prevent, and mitigate any negative impacts on human rights, while engaging actively with local communities.

Strategy

TCFD We analyzed the impact of climate change on the Daio Group's domestic Japanese Paper & Paperboard and Home & Personal Care (H&PC) units in the short term (2026), medium term (2030), and long term (2050) based on two scenarios, namely a 1.5°C scenario and a 4°C scenario. The scenario analysis was aimed at identifying and assessing climate-related risks as part of our efforts to formulate appropriate strategies. We started that process by comprehensively identifying all possible climate-related drivers (risks and opportunities) in the following three categories: 1) Transition risks (a. Policies and regulations, b. Market, c. Reputation, d. Technologies), 2) Physical risks (a. Acute, b. Chronic), and 3) Opportunities (a. Energy source, b. Market, c. Resilience, d. Products and services, e. Resource efficiency). Then, from among these, we sorted out and organized items that would have a financial impact on us. To assess the scope of impacts of those items and the levels of their uncertainty and to examine the scale of their qualitative and quantitative financial impacts, we determined transition risks primarily with reference to the World Energy Outlook 2024 scenario (NZE 1.5°C scenario, STEPs 4°C scenario) of the International Energy Agency (IEA).
Meanwhile, we assessed physical risks based on Climate Vision by Gaia Vision, a scenario-analysis provider introduced the UNEP FI's climate-risk analysis tool database and in the Ministry of Land, Infrastructure, Transport and Tourism's TCFD Physical Risk Assessment Guidelines, among others. The models used in this tool reference scenarios from the IPCC Sixth Assessment Report (SSP1-1.9 as the 1.5°C scenario and SSP5-8.5 as the 4°C scenario).
In the table showing the results of the scenario analysis on pages 81 and 82, the financial impacts of risks and opportunities are indicated according to their scale in the following categories: "Large" for an impact of more than 15 billion yen, "Medium" for an impact of 5 to 15 billion yen, and "Small" for an impact of less than 5 billion yen, as well as "-" for an impact under analysis.

TNFD We analyzed the direct operations of the Paper and Paperboard Business and H&PC Business, our core businesses, using the LEAP approach and identified nature-related risks and opportunities based on the results of our assessment of dependencies and impacts on nature. Next, in addition to our two main mills in Japan and our forests in Chile, we added 96 domestic and overseas operating sites located in Japan and around the world to identify two kinds of priority locations: sensitive locations (areas deemed to be ecologically sensitive in terms of natural capital and biodiversity) and material locations (areas where we have identified material nature-related dependencies, impacts, risks and opportunities). The analysis revealed that four overseas sites are located in areas with high water stress, while one overseas site and nine domestic sites are situated within KBA or protected areas. It was also found that multiple forest areas in Chile are located within, or in close proximity to, KBA or other protected regions. In addition, in consideration of the results of our analysis of dependencies and impacts, as well as the resulting risks and opportunities, we determined that all parts of forest land owned by the Chilean Daio Group company constituted material locations. We then organized the Daio Group's initiatives from the perspective of AR3T, a framework that categorizes organizational actions in relation to nature.
LEAP approach ≫ P85

Risk Management

Common to both TCFD & TNFD At the Daio Group, the Sustainability Committee takes charge of the comprehensive management of all sustainability-related issues, including those related to climate change and nature. The Sustainability Committee assesses climate- and nature-related risks and opportunities identified by four subcommittees: Global Warming Countermeasures Subcommittee, TCFD Response Subcommittee, Forests and Biodiversity Response Subcommittee, and Value Co-Creation Subcommittee. The results of these deliberations are reported to the Management Meeting once each quarter and reflected in the Daio Group's management decisions.

The Risk and Compliance Committee deliberates on matters regarding the identification and assessment of risks with likely significant impacts on the Group's management, including those of compliance violations and misconduct, and the deliberation results are reported regularly to the Management Meeting and integrated into the management of the Group. The identified risk and opportunities, including information on the comprehensive assessment and planned responses, are also shared among their secretariats, namely the Sustainability Promotion Department and the General Affairs Department, and managed holistically.

Metrics and Targets

TCFD In conjunction with the Daio Group Sustainability Vision, we have set a goal of achieving carbon neutrality by FY2050 as our Long-Term Vision for action against global warming. As a milestone goal, we have also set a target of reducing Scope 1 and 2 CO_2 emissions from fossil fuel combustion by 46% and GHG emissions by 20% (from the FY2013 levels) by FY2030. Our Roadmap to Achieving Carbon Neutrality presents our target of phasing out our use of coal through step-by-step shutdowns of all three coal-fired boilers at the Mishima Mill, our core mill, by FY2050: at least one boiler by FY2030, the second boiler by FY2040, and the third boiler by FY2050. Driven by our latest TCFD scenario analysis and the current conditions of the raw material and fuel markets, in FY2023 we completed the shift from selling power generated through biomass boilers under the feed-in-tariff (FIT) scheme to consuming it in-house and the shutdown of the N3 paper machine. We are also working on the use of black pellets as a substitute for coal and their co-combustion with coal, to achieve the shutdown of at least one coal-fired boiler by FY2030. Internally, we will carry out a fuel transition to renewable energy and low-carbon fuels (such as LNG) and undertake continued energy-saving investment and activities. We will also contribute to reducing GHG emissions from the entire local community by using locally-generated waste to fuel our waste-to-energy boiler for thermal recycling. Furthermore, we are working to expand the absorption capacity of our forested land. By combining our CO_2 emissions reduction efforts with our carbon absorption and fixation approaches in an optimal balance, we will ultimately achieve carbon neutrality by FY2050. In FY2023, we calculated Scope 3 GHG emissions generated by the entire Daio Group, including its overseas bases. Among the Scope 3 emissions, we aim to reduce Category 1 and 4 emissions from our facilities in Japan by 15% from the FY2022 levels.

TNFD In line with TNFD Recommendations Version 1.0, the Daio Group discloses its values for core global metrics on its website. We will continue our efforts to expand the range of metrics in our disclosures and reduce the impact of our operations on nature. We have also set nature-related targets as shown on the right. We will consider setting many more targets with a view to contributing to nature-positive outcomes.

[Nature-related targets]

Material Issues	Metrics	FY2030 Target
Establishment of a sustainable supply chain	Percentage of forest certificates maintained in our forestry business and paper production in Japan and abroad	100%
Response to climate change	Reduction in fossil fuel-generated CO_2 emissions (compared to FY2013)	46%
	Reduction in the energy intensity	1% reduction per year
Realization of a recycling-oriented society	Content of pulp derived from hard-to-recycle recovered paper in paperboard manufactured at the Mishima Mill, our core paper mill, which is aimed at promoting the use of this kind of recovered paper	30%
	Percentage of waste recycled	100%
	Reductions in the water withdrawal intensity and wastewater COD intensities (sales-based, compared to previous fiscal year)	1% reduction per year
Forest conservation and maintenance of biodiversity	Area of natural forests preserved	Preserving approximately 28,000 ha of natural forests
	Increase in the forested area	Increase of 15,000 ha (by FY2050)

TCFD scenario analysis

Transition risks

We recognize that the transition risks that we would face in the 1.5°C scenario include legal and regulatory risks, such as carbon taxes, the risk of an increase in raw material prices, and market and reputational risks due to responses regarding product-specific CFP calculations and disclosure requests, despite differences in the carbon pricing systems adopted in the countries where our manufacturing bases are operating. We have determined that the majority of our energy-related risks are related to the Paper and Paperboard Business. However, we will also take actions in the domestic and overseas H&PC Business and make Group-wide efforts to achieve our reduction targets for FY2030 (reducing fossil fuel-generated CO_2 emissions by 46% and GHG emissions by 20% from the FY2013 levels by FY2030) and stepping further, to achieve carbon neutrality by FY2050.
In the transition phase toward achieving carbon neutrality, in FY2030, we will replace one or more of the coal-fired boilers at the Mishima Mill with a waste-to-energy boiler and start utilizing locally generated waste as an alternative fuel to coal. Through this initiative, we will proactively promote GHG emissions reduction not only within the Company but also throughout the local community. Furthermore, we have analyzed the possible maximum risks to our supply chain of raw materials while taking into account expected fluctuations in the volume of raw materials due to future changes in market conditions. We will work to establish a low-carbon supply chain of raw materials, particularly in logistics activities, aiming to reduce supply chain-related risks, including Scope 3 emissions.

Physical risks

Meanwhile, we assessed physical risks (acute) based on scenario analysis using Climate Vision, the climate-risk analysis platform provided by Gaia Vision, which is introduced as a scenario-analysis provider in the UNEP FI Climate Tool Database and in the MLIT TCFD Guidance. We assessed 14 domestic and overseas Group production and logistics sites for the occurrence risk of four types of natural disasters: flooding, high tides, heat waves, and windstorms. For flooding and high tides, we calculated operational suspension losses and physical property damage under conditions where physical risks are considered highest (the 4°C scenario, with a 1-in-1000-year event). Whether in 2026, 2030, or 2050, at none of the sites was flooding identified as a risk. However, two domestic and overseas sites were assessed as having high tide risk. We will therefore bolstered our BCP/BCM, including measures related to logistics, to reduce these risks.
Furthermore, in terms of physical risks (chronic), we recognize that as time lapses to 2030 and 2050, the number of wildfires and other hazards will increase in some overseas countries due to the effects of climate change. We will implement measures to secure sufficient quantities of forest resources, including diversifying procurement sources and promoting tree planting, as well as selecting, breeding and developing tree species suitable for the region and climate.

Opportunities

In the 1.5°C scenario, climate-related risks can also be seen as opportunities. We will promote the development and launch of products that are environmentally conscious or help consumers adapt to climate change as part of our efforts to achieve the Three Well- beings (Hygiene, Life, and Regeneration), thereby realizing our philosophy of "Shaping an Abundant and Affable Future for the World." In FY2024, the H&PC Business worked to reduce its use of plastic by lowering the height of the bottle for its disinfecting alcohol wipes without changing the fill volume, and advanced the development of environmentally friendly products. The Paper and Paperboard Business made efforts to market their products as those that could contribute to a plastic-free or low- plastic society.
We will also implement initiatives related to cellulose nanofiber (CNF), a new material. Specifically, in July 2025, we put into operation a commercial plant for CNF composite resin, which contributes to more lightweight and stronger products, to promote its more widespread use. We will also develop biorefining technologies utilizing materials in the papermaking industry, while working to significantly improve lifecycle assessments throughout society and to achieve a circular economy. As shown on pages 53 and 54, we are committed to expanding these initiatives as new businesses.

Financial impacts of risks and opportunities

Large: More than 15 billion yen
Medium: 5 to 15 billion yen
Small: Less than 5 billion yen —: Impact under analysis

[1.5°C scenario]

	Risks	Impact on the Daio Group	Short term 2026	Medium term 2030			Long term 2050	Strategies and actions
Policies and regulations	New scheme for mandatory CO_2 emissions reduction Tightening of regulations on GHG emissions Rise in carbon pricing	● Cost increases due to the introduction of GHG emissions regulations and carbon pricing ● Increase in costs due to rising energy prices	Small	Large			Large	● Adopt renewable energy sources such as solar energy ● Switch from fossil fuels to waste-based fuels by replacing a coal-fired boiler with a waste-to-energy one by FY2030 ● Introduce and continue to invest in energy conservation technologies ● Achieve fuel transition to LNG ● Promote initiatives such as those through the Shikokuchuo City Carbon Neutrality Council ● Use black pellets in waste-to-energy boilers and coal-fired boilers ● Introduce technologies for combustion of low-carbon fuels (such as hydrogen, ammonia, and synthetic fuel) ● Carbon capture, utilization and storage (CCUS) initiative of the Shikokuchuo City Carbon Neutrality Council and other bodies ● Expand absorption capacity of our forested land
		● Increase in prices of various materials due to the introduction of a carbon tax	—	Medium			Large	● Choose low-GHG-emitting materials from the first stage of product development to curb cost increases
Market	Shift to environmentally friendly products	● Decrease in sales of non-environmentally friendly products ● Decrease in sales due to delay in CFP labeling ● Decrease in demand due to trends toward ethical consumption	—	—			—	● Change product design to be environmentally friendly ● Promote and implement CFP labeling and other measures ● Promote the use of recycled plastic
Technology	Transition to low-carbon energy in product logistics	● Increase in costs due to the adoption of new technologies and other measures to lower the carbon intensity of logistics modes ● Increase in costs due to fuel transition	—	Small			Small	● Promote the modal shift from trucks to coastal vessels and roll-on/roll-off ships, the reduction of transportation distances, the use of double-trailer trucks, etc. ● Adopt new technologies in line with future advances in autonomous vehicles, hydrogen or synthetic fuel-powered trucks, etc.

[4°C scenario]

	Risks	Impact on the Daio Group	Short term 2026	Medium term 2030			Long term 2050	Strategies and actions
Acute	Increased frequency of typhoons and torrential rains	● Operational suspensions or slowdowns caused by natural disasters such as flooding ● Effects of damage to roads, railroads, and port facilities leading to supply chain disruptions and suspension of transportation of goods and raw materials	Small	Small			Small	● Promote BCP and BCM measures
Chronic	Changes in precipitation and weather patterns and a chronic increase in average temperature	● Impact of damage to plantation forests and raw material suppliers endangering procurement stability	—	Small			Small	● Diversify suppliers for stable procurement ● Promote tree planting to secure sufficient quantities of raw materials ● Select, breed and develop tree species suitable for the region and climate of each plantation area

[1.5°C scenario]

	Opportunity item	Impact on the Daio Group	Short term 2026	Medium term 2030			Long term 2050	Strategies and actions
Products and services	Changes in consumer needs Development of new products and services through technological innovation	● Increase in demand for environmentally conscious products (Forest Stewardship Council [FSC] certified products and plastic-replacing or reducing products) ● Increase in demand for products that help consumers adapt to climate change (products for sweat control, emergency preparedness, and evacuation) ● Increase in new needs due to changes in general perceptions of recycling ● Improve customer satisfaction by strengthening our response to consumer environmental awareness and policy demands ● Increase demand for low-environmental-impact products driven by the trend toward reducing industrial waste ● Increase in water-efficient products to limited water resources	—	Small			Medium	● Launch environmentally conscious products Paper & Paperboard Unit ● Broaden the lineup of plastic-replacing products and packaging materials ● Broaden the lineup of products certified by FSC and other bodies H&PC Unit ● Switch to low-plastic packaging materials ● Broaden the lineup of products that help consumers adapt to climate change, such as hygiene products ● Develop sweat control products and anti-heat stroke products and expand their sales ● Develop products that help in water conservation, including easily water-soluble products Development of Advanced Materials ● Promote the development of CNF-based materials, mainly composite resin, and radio frequency identifiers (RFID) and broaden the lineup ● Develop biomass chemical products and materials through the biorefinery business using papermaking materials and expand their sales
	Effective use of waste and surplus resources	● Increase in demand for bio-materials and products						
Resource efficiency	Recycling of raw materials Reuse of materials	● Cost reduction by establishing a system for raw materials recycling ● Higher consumer satisfaction via compliance with environmental policies and requirements	—	—			—	● Establish a system for collecting and recycling used disposable diapers ● Install equipment for reusing materials ● Launch environmentally conscious products

Examples of initiatives

H&PC Business

In the H&PC Unit, in response to growing interest in ethical consumption, i.e. the trend of purchasing products that are considerate of the global environment, people, and society, we are working to reduce plastic used in product packaging and to promote material recycling. As part of our compliance with the Plastic Resource Circulation Act, we have set the goal of reducing the amount of waste plastic generated from H&PC products by 10% or more by FY2025 compared with FY2020. To achieve this, we are pursuing initiatives such as reducing plastic usage and developing products with lower environmental impact, as outlined below.

[Reduction of plastic usage and energy costs]

By lowering the height of bottles without changing the fill volume, we reduce plastic usage and improve transport efficiency, which in turn lowers energy costs
*Compared to our previous products

"Disinfecting alcohol wipes/ Bottles"



[Initiatives to reduce environmental impact]



Uses no petroleum-derived fibers or adhesives, and is made from 100% natural-origin materials

"Super-absorbent Kitchen Towels Multi-cloth
S size: 80 sheets / M size: 50 sheets"

Paper & Paperboard Business

In addition to expanding sales of our environmentally friendly paper-based "elipla Series," we are developing papers with new functions as well, pursuing the paperization of packaging for our household paper products, and making effective use of manufacturing residues as paper raw materials. In FY2024, we launched "FS Grease-Resistant Paper FF," which achieves grease resistance without the use of fluorinated oil-resistant agents, and it has already begun to see widespread adoption in food-packaging applications. We aim to further expand sales by enhancing functionality in line with customer needs. We also introduced adhesive label paper for POP label applications that uses special paper-based surface material, and have already brought it to market. In collaboration with the H&PC Unit, we are accelerating the shift to paper packaging for our consumer products. To date, we have transitioned to paper packaging for items such as the Elleair Prowipes wrap bands, Kirekira! Toilet Cleaning Wipes, Ellever Paper Towels, and the elis Suhadanokimochi Natural Series, and are working to further expand the lineup. Under our mixed-pulp paper system "Rems," which repurposes manufacturing residues as paper raw materials, the "Rems Standard FS" (paper made with rice husks) has been adopted for direct-mail postcards and business cards. We have also received other inquiries about utilizing food residues for use in paper and are moving forward with development toward production. Through the development and expansion of plastic-free and reduced-plastic products, the paperization of household paper packaging, and the recycling of manufacturing residues and reduction of waste, we will continue to contribute to the global environment.

[Broaden the lineup of plastic-replacing products and packaging materials]

Grease-resistant paper made with a non-fluorinated oil-resistant agent

"FS grease-resistant paper FF"





Label base paper with a specially processed adhesive surface

"FS Cast 73 A / WHG60S / Re-movable Ultra-Strong Adhesive
FS Cast 73 A / WHG60S / Ultra-Strong Adhesive CHR"

Development of Advanced Materials

To realize a carbon-neutral society, the Daio Group is committed to developing applications of cellulose nanofiber (CNF), a new wood-derived material. In July 2025, we put into operation a commercial plant for the ELLEX-R67, a CNF composite resin, aiming to further expand our business.

Generating new business (Application development of cellulose nanofiber) ≫ P53

GHG emissions reduction in the logistics sector

We are making efforts to visualize and reduce Scope 3 GHG emissions.

Initiatives to Reduce Scope 3 Emissions ≫ P83-84

Energy transition toward carbon neutrality

We are currently working to devise and implement measures to achieve carbon neutrality by FY2050 in line with the roadmap we have drawn.

Initiatives Toward a Carbon-free Society ≫ P73-78

Initiatives to Reduce Scope 3 Emissions

To achieve carbon neutrality by 2050, we are working on activities to reduce Scope 1 and 2 GHG emissions throughout the region, as indicated in the Roadmap. In addition, the Daio Group has visualized Scope 3 GHG emissions, which are indirect emissions from its supply chain. It is also promoting activities to reduce GHG emissions in cooperation with suppliers, companies in the same industry, and other external parties.

Scope 3 Reduction target for Category 1 & 4 emissions in Japan: FY2030 15% Reduction (from the FY2022 level)

(Unit: Thousands of tons CO_2)

Emissions throughout the supply chain		FY2022	FY2023		FY2024		Scope
			Domestic	Overseas	Domestic	Overseas	
Scope 1	Direct emissions	3,491	3,153		3,227		Daio Group
Scope 2	Indirect emissions	667	428		401		Daio Group
Scope 3	Other emissions	2,297	2,372		2,514		Daio Group
Category 1	Purchased Goods and Services	1,321	1,220	296	1,300	372	
Category 2	Capital Goods	124	80		91		
Category 3	Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	123	95		94		
Category 4	Upstream Transportation and Distribution	408	309	38	273	41	
Category 5	Waste Generated in Operations	27	22		22		
Category 6	Business Travel	2	2		2		
Category 7	Employee Commuting	6	6		6		
Category 8	Upstream Leased Assets	Not applicable	Not applicable		Not applicable		
Category 9	Downstream Transportation and Distribution	109	117	13	119	12	
Category 10	Processing of Sold Products	—	—		—		
Category 11	Use of Sold Products	—	—		—		
Category 12	End-of-Life Treatment of Sold Products	178	175		183		
Category 13	Downstream Leased Assets	Not applicable	Not applicable		Not applicable		
Category 14	Franchises	Not applicable	Not applicable		Not applicable		
Category 15	Investments	Not applicable	Not applicable		Not applicable		

*The transportation of master rolls of paper between Daio Paper and its affiliated companies is included in Category 9

Scope 3 GHG emissions reduction initiatives in the logistics sector

In the logistics field, the Daio Group is promoting the development of an environmentally friendly distribution network across the entire Group. In Japan, we have long been actively pursuing a modal shift from truck transport to domestic vessels and RORO ships. In FY2024, we also began transport tests using Autonomous Driving trucks for Home & Personal Care (H&PC) products. In addition to the modal shift to marine transport, we are broadening our efforts to include rail container transport, which has a lower environmental impact than trucks. Moving forward, we will continue to explore and implement transportation methods that contribute to protecting the environment.

Rail container transport with the Hokuetsu Corporation

In December 2024, we began joint round-trip transportation using rail containers owned by the Hokuetsu Corporation. By combining Hokuetsu's existing transport route (Niigata to Osaka) with our recovered paper transport route (Osaka to Ehime) and our H&PC product transport route (Ehime to Niigata), we established a two-company joint round-trip logistics system. By effecting a modal shift of transport of wastepaper and H&PC products from truck-based land transport to rail container transport, we achieved an 81% reduction in CO_2 emissions. Going forward, we will continue collaborating with the Hokuetsu Corporation, which primarily uses rail transport, to promote low-environmental-impact rail transport and other forms of logistics efficiency.



Hokuetsu Corporation-owned container loaded with Daio Paper H&PC products

Joint delivery with industry peers in pet care logistics

Starting in October 2024, we began joint delivery operations with other companies in the pet care industry. Products are jointly stored at a shared logistics center, and trucks deliver to common destinations with a combined load of both companies' products. By improving load efficiency through combined loading, we reduced the number of trucks required and achieved a 4.5% reduction in CO_2 emissions. In FY2025, we will continue working to further increase load efficiency and explore transportation systems for pet care products that have an even lower environmental impact.

Initiatives working toward implementation of Autonomous Driving trucks

Using Autonomous Driving trucks developed by the T2 Corporation, we conducted operational demonstration tests on certain sections of the expressway between the Kanto and Kansai regions in March and July 2025. The introduction of Autonomous Driving trucks not only serves as a solution to logistics challenges such as driver shortages, it also improves fuel efficiency through stable driving achieved by more efficient acceleration and braking control, thereby contributing to reductions in CO_2 emissions. We will continue forward with these initiatives in the future, aiming to realize Level 4* Autonomous Driving truck trunk-line transport in 2027.

*Level 4 : Fully automated Autonomous Driving under specific, limited operating conditions sufficient to perform all manual driving functions.



Daio Group paper mill and a T2 truck

Analysis using the TNFD LEAP approach: Nature-related risks and opportunities

Item			Overview	Daio Group's Primary Initiatives & Activities
Risks	Physical	Acute/ Chronic	● Drops in wood production, paper production, and sales resulting due to water pollution or shortages ● Decline in tree growth due to deteriorated soil ecosystems	● Diversify suppliers for stable procurement ● Promotion of BCP/BCM adherence ● Increase engagement with indigenous peoples and local regulatory authorities ● Conduct and enhance firefighting and disaster preparedness activities in cooperation with local companies and people **Example:** Forest conservation activities of Forestal Anchile ≫ **P86**
			● As climate change progresses, there is an increase in extreme weather events, forest fires, and outbreaks of pests and diseases, resulting in a decline in timber production ● As forest fires increase and insurance premiums rise, forest management costs also grow, and in the worst case, it may become impossible to continue managing forests as we have	
	Transition	Policy	● Increase requirements for sustainable forest management (e.g., restrictions on clear-cutting, diversification into mixed forests of conifers and broadleaf species), resulting in additional compliance costs	● Promote sustainable forest-management practices that ensure traceability from harvesting through distribution channels ● Increase the productivity and added value of tree planting by developing the Group's proprietary technologies ● Transition to biomass fuel ● Energy saving and improvement in energy use efficiency ● Promote water-efficient technologies and water recycling **Example:** Effective use of water resources ≫ **P72** Initiatives Toward a Carbon-free Society ≫ **P73-78**
			● Possible decrease in wood production due to an increasingly limited area of land available for tree plantations caused by the expansion of nature reserves	
			● Cost of complying with stricter regulations on environmentally hazardous substances ● As an invasive alien species, eucalyptus is a highly productive tree and may be subject to planting restrictions, which could potentially reduce timber productivity	
		Market	● Increases in costs due to soaring wood chip prices caused by growing demand for wood products driven by decarbonization promotion ● Decrease in sales of products without forest certification due to growing demand for environmentally friendly products ● Increase in the prices of wood with forest certification and the cost of verifying the authenticity of certification due to the growing demand to procure such materials	● Procurement committed to wood with forest certification ● Stabilize wood procurement by diversifying suppliers to include those dealing in wood with forest certification ● Expand the use of materials with low environmental impact (e.g., products made with recovered paper, FSC-certified paper) ● Develop new demand such as shifting from wooden crates and polystyrene foam to paper-based materials
			● Decline in demand for paper due to more widespread use of alternative materials that are considered to have a lower environmental impact than paper	
		Technology	● Cost of developing or in-licensing technologies for increasing tree planting productivity ● Cost of introducing equipment with a low impact on the air, water, and/or soil	● Maintain productivity in the forestry business by managing trees in an appropriate cycle
		Reputational capital	● As public concern for the environment increases, the image of our plantation forests and papermaking industries may deteriorate. If we are unable to adequately communicate our environmental initiatives, this could damage our reputation and potentially harm sales ● Decline in reputation and the costs of covering liabilities for damages and of recovery, due to emissions of environmentally hazardous substances ● If deforestation, ecosystem degradation, or human rights violations are found in plantation forests, the resulting loss of corporate value may lead to lost business opportunities	● Expand the use of wood with forest certification and materials with low environmental impact ● Increase stakeholder engagement
		Liability	● Lawsuit against us and the need to cover liabilities for damages due to the deleterious effects of waste, water use, soil pollution, or land alteration on protected areas, etc.	● Conduct environmental assessments and thoroughly comply with laws and regulations ● Regular monitoring of natural forests and rare species within plantation forests
Opportunities	Company performance	Market	● As concern for environmental conservation increases, demand grows in new fields for wood-derived products as alternatives to petroleum-based materials such as plastics, leading to higher sales (e.g., SAF, bio-based materials)	● Develop and expand technologies for a plastic-free or low-plastic society ● Develop and expand advanced biomass-based materials **Example:** Creation of new businesses ≫ **P53-54**
		Products and services	● Increase in sales of cellulose nanofiber-related products made with wood, as well as fuel pellets and products with no plastic or less plastic ● Increase in sales due to provision of environmentally friendly, high-value-added products	● Develop and expand technologies for a plastic-free or low-plastic society ● Expand the use of materials with low environmental impact (e.g., products made with recovered paper, FSC-certified paper) ● Develop water-efficient products
		Resource efficiency	● Reduction of operating costs through efficient water use in the plantation business and paper manufacturing ● Reduction of fuel procurement costs through biomass power generation using black liquor or other wastes	● Promote improvements to water-efficient technologies and water recycling activities ● Promote the effective use of waste fuel
			● Reduce procurement costs by selling forest residues and leftover wood chips as biomass fuel or pellet products, or by utilizing them in-house ● Reduce the use of virgin wood and lower procurement costs from overseas through the promotion of recycling of recovered paper pulp, hard-to-recycle recovered paper, and used diapers	**Example:** Effective use of water resources ≫ **P72** Initiatives Toward a Carbon-free Society ≫ **P73-78**
		Reputational capital	● Improvement of reputation among stakeholders through establishment of water infrastructure locally ● We can improve our reputation among stakeholders by contributing to region-wide disaster prevention and mitigation through early detection and firefighting activities carried out jointly with other forestry operators ● Improvement of reputation among investors and customers through promotion of environmentally conscious management and appropriate disclosures ● Achievement of a high rating for sustained work on plantation forests due to public trends toward highly re-valuating the various functions of forests	● Increase stakeholder engagement ● Promote nature-positive initiatives (e.g. registering Daio Group business sites as OECMs)
		Capital flow and financing	● With environmentally conscious management, sustainable finance becomes a new means of raising capital ● Acquisition of new methods of financing through receipt of monetary incentives for natural conservation areas with OECM ("other effective area-based conservation measures") certification or the like ● Promotion of access to financing using forests as collateral due to increased economic value of forests	
	Sustainability performance	Sustainable use of natural resources	● Reduce the use of virgin wood per product through the promotion of recycling of recovered paper pulp, hard-to-recycle recovered paper, and used diapers ● Reduce environmental burden through the reuse of plastic waste, used chemicals, fuel combustion ashes from boilers, etc.	● Promote water-efficient technologies and water recycling ● Promote a high utilization rate for recovered paper ● Build a system for recycling disposable diapers ● Utilize in-house tree planting technologies to improve agricultural productivity
			● Promote proper forest management to enable the sustainable use of timber and water resources ● Utilization of the high-yield, high-productivity forestry business to keep down plantation forest area and reduce pressure to convert natural forests into plantations ● Commercial distribution of high-yield seedling varieties to maximize plantation productivity, thereby reducing pressure to convert natural forests into plantations even outside of company-owned forests	**Example:** Promotion of hard-to-recycle waste paper usage ≫ **P72**
		Ecosystem protection, restoration and regeneration	● Prevention of landslides through appropriate forest management ● Contribute to GHG reduction through carbon sequestration by planted trees ● Help conserve natural forests and other forest ecosystems by establishing and operating joint firefighting teams with other forestry operators to enable rapid regional response to forest fires ● Contribute to the preservation of forest ecosystems through regular monitoring conducted in collaboration with academic institutions and environmental conservation organizations, including the protection of rare species	● Promote nature-positive initiatives (e.g. registering Daio Group business sites as OECMs) ● Protect natural forests ● Regular monitoring and conservation efforts for flora and fauna inhabiting plantation forests ● Technological development resulting in species adapted to climate change (e.g. tree species with high CO_2-sequestration capacity) **Example:** Maintenance of biodiversity ≫ **P86**

Recycling

Material issues: Forest conservation and maintenance of biodiversity

The Daio Group is committed to conserving forests and maintaining biodiversity based on the Daio Global Environmental Charter.

▶The DAIO Global Environment Charter
https://www.daio-paper.co.jp/en/csr/organic/charter/

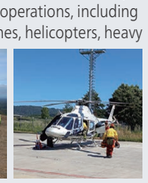
▶Policy on Forest Management
https://www.daio-paper.co.jp/wp-content/uploads/20230725_shinrinkeiei.pdf

Forest conservation

Forests are one of our most important assets. To protect them from fire, the Daio Group company Forestal Anchile conducts firefighting and fire-prevention activities in collaboration with local businesses and community residents. In 1990, we established the joint firefighting organization Sociedad de Protección del Sur together with FORESTAL ARAUCO S.A. and HANCOCK CHILEAN PLANTATIONS SPA, major forest companies in the region. We have installed fire-monitoring cameras at 32 locations within our operating area, enabling fire detection within two minutes. When a fire is detected, firefighting airplanes and helicopters are immediately dispatched to the site to begin spraying water until ground firefighting crews arrive. In southern districts, we expanded our fire-prevention capabilities by forming an additional firefighting team in cooperation with three industry peers, BOSQUES LOS LAGOS SPA., TRANS PACIFIC PLANTATION SPA., and FORESTAL PROBOSQUE LTDA., further strengthening efforts to minimize damage from forest fires.

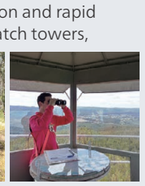
Joint Fire Prevention Team: Sociedad de Protección del Sur

The three companies jointly manage and use resources necessary for prompt detection of fires and firefighting operations, including fire detection cameras, water-spraying airplanes, helicopters, heavy machinery, and other firefighting equipment, as well as firefighters.

Joint Fire Prevention Team: Protección Los Lagos

The four companies jointly operate and share the resources required for early fire detection and rapid initial firefighting, including five fire watch towers, water-spraying pickup trucks, and a five-team firefighting unit.

Maintenance of biodiversity

Company-owned "Yoko'oka Mountain" (Shikokuchuo City, Ehime Prefecture) certified as a Ministry of the Environment "Nature Coexistence Site"

The Yoko'oka Mountain property consists of a diverse mixed forest including species such as Japanese blue oak, konara oak, camellia, cherry, and windmill palm, and is home to numerous mammals, insects, reptiles, and other wildlife. To preserve this natural environment for the future, we have been conducting activities under a plan that includes proper forest maintenance and continuous monitoring of biodiversity, while also taking into consideration local community use of the area. These efforts were evaluated positively and led to the site's official certification. Through our initiatives on the Yoko'oka Mountain property, we aim to promote harmonious coexistence with local communities and contribute to the realization of a nature-positive society.


The area at the top in this photo is the company-owned Yoko'oka Mountain property (The bottom is an adjacent park)


Miyama-akane (red dragonfly) Yoko'oka Mountain property

Rare species monitoring surveys conducted in due consideration of the natural environment of forestry business sites in Chile

Forestal Anchile designates natural forests and areas inhabited by endangered species within its forestry business sites as high conservation value areas and conducts regular monitoring surveys there. These surveys are carried out in cooperation with the National Forest Corporation (CONAF), local NGOs, specialized organizations, and universities.

[Rare species monitoring surveys conducted in due consideration of the natural environment of the surveyed business sites]

Monitoring targets	Surveyed area	Details of monitoring	Frequency
Protection of evergreen plant species, such as the alerce (Patagonian cypress), alcanforero (camphor tree), and coihue (Dombey's southern beech), and protection of water sources for the indigenous peoples and nearby residents	5,013 ha	Removing livestock and waste that could affect the ecosystems, monitoring illegal logging and other human activities, and having specialists conduct ecological impact assessment before and after monitoring survey	Once a month
		Monitoring the state of tree growth by observing buds growing from naturally fallen seeds, sprouts from tree stumps, etc., and removing invasive species	Once a year
Protection of animal species, such as the huillín (Southern river otter), cisne de cuello negro (black-necked swan), and garza (heron)	583 ha	Removing livestock and waste that could affect the ecosystems and monitoring illegal logging and other human activities	Once a month
		Monitoring and checking the status of the ecosystems	1-2 times / year
		Distributing a list of protected plant and animal species with photos to people living near the forests and forest management contractors and requesting that, if they see any of those plants and animals, they contact the monitoring team and protect the plant or animal	Constant

*Initiatives for achieving Target 6 of Goal 6; Target 1 of Goal 13; Targets 1, 2, 4, and 5 of Goal 15; and Targets 16 and 17 of Goal 17

Compliance and Governance

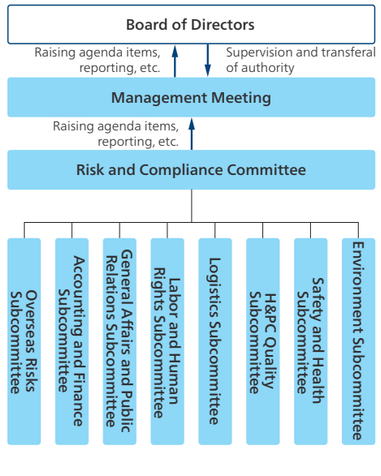
Life

Material issue: Fair and highly transparent management

Compliance promotion structure

Daio Paper has not only formulated internal rules to promote risk management and compliance but also established a Risk and Compliance Committee aimed at enhancing risk management and compliance throughout the Daio Group. The Committee is chaired by the Director in charge of Risk and Compliance, with other executive officers as members. Outside Directors, directors who serve as Audit and Supervisory Committee members, and the General Manager of the Internal Audit Office attend as observers. The Committee deliberates on policies and measures related to the establishment of the Daio Group's compliance and risk management systems, comprehensive identification and assessment of risks, centralized countermeasure management, and countermeasures according to the importance of the risks, then reports the results of its deliberations to the Management Meeting as necessary. The Risk and Compliance Committee has eight subcommittees as its subordinate bodies. Each subcommittee periodically reports on the status of its initiatives to the Risk and Compliance Committee, which then devises, determines, and promotes specific actions according to the characteristics of each risk, thereby ensuring the high effectiveness of the Group's risk management structure.

Organizational chart



Code of Conduct

In October 2022, we revised the Daio Group Code of Conduct so that it would guide all officers and employees of Daio Group companies, both in Japan and abroad, to perform their duties sincerely and appropriately according to high ethical standards with a view to fulfilling the Group's Management Philosophy, "Shaping an abundant and affable future for the world." The Daio Group Code of Conduct comprises 15 items, including "Bribery prevention" and "Promotion of respect for human rights and promotion of diversity and inclusion." We are committed to spreading full awareness of the Code of Conduct throughout the Daio Group by not only providing officers and employees, including those at overseas subsidiaries, with regular education and training, but also translating it into local languages (English, Chinese, Thai, Portuguese, etc.), distributing "credo cards" and pamphlets, opening a Code of Conduct website designed especially for smartphones, and publishing it in the Group newsletter.

Daio Group Code of Conduct
https://www.daio-paper.co.jp/wp-content/uploads/20221003_eng.pdf

Initiatives and outcomes

Compliance training and education for employees

At the Daio Group, we conduct monthly "Compliance Talks," discussion-based training sessions held at frontlines work sites and workplaces for the purpose of further embedding the Daio Group Code of Conduct and preventing compliance violations before they occur. These sessions use real cases that have occurred both inside and outside the company as training material. The sessions encourage self-motivated participation by all employees and foster practical, hands-on compliance awareness.
In addition, for laws that every business professional should understand such as the Antimonopoly Act, Subcontract Act, and other relevant regulations, including updates on legal revisions and matters related to daily operations, we continuously share compliance-related information through web-based training, online videos, and intranet posts.
We also maintain a system for regularly sharing the latest legal amendments internally within the company. In partnership with external professional organizations, we distribute weekly updates on legal revisions to relevant departments. Each department then independently reviews and implements any necessary actions in response to this information, thereby strengthening our overall legal compliance framework.

Corruption prevention initiatives

In January 2024, the Daio Group established the Daio Group Anti-Bribery Policy and Daio Group Anti-Bribery Rules, reinforcing our commitment to preventing bribery and to conducting business with integrity and high ethical standards. Specific measures include regular training for Group officers and employees, a general prohibition on receiving gifts or entertainment from business partners, a strict ban on bribery of public officials, implementation of risk assessments for business partners and the execution of contracts that include anti-bribery clauses, a prohibition on inappropriate donations to political parties and charitable organizations, and ongoing monitoring of compliance with applicable laws and internal regulations. In January 2025, one year after the policy was introduced, the Internal Audit Office, General Affairs Department, and Legal Department jointly conducted a survey on the awareness and compliance status of the Anti-Bribery Policy and Anti-Bribery Rules, targeting 105 departments at Daio Paper Corporation and 44 Group companies in Japan and overseas. While some procedural deficiencies were identified, no serious violations were found.
Furthermore, we established the Daio Group SDGs Procurement Guidelines to build strong partnerships with procurement suppliers and promote fair and equitable transactions. These Guidelines clearly state requirements for legal compliance, fair business practices, and a prohibition on offering, receiving, or soliciting improper benefits such as bribery, thereby promoting comprehensive anti-corruption measures in our transactions. The Daio Group's procurement divisions communicate these Guidelines to suppliers annually and conduct surveys to assess compliance. Feedback is provided based on the results, supporting suppliers in strengthening their own independent initiatives.

Daio Group SDGs Procurement Guidelines and Questionnaire Results
https://www.daio-paper.co.jp/en/csr/attentive/material/

Harassment Elimination Declaration

The Daio Group has implemented various initiatives to address harassment. However, we have not yet succeeded in fully eradicating it.
In light of this issue, in November 2024, we conducted harassment training for directors to reinforce at the management level a renewed commitment to eliminating harassment. Furthermore, the President delivered a Harassment Elimination Declaration via live broadcast to all Group employees. We shared an archived recording and a transcript of the live session to promote broad awareness among all employees, including those who missed the live session and those with limited access to video. We also conducted an employee survey regarding the declaration to further reinforce awareness and understanding.
Going forward, through continued position-specific training and the use of concrete case studies, we will promote greater self-awareness of personal and workplace behavior and encourage employees to identify and correct issues proactively. Through this, we will strengthen our collective efforts to eradicate harassment throughout the entire Group.

Internal whistle-blowing system (Hotline)

Across the Daio Group, we operate an internal whistleblowing system, the "Daio Group Corporate Ethics Hotline," to enable early detection and correction of legal and regulatory violations, strengthen corporate ethics and build stakeholder trust, and ensure compliance with Japan's Whistleblower Protection Act. The system operates as follows.

- **Hotline Contact Desk** - External contact: External law firm. Internal contact: Audit and Supervisory Committee Office
- **Eligible whistleblowers** - Current employees and officers (including those at overseas subsidiaries); former employees within one year of resignation
- **Response to whistleblower reports** - Audit and Supervisory Committee members request an investigation from the relevant department. When necessary, an independent investigative body is established. If a violation is confirmed to have taken place, corrective actions and recurrence prevention measures are implemented promptly.
- **Full protections for whistleblowers** - Prohibition of any disadvantageous treatment due to reporting. Information that could identify the whistleblower is shared only on a strict need-to-know basis. Whistleblowers may request a reinvestigation.
- **Dissemination and awareness promotion** - Dissemination via messages from management and communication through the intranet and posters put up around the company. Awareness training during new employee orientation and periodic compliance trainings.

In addition, for the purpose of preventing workplace harassment before it occurs, we have established a dedicated consultation desk within the Personnel Unit. When an allegation of harassment arises, the Harassment Prevention Committee promptly initiates appropriate investigation with the relevant parties. Suitable recurrence prevention measures are implemented based on these findings, and we have also established a system that allows those seeking advice to receive care from in-house occupational health staff.

*Initiatives for achieving Target 5, Target 6, and Target 7 of Goal 16.

Roundtable Discussion with Outside Directors



Naosuke Oda
Outside Director
Appointed as Outside Director of Daio Paper in June 2022.
Served in roles such as the president and representative director at another company.

Takako Masai
Outside Director
Appointed as Outside Director in June 2024.
Served in key positions in the financial industry, including at foreign banks, domestic banks, and the Bank of Japan.

Makoto Horie
Outside Director
Appointed as Outside Director in June 2024.
Served in roles such as the president and representative director at another company.

Driving a Shift in Mindset Across the Entire Organization with the Transition to a Company with an Audit and Supervisory Committee

Your role as an Outside Director

Oda: Looking back on my own experience involved in the executive side of corporate management, I believe the need to focus on immediate issues can, at times, narrow an executive's perspective. I have also had experiences where receiving opinions from Outside Directors with diverse perspectives made me realize, "That is another way of looking at this," and as someone on the executive side, I also find myself wondering if there are any missing perspectives in my own judgments or if there are points I should be considering more deeply. Based on personal experiences such as these, I believe the role of an Outside Director is to respect the executive side's opinions while providing constructive challenge when appropriate, creating healthy tension that improves board discussions and leads to sound management decisions, ultimately enhancing corporate value and social value.

Masai: I agree. The president and other executives have their own view of the direction the company should take, and when executing that vision, as Mr. Oda mentioned, Outside Directors also play a role in providing an objective perspective to help the company recognize whether proceeding in that direction is truly the best course. It is a role that broadens the perspective of the executive side, in scope and in time horizon. For example, when advising on the shift toward decarbonization, it is also important to provide guidance from a long-term and bird's-eye view. In my case, as a female director, I am also conscious of diversity as one of my roles.

Horie: In addition to the points you both mentioned, the role of an Outside Director includes supporting the formulation of the company's medium- to long-term strategy, offering opinions and insights on its appropriateness, and monitoring whether business operations are being conducted appropriately. Our Outside Directors each have diverse backgrounds, and I feel the composition of the Board of Directors is very well balanced. As overseas expansion is a major theme in our growth strategy, I believe my role is to contribute to enhancing our corporate value by offering insights and recommendations based on my own experience including overseas business operations, M&A, and subsequent PMI at a general trading company.

Transition to a company with an Audit and Supervisory Committee and organizational restructuring

Masai: I joined the company as an Outside Director alongside Mr. Horie in June last year, and at the time, the Company had already planned to transition from a Company with an Audit and Supervisory Board to one with an Audit and Supervisory Committee. What I've come to realize about our company culture over this past year is the strength of moving forward as one through top-down directives. I believe that strength was also what propelled elleair to become the top-share brand in a short period, but I understand that the executive side was aware that this strength did not necessarily translate to efficient operations when viewed in the long term. By changing our governance structure to be a company with an Audit and Supervisory Committee, the Board of Directors itself has strengthened its role as a monitoring board. Conversely, this means that the responsibility and leadership of executive divisions have become extremely important for business execution. In conjunction with this change in governance structure, the business execution side has also been advancing organizational transformation by reviewing detailed regulations and processes to clarify who holds what responsibilities and leadership roles. This approach focuses not merely on altering the form of governance structure, but on what functions to incorporate, and I believe we followed an excellent process in that sense.

Horie: That's right. Transitioning to a company with an Audit and Supervisory Committee allows members of the Audit and Supervisory Committee to participate more actively in discussions within the Board of Directors, and hearing their perspectives from this position further stimulates discussion, which is a positive aspect. Over the past year, we have not only changed our governance structure to establish a company with an Audit and Supervisory Committee, but also engaged in deep discussions, incorporating numerous opinions from Outside Directors regarding the Company's decision-making mechanisms and processes. The result is what it is today. And in the process, I feel that the awareness of each individual member on the executive side has also significantly increased. The highest decision-making body on the executive side is the Management Meeting, and I understand there were some opinions that there are too many officers participating in the Management Meeting. However, as we move away from a purely top-down model to become a company that embraces diverse opinions and actively pursues new challenges through bottom-up collaboration, we believe broad participation is essential at this stage to build a culture where officers actively engage in decision-making and rigorous debate. And I also voiced the opinion that it is precisely the skill of the president, who directs the Management Meeting, to steer the company toward such operations.

Oda: That's right. I became an Outside Director in 2022 and three full years have passed since then, but I have long believed that the way the Board of Directors operates needs to be reviewed. In last year's Integrated Report, I stated that we should steadily advance the delegation of authority for the parts that can be left to the executive team, transforming the Board of Directors from a forum for detailed explanations

of regular reports into a venue for determining the company's overall strategic direction. Through this change in governance structure, we hope to foster more active discussions going forward, creating a venue for more strategic decision-making. Additionally, the executive side will be able to swiftly make decisions and take action. On the other hand, because the Board of Directors is required to strengthen its oversight function regarding the legality and appropriateness of management execution, we will strive to further enhance monitoring while sharing information thoroughly with members of the Audit and Supervisory Committee. Although actual implementation is still ahead, I feel we



have already gotten off to a good start. In parallel, regarding the business execution mentioned earlier by Ms. Masai, we have revised the executive officer system this time, shifting from the previous employment-based model to a delegation-based model, which will require Executive Officers to operate with the resolve and mindset of business leaders and to take on their responsibilities accordingly. We also streamlined the organizational structure into two clear tiers: Business Groups and Units. We reformed the role of the Management Meeting to serve as a forum for unifying the executive side's thinking, with decisions then submitted to the Board of Directors for deliberation. The transition to a Company with an Audit and Supervisory Committee holds significant meaning, not merely because it involved changing the governance structure, but because it signifies a transformation in both the mindset and organizational framework of the executive team toward more proactive commitment to management.

Masai: Compared to when I took office in June 2024, there have been several instances where I sensed a shift in mindset on the executive side to be progressing. I have observed that Directors on the excecution side are increasingly bringing broader, Group-wide viewpoints to the table.

Horie: That's right. I also feel that a significant shift in mindset has been progressing on the executive side. I think things are changing in a very positive direction.

Grand design and growth strategy of the overseas business

Horie: Considering Daio Paper's long-term growth, overseas expansion is essential as Japan's declining population means the domestic market is likely to contract. While we have achieved considerable success in the past in our overseas expansion, particularly in China, we have recently faced various challenging situations. After conducting a thorough analysis of past overseas ventures, including both successes and setbacks, the executive side invested significant time in formulating a grand design to guide future overseas growth. We Outside Directors have consistently provided opinions and advice based on our individual experience and perspectives whenever requested by the executive side, and in preparing its disclosure, we rigorously assessed whether the strategy was actionable and presented a compelling narrative. Having formulated the grand design has allowed us to organize our approach, so the next step is to determine how to execute based on this. The Board of Directors will monitor progress based on the content thoroughly discussed during the formulation of the grand design. We also believe the strategy of leveraging various partnerships in new business initiatives rather than relying solely on in-house development to achieve significant growth is both realistic and feasible, and while the Company pursues M&A opportunities that capitalize on our brand strength and technological expertise, our role as outside directors is to carefully monitor the strategic rationale behind each decision.

Oda: The overseas business presents unique challenges distinct from the Japanese market, such as politics and cultural differences. In China, past successes hampered our ability to respond to rapid environmental changes, leading to substantial revenue challenges. In light of this, we restructured China operations and exited Türkiye to stem losses, and fundamentally reviewed our approach to overseas business, clarifying that we will not solely rely on wholly-owned subsidiaries but also leverage partners' strengths and diversify risks going forward. I believe this 5th Medium-term Business Plan (hereinafter, "MTBP") represents a period to "Reframe," meaning a time to persevere and lay the groundwork for the upcoming 6th MTBP. We consider it very meaningful that we have clarified our approach to overseas business for future growth under the 6th MTBP, and building on this foundation, we believe it is crucial to develop concrete proposals and execute them swiftly.

Masai: Looking back over the past year, I believe we devoted as much time to making difficult strategic decisions about our overseas business and developing the grand design for overseas growth, as we did to transitioning the governance structure. From a capital deployment and macroeconomic volatility perspective, the core structure of the grand design makes strategic sense to me. I believe the overseas business has drawn significant attention and interest from everyone as it greatly impacted our financial results. Adopting a broader view and building on the concept of the 5th MTBP as the



'Reframe' period, as Mr. Oda mentioned, we can view this period as encompassing two strategic objectives: reforming our governance structure and corporate culture, and transforming our growth strategy. This growth strategy encompasses not only the overseas business but also the enhancement of our domestic product mix toward higher-value offerings. In the Paper and Paperboard Business, we are simultaneously advancing the transformation of the Business Group itself by developing products that replace petroleum-based products and shifting our sales style to a proposal-based approach. One of Daio Paper's strengths is its expertise in handling the entire process from raw wood chips through manufacturing to finished products. For example, leveraging insights and expertise across the entire value chain from upstream to downstream is key to advancing decarbonization initiatives. To complement this organic growth, we plan to actively pursue inorganic growth strategies such as M&A for future overseas expansion. However, this remains an area where the Company has limited experience. That is why it is crucial to accumulate new successful experiences through M&A and other means, while leveraging the expertise of external specialists. These initiatives are expected to serve as the two engines driving Daio Paper's growth.

Oda: As Ms. Masai mentioned, overseas markets are certainly crucial as a pillar of our growth strategy, but the fundamental principle remains strengthening our product development capabilities domestically, enhancing our

competitiveness, and continuing to be a trusted company. In FY2025, we are establishing a revenue model centered on Japan and our systems are in place, so it will be crucial to accelerate this momentum going forward.

Toward further enhancement of the composition of the Board of Directors and governance

Oda: In FY2025, Mr. Iwata, who has management experience at B2C companies, joined as an Outside Director. Considering the diverse backgrounds of the Outside Directors, I feel the current composition of the Board of Directors is very well-balanced, and I believe we are able to engage in vigorous discussions based on each member's specialized expertise and insights.
Horie: Serving as an Outside Director during this pivotal period when the Company's decision-making mechanisms were undergoing significant change—and being able to play an active role in this transformation—has broadened my perspective and been deeply rewarding. I trust that my insights have contributed meaningfully to the Company's evolution.
I state with confidence that the Board engages in substantive discussions, with a wide range of opinions being put forward. Therefore, I believe that it functions effectively as the company's highest decision-making body. Going forward, we will strive to elevate each individual to a higher level while enhancing the effectiveness of the Board of Directors as a whole, leading to the enhancement of corporate value.
Masai: To enhance the effectiveness of governance, I believe it is essential to pay attention to "red flags" when something feels "off," rather than dismissing them. While we have put an appropriate governance structure in place, the next step is to go beyond formal compliance and ensure effectiveness.
Horie: That's right. For example, the Company's governance framework regarding the prevention of misconduct is quite robust, so the key lies in how we ensure that framework functions effectively.



Oda: A common pattern in companies prone to compliance failures is a "top-down" culture that deems the top management's word final. Governance, at its core, is about putting in place checks and balances to prevent authority from becoming unchallengeable. For this purpose, outside directors are indispensable.

Toward enhancing corporate value

Horie: I believe the essence of an Outside Director's role lies in leveraging their past experience to contribute to the Company. In my case, given my background, I believe my most effective contribution would be to provide appropriate advice and guidance on overseas expansion, after thoroughly reviewing its progress. Looking beyond the 5th MTBP toward the next growth phase and further ahead to 2030 and 2035, I believe achieving our immediate targets will propel Daio Paper to the next level and enhance corporate value, and I am determined to make a solid contribution toward that end.
Oda: The direction and approach we need to take, such as our global strategy and domestic revenue structure, have been clarified and are taking shape. It is crucial to embody this approach and deliver results as quickly as possible. Regarding the overseas business in particular, I will support the executive side while challenging them so that we can establish concrete frameworks and deliver results. I think Daio Paper is now at the stage of putting its grand design plan into action, so I hope you will look forward to future developments.
Masai: Corporate growth and the enhancement of corporate value can only be achieved by gaining and maintaining the trust of stakeholders such as society and investors. I intend to utilize the macroeconomic perspective I have cultivated in financial markets and at the Bank of Japan, while also applying my expertise within our diverse Board of Directors, in order to support the Company as it transitions from the "Reframe" phase onto a growth trajectory. We face challenges for decarbonization and social issues such as the declining domestic population. Amidst these, we will support the refinement of our corporate culture and the Company's strengths, enabling us to transform into a robust corporate group.



Message from the Newly Appointed Outside Director



Yoshihiro Iwata

Appointed in 2025

Aiming to contribute my expertise during this critical period of rebuilding our management foundation

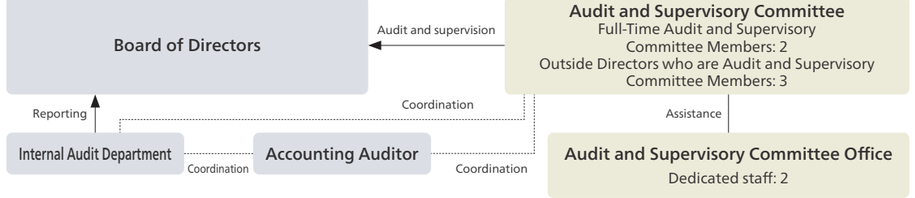
I have served as head of overseas operations and head of beverage and food business, as well as the CRO at a holding company in the food industry.
Daio Paper has established a Long-Term Vision to realize its management philosophy, "Shaping an abundant and affable future for the world," and is working to address not only immediate challenges but also medium- to long-term issues. The environment surrounding the paper industry is extremely challenging. The next few years will be a very important period for rebuilding the Company's management foundation. The Company possesses outstanding manufacturing capital, human capital, intellectual capital, and other resources, and I believe that we can realize our Management Philosophy and Long-Term Vision through our respective business strategies and initiatives.
Furthermore, to address company-wide management issues, we have in place various committees such as the Sustainability Committee, and regular reports are made to the Board of Directors. Outside Directors also participate as observers in these committees several times a year to review the content of discussions and progress. Daio Paper is engaged in ROIC management. Furthermore, the overseas business strategy is also extremely important for future sustainable growth. As an Outside Director, I intend to utilize the expertise I have accumulated to contribute to enhancing the corporate value of the Daio Group.

Audit and Supervisory Committee

The Company transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee in June this year. The transition to a company with an Audit and Supervisory Committee will allow the Board of Directors to focus on discussing and deciding on matters such as medium- to long-term management strategies, and further enhance corporate governance through strengthened supervisory functions. Furthermore, as the business environment surrounding the Group undergoes rapid changes, we will strive to enhance corporate value by further accelerating decision-making through the delegation of authority from the Board of Directors to the executive side.

Composition of the Audit and Supervisory Committee and Enhancement of Organizational Audits

The Audit and Supervisory Committee, comprising two Full-Time Audit and Supervisory Committee Members, three Outside Directors who are Full-Time Audit and Supervisory Committee Members, and two dedicated Audit and Supervisory Committee Office staff, will strengthen its on-site inspections and monitoring in accordance with the Audit and Supervisory Committee Audit Standards established by the Audit and Supervisory Committee, and in collaboration with the departments in the Internal Audit Unit and Corporate Unit, and the accounting auditor, it will further enhance organizational audits (three-pronged audits). In particular, the General Manager of the Internal Audit Department attends Audit and Supervisory Committee meetings to exchange views on operational audit plans and progress, establishing a system for instructions and reporting and ensuring close coordination. Furthermore, we will focus on enhancing management oversight functions to support the advancement of overseas business strategies and human resource strategies aligned with our Medium-to-Long-Term Vision, and further strengthen our internal control system to reinforce the governance structure of the Group and pursue sustainable growth and continuous enhancement of corporate value.



FY2025 Audit Plan

In the FY2025 audit plan, we will monitor the progress of management and execution for each of the following five key audit items.

Key audit items	Details
❶ Audit of progress of the 5th MTBP (rebuild our management foundation)	● Conducting regular interviews with all officers and managers (including those of subsidiaries) and auditing the legality and appropriateness of Directors' business execution through attendance at key meetings ● Monitoring business plan progress at overseas subsidiaries through on-site inspections with auditors
❷ Collaboration with the Internal Audit Unit, etc. (organizational audit)	● Regular meetings with the Internal Audit Unit (including attendance by its head at monthly Audit and Supervisory Committee meetings), all Corporate Unit departments, and with the Accounting Auditor ● Ensuring effectiveness of dual reporting line of the Internal Audit Department
❸ Promotion of human capital management	● Monitoring progress in human resource development plans (next-generation human resources, overseas human resources, etc.) through the enhancement of personnel systems and other measures ● Monitoring of engagement improvement initiatives by each officer and manager (including those of subsidiaries)
❹ Safety-first operations	● Maintaining zero serious accidents and reducing accidents through compliance with the Five Safety Principles
❺ Utilization of whistleblower program (Contact point: External law firm / Audit and Supervisory Committee Office)	● Strengthening compliance across the Company and the Group

Messages from Audit and Supervisory Committee Members



Yoichi Takei
Outside Director, Audit and Supervisory Committee Member
Chairperson

I have been appointed as an Audit and Supervisory Committee Member and currently serve as its Chairperson. Having served as an Outside Director to date, I intend to leverage my background as an attorney to conduct audits with a focus on appropriate business practices and risk management going forward.
The Company operates numerous production, sales, and logistics sites both in Japan and overseas, and is required to ensure safety and quality, enhance employee engagement based on the human resources strategy, appropriately address labor issues such as harassment, and effectively operate internal control systems. Therefore, the Audit and Supervisory Committee will strive to further enhance collaboration and coordination with the Internal Audit Unit and minimize risks through oversight via various committees such as the Risk and Compliance Committee.
Furthermore, with the expansion of the Remuneration and Nomination Committee structure, which is composed of highly qualified Outside Directors with extensive management experience, I will monitor the remuneration and nomination governance framework supporting our strengthened executive structure through participation in these committees.
Amidst a rapidly changing business environment, our efforts to enhance corporate governance are ongoing, and we look forward to your continued support for our new structure.



Yukihiro Tanaka
Director, Full-Time Audit and Supervisory Committee Member

To flexibly respond to the speed of changes in the business environment surrounding the Group and achieve sustainable growth, we changed our corporate structure to a company with an Audit and Supervisory Committee in June of this year.
The Board of Directors has shifted to a structure that aims to further enhance corporate governance by strengthening its supervisory functions, while also accelerating decision-making through the delegation of authority to the executive side, thereby advancing efforts to realize the Medium-to-Long-Term Vision.
As an Audit and Supervisory Committee Member, I intend to enhance corporate value by strengthening organizational auditing, utilizing the internal control system, and by proactively evolving the three-pronged audit approach. This involves a fundamental transition from the traditionally independent audit approach, typical of our former Audit and Supervisory Board system, to a more collaborative framework that fosters greater information sharing with the Internal Audit Unit and the Corporate Unit. Furthermore, we will strengthen our collaboration with the Accounting Auditor to enhance the effectiveness and efficiency of auditing.



Yosuke Kimura
Director, Full-Time Audit and Supervisory Committee Member

As a Director and Full-Time Audit and Supervisory Committee Member, I will perform my duties sincerely and fairly, contributing to the sound and sustainable growth of the Group through strengthened governance and enhanced oversight mechanisms. Furthermore, to advance organizational audits by the Audit and Supervisory Committee, I will strengthen our collaborative framework with the Internal Audit Unit and the Accounting Auditor. Through attendance and comments in key meetings, including the Management Meeting, I will comprehensively evaluate whether the measures implemented and the decisions and actions of the Company's Executive Officers contribute to enhancing the corporate value of the Group.
As a full-time member, I will leverage my experience in the Company's sales and finance units and at Group companies to quickly identify and prevent potential issues through daily dialogue with employees, and continue to conduct field-based audits.



Kyoko Okada
Outside Director, Audit and Supervisory Committee Member

We are currently advancing initiatives such as ongoing structural reforms, enhancing our financial foundation, strengthening our human resources strategy, and sustainability efforts to realize our Long-Term Vision: Daio Group Transformation 2035. Additionally, from this fiscal year, we have transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee, establishing a structure that further enhances the supervisory function within the Board of Directors. I will exercise oversight by holding interviews, on-site audits, and monitoring of the internal whistleblowing system, and closely following the discussions within the Board of Directors and the Human Resources Strategy Committee, with particular focus on human capital management, employee engagement, and diversity and inclusion, which underpin our business activities. Strengthening governance goes beyond merely improving systems, and involves fostering a culture where both management and employees set ambitious goals and persistently pursue them. Drawing on insights I have gained from serving as a full-time audit and supervisory board member in the manufacturing sector and as an outside director for multiple companies, I will actively provide objective and constructive opinions from an external perspective, and contribute to the Company in maintaining the trust of all stakeholders and achieving sustainable global growth.



Yoshikuni Noguchi
Outside Director, Audit and Supervisory Committee Member

Amid the rapidly changing business environment, the Daio Group is working on reforms aimed at achieving sustainable growth in the medium to long term, such as through business portfolio reform and acceleration of overseas expansion. I believe it is necessary to further enhance our governance while striking a balance between offense and defense by establishing an organizational structure that can respond to increasingly complex and diverse risks according to changes in the needs of society and consumers.
In the overseas business, we will conduct on-site audits of overseas subsidiaries, reviewing both business strategy and governance to ensure effective auditing. We aim to establish effective collaboration with the Accounting Auditor by building mutual trust and engaging in regular discussions on issues and improvements, while ensuring a cooperative relationship characterized by appropriate constructive tension.
To enhance corporate value over the medium to long term, it is essential to analyze how both current and potential future events may impact the Company and to implement necessary countermeasures in a timely manner. Utilizing my expertise as a certified public accountant, I will continue to contribute to sustainable growth and the enhancement of long-term corporate value by efficiently and effectively auditing execution based on a risk-based approach, focusing not only on the reliability of financial reporting but also on the soundness of strategic decision-making.

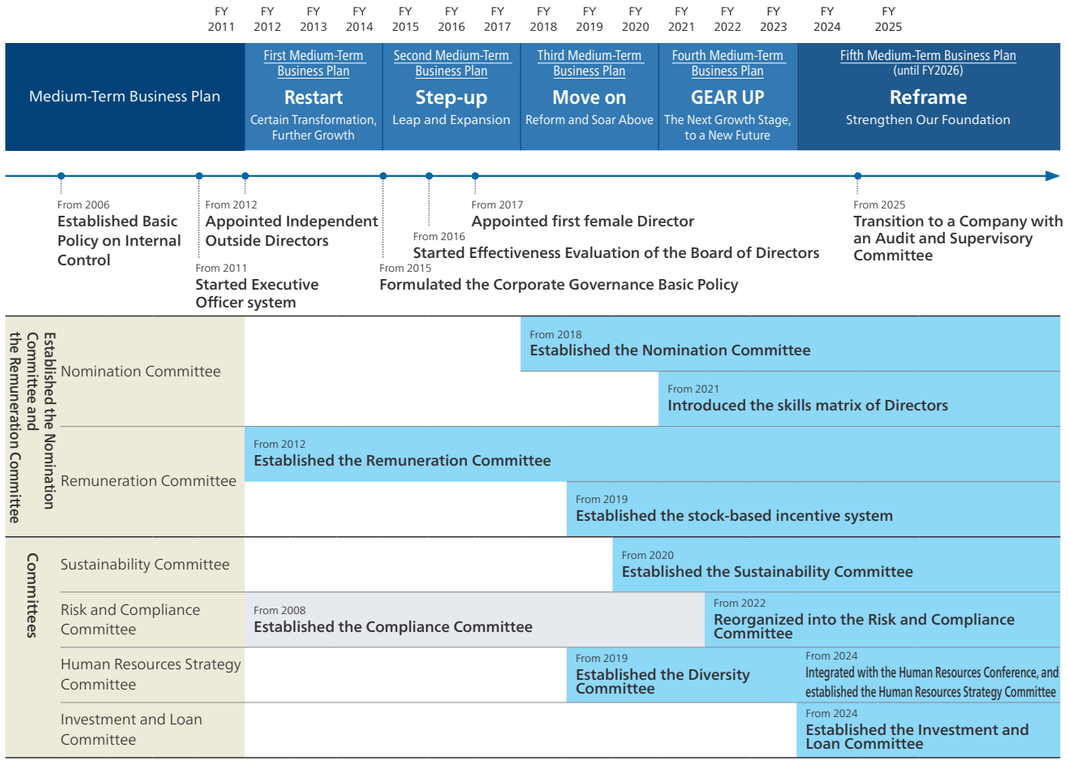
Corporate Governance

Basic Approach to Corporate Governance

Based on its corporate philosophy of "Shaping an abundant and affable future for the world," the Daio Group aims to realize sustainable value creation for all stakeholders and society as a whole by promoting sustainable management.
Corporate governance refers to a mechanism to realize sustainable growth and medium- to long-term enhancement of corporate value by clarifying the roles and responsibilities of the supervisory and decision-making functions and the execution functions of management, and promoting quick and flexible decision making and execution, as well as ensuring the proper functioning of the mechanism.
The Daio Group has always grasped the changes of the times and has been working, with foresight, on reforms aimed at achieving sustainable growth in the medium to long term, such as through business portfolio reform and acceleration of global expansion. We are also working to further enhance our governance while striking a balance between offense and defense in managing the Daio Group, including establishing an organizational structure that can respond to increasingly complex and diverse risks that accompany the expansion of our overseas business and changes in society.

Key Initiatives to Strengthen Corporate Governance to Date

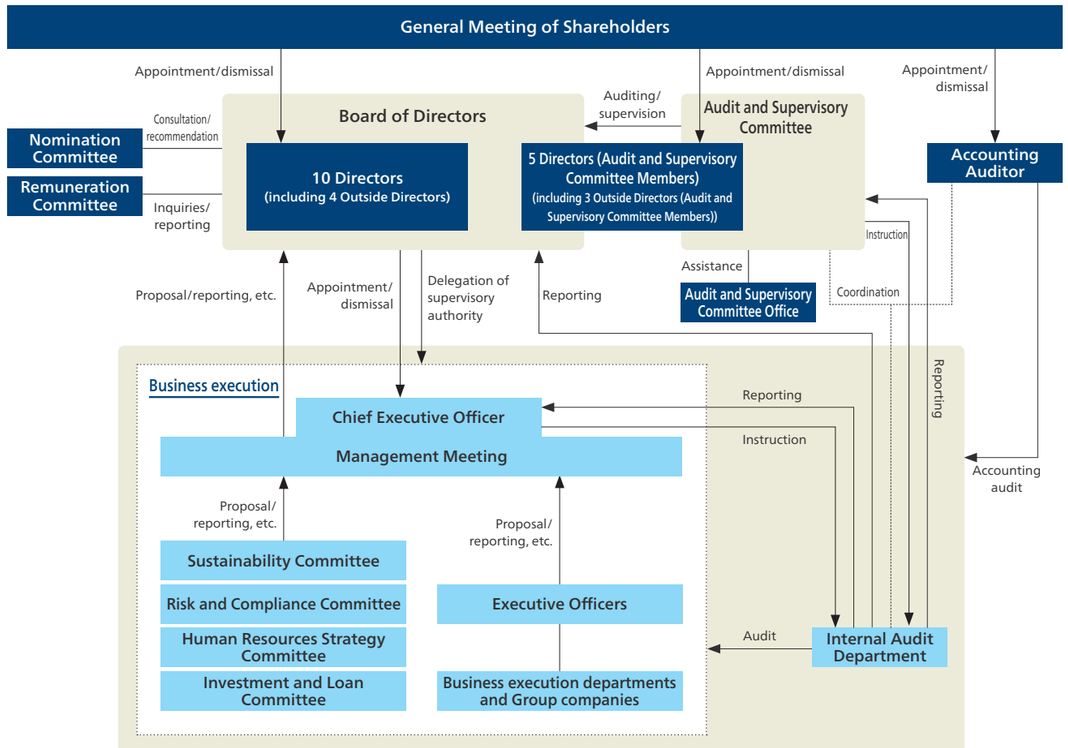
Daio Paper continuously reviews and strengthens its governance structure by adapting to the Corporate Governance Code and ongoing dialogue with outside officers and investors.
Until now, as a company with an Audit and Supervisory Board, the Company has conducted audits by Audit and Supervisory Board Members and the Audit and Supervisory Board, in addition to the Board of Directors' oversight of important decision-making and business execution.
In June 2025, following approval at the 114th Annual General Meeting of Shareholders, the Company transitioned to a company with an Audit and Supervisory Committee. This establishes a system where Audit and Supervisory Committee members, selected from among the Directors, attend meetings of the Board of Directors while conducting audits from an independent standpoint, thereby further strengthening the audit function and enhancing governance.
We will continue to enhance management transparency and soundness while advancing initiatives aimed at the sustainable growth and enhancing corporate value over the medium to long term.



Current Corporate Governance System

To respond flexibly and promptly to rapid changes in the business environment, Daio Paper has transitioned to a company with an Audit and Supervisory Committee. This allows the Board of Directors to focus on discussions and decisions regarding important business execution matters, such as medium- to long-term management strategies and Group-wide management policies, as well as the supervision of business execution, the Board of Directors delegates certain important business execution decisions to Directors in accordance with laws and regulations and the Articles of Incorporation to expedite decision-making. Furthermore, we have established a system within the Management Meeting, composed of the management team, to make agile decisions on matters delegated by the Board of Directors. Meanwhile, an Audit and Supervisory Committee independent from the Board of Directors enhances effectiveness of governance by overseeing the execution of duties by the Board of Directors.
Under this governance structure, the Company is working to further enhance corporate governance by expediting decision-making and strengthening supervisory functions, while also striving to increase corporate value.

Corporate Governance Structure (as of June 26, 2025)



[Corporate Governance Basic Policy] Outlines the Company's basic approach to corporate governance.
[Basic Policy on Internal Control System] Outlines the Company's basic policy on establishment of the internal control system.
[Corporate Governance Report] The Corporate Governance Report submitted to the Tokyo Stock Exchange.

The above three items are published on our website under Corporate Governance.
https://www.daio-paper.co.jp/en/company/governance/

Board of Directors

The Company's Board of Directors, chaired by the Representative Director, performs supervisory functions over the overall management of the company, including the execution of duties by management, ensuring the fairness and transparency of management and making decisions regarding important business execution as stipulated by laws and regulations and the Articles of Incorporation.
The number of Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be no more than 15, as stipulated in the Articles of Incorporation, and the number of Directors who are Audit and Supervisory Committee Members shall be no more than five, as stipulated in the Articles of Incorporation. These are the necessary and appropriate numbers of members to ensure an effective management structure and substantial discussions at the Board of Directors' meetings. Adequate consideration is also given to ensuring diversity and sufficient expertise within the Board of Directors.

Major Issues Examined by the Board of Directors in FY2024

- **Management strategies** Deliberation on the Company's Medium-Term Business Plan and Long-Term Vision, the implementation status of sustainability initiatives, and the plan for developing management successor candidates
- **Governance** Deliberations on the role of the Management Meeting and voluntary committees in light of the transition to a company with an Audit and Supervisory Committee, and responses to the Corporate Governance Code
- **Capital policy** Dividend policy, review of cost of capital, investment in and loans to subsidiaries, and loans and debt guarantees

Skills Matrix of Directors (as of July 1, 2025)

The table below shows the fields in which we expect our Directors to contribute significantly based on their experience and insight.

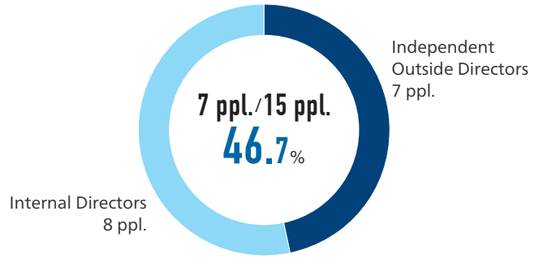
Name	Position	Independence	The fields in which we expect our Directors to contribute significantly									
			(1) Corporate management	(2) Corporate planning / M&A	(3) Sales / marketing	(4) Manufacturing / technology development	(5) Finance / accounting	(6) Personnel / HR development	(7) Legal affairs / risk management	(8) Overseas business / global experience	(9) Sustainability / ESG	(10) IT / DX
Yorifusa Wakabayashi	President and Representative Director, Chief Executive Officer		○	○	○		○	○		○	○	
Hiroshi Yamasaki	Representative Director, Executive Vice President		○			○		○	○	○	○	
Atsushi Ishida	Director, Managing Executive Officer			○	○							○
Hiroyuki Fujita	Director, Managing Executive Officer		○		○	○				○		
Toshikatsu Tanahashi	Director, Managing Executive Officer		○			○			○		○	
Shuhei Shinagawa	Director, Managing Executive Officer			○			○		○			○
Naosuke Oda	Outside Director	○	○	○	○			○				○
Makoto Horie	Outside Director	○	○	○	○					○		
Takako Masai	Outside Director	○					○	○	○	○		
Yoshihiro Iwata	Outside Director	○	○	○			○			○		
Yukihiro Tanaka	Director, Audit and Supervisory Committee Member			○				○	○		○	
Yosuke Kimura	Director, Audit and Supervisory Committee Member				○		○		○			
Yoichi Takei	Outside Director, Audit and Supervisory Committee Member	○		○			○		○		○	
Kyoko Okada	Outside Director, Audit and Supervisory Committee Member	○						○	○		○	
Yoshikuni Noguchi	Outside Director, Audit and Supervisory Committee Member	○					○		○		○	

Rationales Behind the Fields in Which Directors are Expected to Contribute

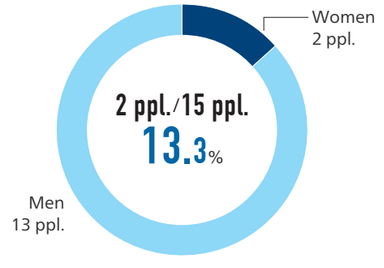
Field	Rationale Behind Selection
Corporate management	Experience and knowledge in this field are important for Directors to lead discussions on medium- to long-term management strategies, as well as to promote appropriate risk taking and quick and decisive decision making from a broad perspective.
Corporate planning / M&A	Experience and knowledge in this field are important for Directors to promote the formulation of management plans that respond to changes in the environment as well as to execute M&A, capital investment, and other investments efficiently, in order to build a resilient business foundation.
Sales / marketing	Experience and knowledge in this field are important for Directors because the Company's brand marketing and sales capabilities are derived from its sales philosophy, "What is made by Daio is sold only by Daio sales representatives," which is based on a market-oriented approach that is closest to customers.
Manufacturing / technology development	Experience and knowledge in this field are important for Directors because the Company needs to utilize its robust production systems and technologies and to create new businesses through their application in order to continue to create high-quality, high-value-added products based on "dedication to manufacturing," which is one of the four pillars of its management philosophy.
Finance / accounting	Experience and knowledge in this field are important for Directors to supervise management resource allocation and strengthen the financial foundation, as well as to promote management that is mindful of capital efficiency.
Personnel / HR development	Since its foundation, the Company has maintained the idea that "A company is its people, and its lifeblood is the rational collective intellect they generate", and in its Long-Term Vision "Daio Group Transformation 2035," the Company has identified human resources and corporate cultures as sources of its value creation. Experience and knowledge in this field are important for Directors because the Company needs to promote human capital management and incorporate it into its management strategies in order to achieve sustainable growth.
Legal affairs / risk management	Experience and knowledge in this field are important for Directors to properly manage various risks associated with corporate activities to support the Company's sound, sustainable growth.
Overseas business / global experience	In order to realize its management philosophy of "Shaping an abundant and affable future for the world," the Company needs to popularize hygiene products and habits throughout the world. Experience and knowledge in this field are important for Directors because the execution of global strategies for sustainable growth involves the consideration of local laws and regulations, cultures, and customs of each country/region, as well as various risks.
Sustainability / ESG	The 10 material issues of the Daio Group have a significant impact on the business and sustainable growth of the Company. Experience and knowledge in this field are important for Directors because they need to vigorously promote management that integrates these material issues into their business strategies as their core.
IT/DX	In the era of VUCA, it is difficult to predict risks. Experience and knowledge in this field are important for Directors because the Company believes that flexible activities that incorporate IT into business for its effective use contribute significantly to the Daio Group's survival and sustainable growth.

Composition of the Board of Directors (as of July 1, 2025)

Percentage of Directors who are Independent Outside Directors



Percentage of Board Members who are women



Our View on the Diversity of the Board of Directors

- Across its diverse business operations, the Company gives consideration to balance of the appointment of personnel able to promote sustainable growth of the Daio Group, and ensures that the Board, as a whole, possesses a well-rounded mix of knowledge, experience, and skills. The Company also aims to raise women's representation among officers from the perspective of women's advancement.
- In view of the importance of the functions of Outside Directors in corporate governance, the Company intends to maintain the ratio of Independent Outside Directors at or above one-third of the Board of Directors.

Evaluation of Effectiveness of the Board of Directors

The Board of Directors annually conducts evaluation of its effectiveness to regularly examine whether it is properly functioning and to continuously implement measures to address any identified issues.

● Issues identified in the FY2023 Evaluation of Effectiveness of the Board of Directors

- Formulation of a successor plan
- Allocation of management resources, including investment in human capital
- Review of incentive compensation for Directors

● Actions taken and progress in FY2024

Recognizing promotion of human capital management as a key priority, from October 2024, we integrated the Diversity Committee and the Human Resources Conference to enhance the speed of determination and execution of measures, and monitoring systems, in addition to initiating management style reforms to increase the effectiveness of human capital management.

● FY2024 implementation details

Persons subject to evaluation:
All ten Directors and all four Audit and Supervisory Board Members incumbent at the end of FY2024

Evaluation method:
(1) An external agency is commissioned to conduct an anonymous self-evaluation questionnaire for subjects.
(2) The questionnaire results are tallied and analyzed by the external agency.
(3) The Board of Directors analyzes and evaluates effectiveness based on the results tallied and analyzed by the external agency.

Evaluation items (nine items in total):
Vision, composition, operation, discussions, monitoring function, performance of internal Directors, training, dialogue with shareholders (investors), and Directors' self-initiated execution of business

● Issues identified in the FY2024 Evaluation of Effectiveness of the Board of Directors

- Provision of officer training opportunities
- Enhancement of feedback to management on the status of dialogue with shareholders

● Future action plan

Through the transition to a Company with an Audit and Supervisory Committee, we will work to deepen discussion in the Management Meeting aimed at strengthening business execution, and the Board of Directors will focus on discussing and deciding on matters such as medium- to long-term management strategies in an effort to further enhance corporate governance through strengthened supervisory functions. To fulfill the roles and responsibilities as officers and conduct substantive deliberations in meetings of the Board of Directors, we will enhance officer training for further acquisition of the knowledge necessary for officers. Furthermore, we will provide feedback on opinions and requests received through investor relations and shareholder relations activities to management via the Board of Directors and other channels, deliberate on response policies, and strive to enhance disclosure.

Measures to Enhance the Effectiveness of the Board of Directors

To promote substantial, productive discussions at the Board of Directors' meetings and to enhance the effectiveness of the Board of Directors, we will continue to implement the measures indicated below, including providing information that will help Outside Officers deepen their understanding of our operations.

Measures	Frequency	Details
Conducting briefing sessions for Outside Officers before the Board of Directors' meetings	Once a month	We conduct a briefing session for Outside Officers before the monthly meeting of the Board of Directors so that they can deepen their understanding of the discussion points, background, purposes, etc., of the proposals to be presented at the meeting. By so doing, we strive to secure time for substantial discussions at the meeting.
Distributing materials for the Board of Directors' meetings in advance and utilizing briefing materials	Once a month	We distribute the relevant materials before each meeting of the Board of Directors and also utilize briefing materials that outline the key points, background, objectives, risk countermeasures, etc., of the proposals to be presented at the meeting. By so doing, we strive to ensure that the points of the proposals are understood clearly.
Ensuring that our Officers perform site inspections	A few times a year	We ensure that our Officers conduct periodic inspections at our mills and other facilities to enhance their understanding of our operations.
Holding information-exchange sessions between Outside Directors and Representative Directors	4 times a year	We hold information-exchange sessions between our Outside Directors and Representative Directors four times a year to ensure still closer cooperation between them, with Full-Time Audit and Supervisory Committee Members also attending two of these sessions.
Providing a wide variety of information for Outside Officers	At appropriate times	We share materials and minutes of meetings of the Management Meeting and other internal meetings, such as meetings of various committees, with Outside Officers, thereby striving to help them understand the background to examination of the matters. We also share a wide variety of industrial reports, information on our IR efforts, etc., with our Outside Officers, with the aim of helping them deepen their understanding of industrial trends and our operations.

Voluntary Committees

● Nomination Committee

The Nomination Committee is established as an advisory body to the Board of Directors to enhance objectivity and transparency in the nomination of candidates for Directors, etc., and the appointment and dismissal of Directors, etc. It is chaired by an Independent Outside Director, and Independent Outside Directors constitute the majority of its members. The Chairperson of the Audit and Supervisory Committee attends as an observer.
The Nomination Committee receives inquiries from the Board of Directors regarding the nomination, appointment, and dismissal of candidates for Executive Directors and Delegated Executive Officers. It reports back on the inquiries in accordance with the nomination policy set out in our Corporate Governance Basic Policy.

● Remuneration Committee

The Remuneration Committee is established as an advisory body to the Board of Directors to ensure the objectivity and transparency of decisions on the remuneration of Directors, etc.
It is chaired by an Independent Outside Director, and Independent Outside Directors constitute the majority of its members. The Chairperson of the Audit and Supervisory Committee attends as an observer with the aim of further enhancing the objectivity and transparency of the processes to decide the remuneration of Officers.
The Remuneration Committee receives and reports back on inquiries from the Board of Directors regarding the policy, etc., on deciding the remuneration of Executive Directors and Delegated Executive Officers.
The Committee also decides on the evaluation and the amount of remuneration of each of these officers in accordance with the remuneration decision policy resolved by the Board of Directors.

● Sustainability Committee

The Sustainability Committee has been established to formulate the Daio Group's sustainability strategy (namely, a sustainable corporate strategy that integrates environmental, social, and governance (ESG) considerations) with the aim of enhancing social value through the resolution of social issues while also increasing corporate value.
Chaired by a Representative Director, the Sustainability Committee identifies material sustainability issues and determines the targets, commitments, and initiatives associated with these material issues.
In addition, the Committee has established seven subcommittees aligned with sustainability trends and material issues: (1) Global Warming Countermeasures Subcommittee, (2) TCFD Response Subcommittee, (3) Forests and Biodiversity Response Subcommittee, (4) Environmental Load Reduction, (5) Value Co-Creation Subcommittee, (6) SDG-based Procurement Promotion, and (7) ESG Information Disclosure Enhancement. Each subcommittee sets specific initiatives and key performance indicators (KPIs) and works toward achieving its targets through the review of measures and ongoing monitoring of progress.

● Risk and Compliance Committee

The Risk and Compliance Committee is established for the purpose of further strengthening the Daio Group's risk management and compliance systems.
The Committee, chaired by the Director in charge of Risk and Compliance, comprehensively identifies and assesses risks, implements unified management of risk control measures, and deliberates on those risk control measures in accordance with the severity of the risks. Through these actions, it works to reduce risks in the business activities of the Daio Group.

● Human Resources Strategy Committee

Human Resources Strategy Committee is established to formulate strategies for securing and developing human resources, promoting diversity, equity and inclusion (DE&I), and fostering organizational culture across the entire Daio Group, with the aim of promoting human capital management.
It is chaired by the Executive Officer in charge of human resources, and Outside Directors and Audit and Supervisory Committee Members attend as observers.
The Human Resources Strategy Committee sets and develops a basic policy on human resources strategies—those that would contribute to the realization of management strategies—and specific measures to promote their implementation, reports them to the Board of Directors, and play a leading role in implementing these measures by having them permeate throughout the organization, from the top management to managerial and staff employees.

● Investment and Loan Committee

The Investment and Loan Committee is established to review and deliberate on the appropriateness of important investment and financing projects proposed by various departments in the execution of the Daio Group's business plans. The Committee evaluates these projects in terms of feasibility and capital adequacy, taking into account the cost of capital from a ROIC management perspective, with the aim of enhancing investment effectiveness.
The Investment and Loan Committee, chaired by a Representative Director, determines the priority among investment and loan projects based on a finance perspective that considers the cost of capital in accordance with the medium- to long-term management policy, while evaluating the feasibility and return on capital of investments and loans and reporting the evaluation results to the Management Meeting.
The Committee also regularly evaluates investment returns after the execution of investment or loans and develops improvement measures or amends investment and loan plans as necessary. In addition, the Committee establishes and revises withdrawal criteria for existing projects, determines policies on the restructuring or withdrawal of any projects that have satisfied the criteria, and reports to the Management Meeting.

Remuneration of Officers

Basic Policy on Remuneration of Directors

The appropriate remuneration levels of Directors are determined based on various elements, including the business environment, performance, and consistency with employee compensation. The remuneration system aims to effectively attract outstanding individuals and motivate Directors to improve their business performance, ultimately leading to an increase in our corporate value.

Overview of the Remuneration System for Officers

● Composition of Remuneration of Officers

The remuneration for our Officers is composed of basic compensation, which comprises fixed remuneration, bonuses, which are tied to business results, and stock-based compensation. The types of remuneration paid to Directors, Audit and Supervisory Board Members, and Outside Officers are as shown in the figure on the right.

Officer category	Basic compensation	Bonuses	Stock-based compensation
Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)	○	○	○
Directors (Audit and Supervisory Committee Members) (excluding Outside Director)	○	–	–
Outside Director	○	–	–

● Composition of Remuneration

Effective June 26, 2025, in conjunction with the transition to a company with an Audit and Supervisory Committee, Daio Paper revised its executive remuneration framework of officers as follows. Regarding bonuses, while bonus amounts for each position were previously determined based on consolidated recurring profit, we have changed the performance evaluation metrics to consolidated operating profit (80%) and consolidated net sales (20%), with bonus amounts now being determined within a range of 0% to 150% of the base amount, depending on the degree of achievement of performance targets. In the event of significant extraordinary losses in the previous fiscal period's consolidated financial results, bonuses may be reduced or withheld.

Additionally, while stock-based compensation was previously granted based on fixed points for each position, the system has now been changed to add points linked to performance achievement, such as ROIC and ESG metrics (CO_2 reduction rate, engagement metrics), in addition to points based on position.

Type of remuneration		Percentage	Overview	Key performance indicator (KPI)	Evaluation weight	Remuneration variation range	Payment timing
Basic compensation (fixed)	Funds	69%	Determined for each position	–	–	–	Monthly
Performance-linked remuneration (fixed and variable) Short-term	Funds	21%	Linked to the Company's performance for a single fiscal year	Consolidated operating profit (level of achievement of single fiscal year target)	80%	0 to 150%	Once a year Fixed timing
				Consolidated net sales (level of achievement of single fiscal year target)	20%		
Medium- to long-term	Stock	10%	Determined for each position (fixed)	–	50%	–	Stock grant upon retirement
			Level of achievement of medium-to-long-term plans and enhancement of corporate value Linked to (ESG indicators)	ROIC indicators	20%	0 to 150%	
				Level of achievement of CO_2 reduction targets	15%		
				Level of achievement of engagement indicators	15%		

*The percentage is for when the level of achievement of the performance target is 100%, and varies according to position.

Bonus calculation formula

Bonus payment amount = [Base amount × Companywide performance weight (80% to 100%) × [Operating profit achievement level (80%) × Payment rate (0 to 150%) + Net sales achievement level (20%) × Payment rate (0 to 150%)]] + [Base amount × Unit/individual performance weight (0% to 20%) × Unit/individual performance payment rate (0% to 150%)]

Stock calculation formula

Stock-based compensation amount = [Fixed payment amount (50%) + [Standard payment amount (50%) × ROIC indicator (20%) × Payment rate (0 to 150%) + Standard payment amount (50%) × CO_2 reduction rate (15%) × Payment rate (0 to 150%) + Standard payment amount (50%) × Engagement indicator achievement level (15%) × Payment rate (0 to 150%)]]

Total Amount of Remuneration of Officers in FY2024

Officer category	Total amount of remuneration, etc. (Million yen)	Total amount by type of remuneration, etc. (million yen)			Number of eligible officers
		Basic compensation	Bonuses	Stock-based compensation	
Directors (excluding Outside Directors)	200	159	10	30	8
Audit and Supervisory Board Members (excluding Outside Audit and Supervisory Board Members)	23	23	–	–	3
Outside Officers	69	69	–	–	10

Cross-shareholdings

Policy on Cross-shareholdings

The Company believes that cooperative relationships with various companies are necessary for the Company to achieve business leaps forward, and expansion and sustainable growth, and holds the shares of its business partners as cross-shareholdings if it determines that they will contribute to the medium- to long-term enhancement of its corporate value.

At the same time, the reasonableness and necessity of such cross-shareholdings is regularly examined by the Board of Directors in May every year from a medium- to long-term perspective, based on the weighted average cost of capital (WACC) and the return on assets (ROA). If the Company determines that cross- shareholdings are inappropriate, it will proceed to reduce them through dialogue and negotiations with the relevant business partners.

Status of Cross-shareholdings

The ratio of shares held not solely for investment purposes to consolidated net assets for FY2024 is 5.4%.

Voting Standards for Cross-shareholdings

In exercising its voting rights pertaining to cross-shareholdings, the Company determines, based on its comprehensive judgment, whether to vote for or against each proposal by closely examining the details of the proposal, its impact on the financial soundness of the issuer, and whether the proposal is expected to contribute to the medium- to long-term enhancement of corporate value and shareholder value of the issuer.

(Unit: million yen)

	Number of stocks	Shareholding amount	Consolidated net assets	Ratio to net assets
End of FY2020	73	16,865	246,788	6.8%
End of FY2021	72	14,103	266,704	5.3%
End of FY2022	63	12,746	244,670	5.2%
End of FY2023	58	14,040	260,086	5.4%
End of FY2024	55	13,401	249,713	5.4%

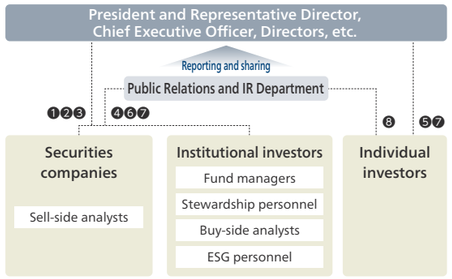
Shareholders and Investor Responses

● Policy on dialogue with shareholders and investors

- The Daio Group, guided by its corporate philosophy of "Passion with Sincerity," engages in timely, appropriate, and fair disclosure of information and promotes sincere and proactive dialogue with its stakeholders, including major shareholders with investment policies aimed at enhancing corporate value, as well as investors and analysts.
- We will actively communicate the Daio Group's management policies and growth strategies, report and share the opinions we receive with management, including the Board of Directors, and appropriately reflect them in our corporate activities with the aim of sustainable enhancement of corporate value.

● Systems for dialogue with shareholders and investors

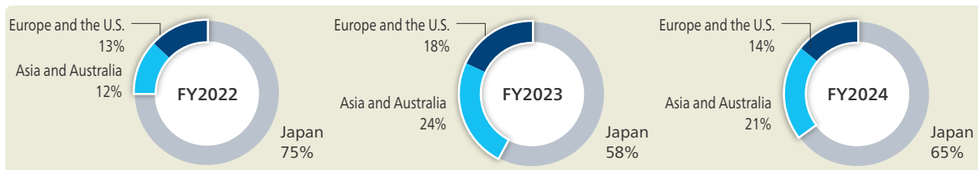
- Dialogue with shareholders and investors is handled by the President and Representative Director, Chief Executive Officer, the Director in charge of the Corporate Planning Division, and the Public Relations and IR Department. During the most recent fiscal year, we conducted interviews and meetings throughout the year, primarily with institutional investors and sell-side analysts from securities companies both in Japan and overseas.



Status of activities over past three years (times)

Details	FY2022	FY2023	FY2024
❶ One-on-one meetings with institutional investors	91	101	75
❷ Earnings and strategy briefings	4	4	5
❸ Overseas IR conferences	2	2	2
❹ Mill tours for institutional investors	3	1	1
❺ Briefings for individual investors	2	2	3
❻ SR meetings	0	8	9
❼ General Meeting of Shareholders	1	1	1
❽ Responding to inquiries	Responding as needed		

*❶ One-on-one meetings with institutional investors ❸ Overseas IR conferences—Breakdown by region



● Internal feedback

- We appropriately reflect the opinions received from our shareholders and investors in our corporate activities by reporting them to the Management Meeting and the Board of Directors, in addition to sharing them with relevant internal departments.

Item	Details
Reporting to the Management Meeting and the Board of Directors by the Directors in charge	• Of the results of the investor relations and shareholder relations meetings, the issues and points of discussion deemed particularly significant are organized and then reported and deliberated at the Management Meeting and meetings of the Board of Directors.
Reporting to Executive Directors by the Public Relations and IR Department	• The Public Relations and IR Department compiles the results of the IR meetings and disseminates the information to all officers. • Oral reports are conducted regularly at meetings attended by all Executive Directors.

- We significantly revised the operation of the Management Meeting effective April 2025.
  To promote management that is conscious of capital costs and share price performance, monthly deliberations are conducted at the Management Meeting attended by all Executive Directors and delegated executive officers. Important matters are also reported to the Board of Directors. Going forward, progress will be monitored by the Board of Directors and reflected in reviews of the Company's management strategy.

Month	Agenda items for the Management Meeting
April	• Proposed decision-making process for implementing ROIC management
May	• SR interview results • Organizational structure and evaluation system for implementing ROIC management • Group management policy survey results and future companywide initiatives
June	• Progress of discussions toward formulating overseas business strategy • Progress of sustainability initiatives • Review of earnings and strategy briefing • Organization and evaluation system for implementing ROIC management
July	• Future growth strategy for overseas business in existing countries • Progress of discussion for formulation of overseas business strategy
August	• Actions aimed at realization of management conscious of cost of capital and stock price • Progress of discussion for formulation of overseas business strategy

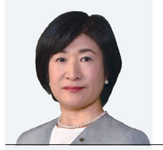
● Main themes in dialogue and status of the Company's responses in this fiscal year

Dialogue theme			Status of Daio Paper's response
Enhancement of corporate value	ROE improvement Cash allocation	Measures and timeline for achieving ROE targets Approach to cash allocation in the next MTBP	**[Action under review]** At the Management Meeting, we have commenced substantive discussions on the target ROE level, the timeline for achieving it, and the specific measures required to do so. In addition, discussions have begun on clearly articulating our approach to capital allocation, strengthening initiatives to improve capital turnover and working capital efficiency, and promoting management that is focused on capital efficiency. For specific initiatives related to ROE improvement and cash allocation, please refer to pages 19 and 20.
		Specific example of dialogue: You have stated that you aim to restore ROE to around 10%. Specifically, what measures will be implemented, and to what level will ROIC be raised in each business segment through these measures to achieve this target?	**The Company's initiatives:** For FY2024, operating profit for our overseas business as a whole is projected to be a loss of approximately 10 billion yen. By advancing ongoing structural reforms and achieving profitability, we believe we can fully expect to meet the FY2026 operating profit target of 30 billion yen set in the 5th MTBP. We recognize that our current ROE level falls short of our target, but our immediate goal is to restore it to approximately 4.5% by the end of the 5th MTBP as a baseline, and then we intend to clarify the timeline for achieving our target during the subsequent MTBP and beyond.
	Promotion of ROIC management	ROIC management promotion policy and implementation of specific measures	**[Action under review]** We are deepening the utilization of ROIC by business within the Company and currently employ it as a reference metric for the Management Meeting. We will proceed with the goal of disclosure within FY2026. For initiatives toward implementing ROIC management, please refer to pages 17 to 22.
		Specific example of dialogue: It appears that specific approaches for promoting ROIC management are not outlined in the 5th MTBP plan or the Long-Term Vision.	**The Company's initiatives:** We calculated ROIC by business and top management established a policy to "implement ROIC in management," but we recognize that translating this into individual personnel's KPIs through reverse ROIC trees and unifying the mindset between management and people working in the field are challenges. Regarding the progress of the MTBP, we intend to deepen discussions on comparisons with set KPIs, challenges, and course corrections, and establish a regular monitoring system in meetings of the Board of Directors.
Business strategy	Overseas business direction	Probability of achieving the 5th MTBP targets following the recovery of performance in the China business	**[Action taken]** Amid challenging performance in China within our Home & Personal Care Overseas Business, we recognize that the positioning of the overseas business within our global strategy and future development plans are of significant interest to our investors, and we disclosed our future direction in August 2025. As the basic policy for our future overseas business strategy, we will pursue the creation of sustainable profits in addition to expansion of sales. For the grand design of our overseas business, please refer to pages 43 to 46.
		Specific example of dialogue: Please tell us about specific strategies for feminine care in China.	**The Company's initiatives:** Mothers who purchased our "Dawang" brand baby diapers have become users of our feminine care products, and with high brand recognition, we are steadily increasing sales performance. For loyal users of feminine care products, we believe that once they understand the quality, they will often continue choosing our safe and reliable products rather than switching to items made by local manufacturers.
	Growth strategy for new businesses	Growth strategy and plan for cellulose nanofiber and biorefinery during the periods covered by the MTBP and Long-Term Vision	**[Action under review]** We have commenced discussions in the Management Meeting regarding the direction of growth strategies for new businesses such as cellulose nanofiber and biorefinery. For details on new business initiatives, please refer to pages 53 and 54.
		Specific example of dialogue: While the Long-Term Vision outlines plans to expand cellulose nanofiber and biorefinery businesses, it remains unclear how significantly these will be scaled up by 2035.	**The Company's initiatives:** As you pointed out, we recognize that our inability to indicate this is an issue, and we will discuss it in the Management Meeting in future.
E	Promotion of carbon neutrality	Initiatives and specific measures toward carbon neutrality, and a roadmap for achievement	**[Action taken]** We are proceeding with efforts toward achieving carbon neutrality by 2050 based on the Sustainability Vision disclosed in FY2021. For specific initiatives toward achieving carbon neutrality, please refer to pages 73 to 78.
E	Building a recycling-oriented society	Initiatives toward building a circular economy and progress	**[Action taken]** We are advancing initiatives to resolve local waste management challenges through the proactive utilization of hard-to-recycle recovered paper and the introduction of tunnel composting systems that convert waste into fuel. For initiatives toward realization of a recycling-oriented society, please refer to pages 72, 77 and 78.
S	Human capital management initiatives	Disclosure of engagement scores and measures to improve scores Disclosure of KPIs in human resources strategy	**[Action under review]** To improve engagement scores, we have established key initiatives aligned with our human resources strategy and disclosed evaluation metrics. We have also begun discussions within the Human Resources Strategy Committee to further enhance disclosure. For information on human capital management, please refer to pages 63 to 71.
S	Human rights responses	Handling of supplier questionnaire surveys and disclosing survey summaries in human rights risk assessments	**[Action taken]** In response to requests from our investors, we have enhanced disclosures starting with the 2025 Integrated Report. Additionally, we have disclosed the survey results based on the Daio Group SDGs Procurement Guidelines on the Company's website. For the SDGs Procurement Guidelines survey, please refer to page 62.
G	Organizational reforms	Background behind the decision to transition to a company with an Audit and Supervisory Committee, discussions leading up to the transition, and opinions from Outside Directors	**[Action taken]** After over a year of discussions in meetings of the Board of Directors while incorporating diverse opinions from Outside Directors, we transitioned to a company with an Audit and Supervisory Committee. We are implementing operational reforms in the Management Meeting to enhance executive functions, such as strengthening corporate governance through enhanced supervisory functions and expediting decision-making by delegating authority. For information on organizational reforms, please refer to pages 14, 17 and 89 to 98.
G	Remuneration of Officers	Consideration of review of percentage of fixed remuneration and performance-linked remuneration, and KPIs	**[Action taken]** We reviewed the evaluation criteria for remuneration of Officers in FY2025, and we will continue to examine these metrics, including potential revisions, through ongoing discussions within the Remuneration Committee. For an outline of the Remuneration System for Officers, please refer to page 103.

Directors (including Audit & Supervisory Committee Members) and Executive Officers (as of June 26, 2025)

Directors	Attendance at important meetings in FY2024		
	Board of Directors	Management Meeting	Sustainability Committee
 **Yorifusa Wakabayashi** President and Representative Director	14/14 meetings	11/11 meetings	4/4 meetings
 **Hiroshi Yamasaki** Executive Vice President and Representative Director	14/14 meetings	11/11 meetings	3/4 meetings
 **Atsushi Ishida** Director Managing Executive Officer	14/14 meetings	11/11 meetings	4/4 meetings
 **Hiroyuki Fujita** Director Managing Executive Officer	14/14 meetings	11/11 meetings	4/4 meetings
 **Toshikatsu Tanahashi** Director Managing Executive Officer	14/14 meetings	10/11 meetings	4/4 meetings
 **Shuhei Shinagawa** Director Managing Executive Officer	14/14 meetings	10/11 meetings	2/4 meetings

Outside Directors	FY2024 attendance at board meetings	Reasons for appointment
 **Naosuke Oda** Appointed in 2022	14/14 meetings	The Company expects that by leveraging his wealth of experience and extensive insight gained through his career as a President and Representative Director and in other executive positions of other companies, he will provide advice and make proposals from an independent standpoint, thus contributing to enhancing the Company's corporate value.
 **Makoto Horie** Appointed in 2024	11/11 meetings	The Company expects that by leveraging the extensive experience and global business expertise he has gained through serving as President and Representative Director and in other executive roles at other companies, he will provide independent advice and recommendations that contribute to enhancing the Company's corporate value.
 **Takako Masai** Appointed in 2024	11/11 meetings	The Company expects that by leveraging her wealth of experience, advanced expertise, and extensive insight gained through her career of holding key senior positions in the financial industry, such as at foreign-affiliated banks, a Japanese bank, and The Bank of Japan, she will provide advice and make proposals from an independent standpoint, thus contributing to enhancing the Company's corporate value.
 **Yoshihiro Iwata** Appointed in 2025	— (Before taking office)	The Company expects that by leveraging the extensive experience and global business expertise he has gained through serving as President and Representative Director and in other executive roles at other companies, he will provide independent advice and recommendations that contribute to enhancing the Company's corporate value.

Directors who are Audit and Supervisory Committee Members	FY2024 attendance at board meetings	Reasons for appointment
 **Yukihiro Tanaka** Director Full-Time Audit and Supervisory Committee Member Appointed in 2025	14/14 meetings	The Company has judged that he will execute effective audits, considering that he has a wealth of experience and expertise in each business area of the sales and administrative divisions at the Company and the Group companies.
 **Yosuke Kimura** Director Full-Time Audit and Supervisory Committee Member Appointed in 2025	— (Before taking office)	The Company has judged that, given his extensive experience and expertise in both the sales and administrative divisions, he is capable of performing effective audits.
 **Yoichi Takei** Outside Director Audit and Supervisory Committee Member Appointed in 2025	14/14 meetings	The Company has judged that he will appropriately execute his duties as Outside Director who is an Audit and Supervisory Committee Member from an independent standpoint by leveraging his expertise as an attorney and his high perspective and extensive experience gained through his career as an officer of other companies.
 **Kyoko Okada** Outside Director Audit and Supervisory Committee Member Appointed in 2025	13/14 meetings	The Company has judged that she will appropriately execute her duties as Outside Director who is an Audit and Supervisory Committee Member from an independent standpoint by leveraging her extensive expertise on CSR and corporate culture and her wealth of experience gained through her career as an officer of other companies.
 **Yoshikuni Noguchi** Outside Director Audit and Supervisory Committee Member Appointed in 2025	11/11 meetings	The Company has judged that he will appropriately execute his duties as Outside Director who is an Audit and Supervisory Committee Member from an independent standpoint by leveraging his experience as a partner of an audit corporation and his advanced expertise in finance and accounting.

Executive Officers

Senior Executive Officers	**Hiroshi Mizobuchi**	Responsible for Advanced Bio Materials Business Promotion Center, Production Unit
	Mitsuru Ogawa	General Manager of Human & Family Care Sales Division, Home & Personal Care Domestic Business Group
	Shuji Ozaki	General Manager of Mishima Mill, Production Unit
	Makoto Saito	General Manager of Overseas Business Promotion Division, Home & Personal Care Overseas Business Group
Executive Officers	**Hiroyuki Shidara**	Chairman and Director of Santher-Fábrica de Papel Santa Therezinha S.A.
	Takahisa Kashiwabara	President and Representative Director of Elleair International China (Nantong) Co., Ltd.
	Michihiko Tamaki	General Manager of Advanced Bio Materials Business Promotion Center <Biorefinery Group・New Business Planning Group >, Production Unit
	Yukio Kume	General Manager of Product Development Division, Home & Personal Care Domestic Business Group; Responsible for Global Marketing Division
	Mikiro Shiramine	General Manager of Resources and Procurement Division, Corporate Unit
	Junichi Ikawa	Deputy General Manager of Sustainability Promotion Division, Corporate Unit
	Akihisa Yano	Acting Manager of Mishima Mill, Production Unit (Responsible for Utility Unit)
	Masahiko Takeshima	Deputy General Manager of Overseas Business Promotion Division, Home & Personal Care Overseas Business Group
	Yoshitsugu Fujii	General Manager of Media Solution Division, Paper & Paperboard Group
	Akio Nagaoka	President and Representative Director of Daio Package Corporation
	Akihisa Masuda	General Manager of Shikoku Operation Department, Mishima Mill, Production Unit
	Takeshi Kojima	General Manager of Human Resources Division, Corporate Unit
	Kazuyoshi Tagami	General Manager of Global Logistics Division, Corporate Unit
	Hiroaki Tasaka	General Manager of Kani Mill, Production Unit
	Noriyo Tanabe	General Manager of Diversity Promotion Department, Human Resources Division, Corporate Unit

Financial and Non-Financial Highlights

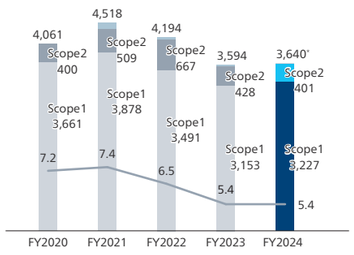
Financial Data

Item		FY2020	FY2021	FY2022	FY2023	FY2024
Net sales	(Million yen)	562,928	612,314	646,213	671,688	**668,912**
Paper and Paperboard Business	(Million yen)	302,453	327,429	338,507	355,307	**351,166**
Home and Personal Care Business	(Million yen)	237,990	257,282	278,838	293,064	**295,188**
Other Businesses	(Million yen)	22,484	27,602	28,866	23,316	**22,557**
Operating profit	(Million yen)	36,873	37,569	-21,441	14,367	**9,807**
Operating margin	(%)	6.6	6.1	-	2.1	**1.5**
Profit attributable to owners of parent	(Million yen)	22,115	23,721	-34,705	4,472	**-11,197**
Total assets	(Million yen)	849,801	840,441	923,531	939,745	**886,066**
Net assets	(Million yen)	246,788	266,704	244,670	260,086	**249,713**
Capital expenditures	(Million yen)	53,411	64,165	47,857	31,421	**34,584**
Depreciation	(Million yen)	34,137	37,810	43,128	45,124	**44,815**
Net interest-bearing debt	(Million yen)	299,785	297,445	387,670	361,633	**342,225**
Net debt to equity ratio	(Times)	1.3	1.1	1.6	1.5	**1.4**
Free cash flow	(Million yen)	-39,492	8,975	-84,183	32,754	**23,748**

Non-Financial Data

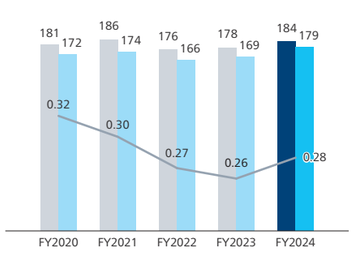
Environmental

GHG Emissions

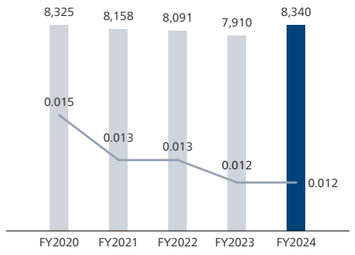


*Net GHG emissions excluding the amount equivalent to green power certificates sold were 3,628,000 t or 5.4 per unit of net sales.

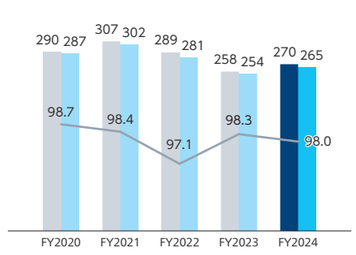
Water Withdrawal/Wastewater



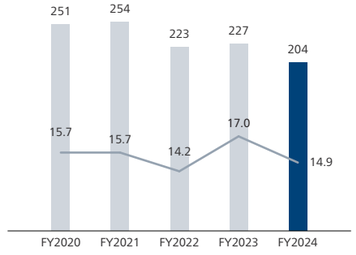
COD Emissions



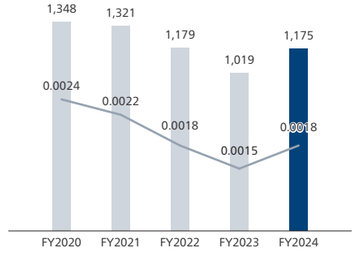
Waste Created/Waste Reused



Hard-to-recycle Recovered Paper

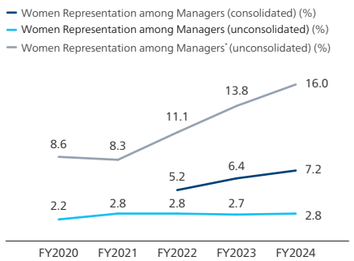


Sulfur Oxide (SOx) Emissions



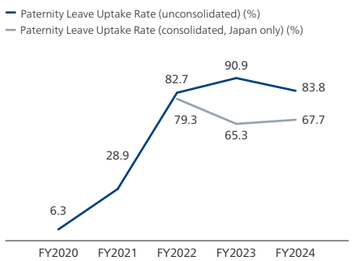
Human resources

Women's Advancement

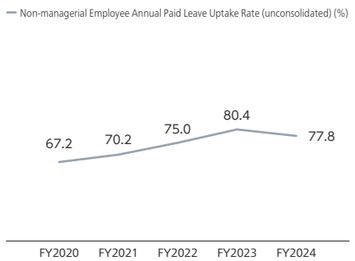


*Persons in front-line leadership positions such as chiefs, excluding officers and managerial positions

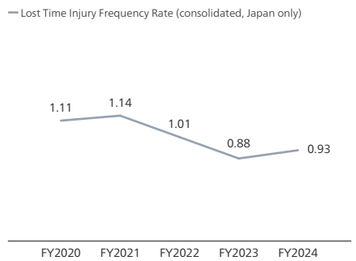
Paternity Leave Uptake Rate



Percentage Uptake of Annual Paid Leave

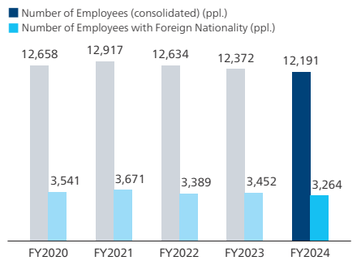


Safety and Health

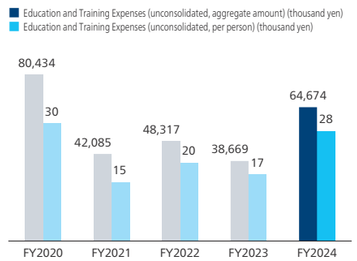


*The rate is calculated by dividing the number of casualties from occupational accidents during a given period by the total number of actual working hours in the same period, then multiplying by 1,000,000. This calculation only includes casualties from occupational accidents resulting in at least one day of absence from work or the loss of a body part or function.

Number of Employees



Human Resource Development (Improving Employees' Capabilities)



Financial Highlights

Daio Paper Corporation and its consolidated subsidiaries
As of and for the fiscal years ended March 31

Fiscal year		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
For the fiscal year[*1] :												
Net sales	million yen	450,239	474,077	477,140	531,311	533,890	546,433	562,928	612,314	646,213	671,688	**668,912**
Paper and Paperboard Business	million yen	290,035	299,962	291,953	313,553	316,491	317,825	302,453	327,429	338,507	355,307	**351,166**
Home and Personal Care Business	million yen	146,836	158,904	168,820	196,970	195,095	204,732	237,990	257,282	278,838	293,064	**295,188**
Other Businesses	million yen	13,368	15,211	16,367	20,788	22,304	23,876	22,484	27,602	28,866	23,316	**22,557**
Operating profit	million yen	21,796	24,323	23,535	11,062	12,122	30,629	36,873	37,569	-21,441	14,367	**9,807**
Paper and Paperboard Business	million yen	10,068	10,473	10,027	700	8,130	19,936	19,576	22,328	-12,369	15,974	**8,887**
Home and Personal Care Business	million yen	9,206	10,365	10,110	8,085	4,272	7,964	14,734	11,924	-12,608	-4,087	**-1,367**
Other Businesses	million yen	2,071	3,153	3,113	2,024	-331	2,687	2,520	3,295	3,500	2,420	**2,221**
Adjustments[*2]	million yen	451	332	285	253	51	42	42	21	36	59	**67**
Operating margin[*3]	%	4.8	5.1	4.9	2.1	2.3	5.6	6.6	6.1	-	2.1	**1.5**
Paper and Paperboard Business	%	3.5	3.5	3.4	0.2	2.6	6.3	6.5	6.8	-	4.5	**2.5**
Home and Personal Care Business	%	6.3	6.5	6.0	4.1	2.2	3.9	6.2	4.6	-	-1.4	**-0.5**
Other Businesses	%	15.5	20.7	19.0	9.7	-1.5	11.3	11.2	12.0	-	10.4	**9.8**
Ordinary profit	million yen	21,784	21,259	21,347	12,779	9,842	28,112	34,478	37,696	-24,050	9,622	**4,530**
Ordinary margin[*4]	%	4.8	4.5	4.5	2.4	1.8	5.1	6.1	6.2	-	1.4	**0.7**
Profit attributable to owners of parent[*5]	million yen	13,209	14,594	12,136	3,971	4,697	19,199	22,115	23,721	-34,705	4,472	**-11,197**
Comprehensive income[*5]	million yen	27,943	9,599	14,905	2,735	1,583	13,477	19,987	25,088	-18,795	18,552	**-4,461**
Capital expenditures	million yen	31,587	37,310	32,453	39,523	59,590	61,934	53,411	64,165	47,857	31,421	**34,584**
Depreciation	million yen	27,203	26,988	29,017	31,171	33,331	31,843	34,137	37,810	43,128	45,124	**44,815**
R&D expenses	million yen	2,683	2,791	2,902	3,280	2,809	3,043	3,109	3,547	3,533	3,336	**3,751**
At fiscal year-end :												
Total assets[*5]	million yen	652,745	656,310	657,747	686,141	745,866	763,060	849,801	840,441	923,531	939,745	**886,066**
Net assets[*5]	million yen	164,495	174,820	191,079	193,065	199,339	209,536	246,788	266,704	244,670	260,086	**249,713**
Net interest-bearing debt	million yen	292,466	281,456	255,077	279,994	301,906	285,426	299,785	297,445	387,670	361,633	**342,225**
Number of shares issued	shares	149,348,785	149,348,785	149,348,785	149,348,785	153,713,191	154,531,953	169,012,926	169,012,926	169,012,926	169,012,926	**169,012,926**
Cash flow status[*6] :												
Cash flows from operating activities	million yen	44,740	47,011	62,932	28,285	40,287	68,013	64,210	71,395	-26,233	59,297	**44,649**
Cash flows from investing activities	million yen	-28,581	-26,073	-31,394	-51,485	-62,110	-47,870	-103,702	-62,420	-57,950	-26,543	**-20,901**
Free cash flow	million yen	16,160	20,938	31,538	-23,200	-21,823	20,143	-39,492	8,975	-84,183	32,754	**23,748**
Cash flows from financing activities	million yen	-29,429	-17,475	-22,037	386	65,898	-14,050	63,589	-50,609	96,437	-13,612	**-35,486**
Cash and cash equivalents (ending balance)	million yen	69,073	72,169	82,733	60,086	103,407	109,385	130,301	88,897	102,405	123,750	**112,872**
Per share information[*5] :												
Basic earnings per share	yen	93.48	100.15	83.28	27.25	31.70	127.91	138.73	142.91	-209.01	26.89	**-67.29**
Net assets per share	yen	1,059.78	1,119.24	1,211.33	1,221.65	1,236.58	1,319.57	1,440.33	1,561.52	1,414.73	1,488.64	**1,422.46**
Dividend per share	yen	8.50	10.50	10.50	10.50	10.50	13.50	17.00	22.00	16.00	16.00	**14.00**
Major indicators[*5] :												
Return on equity (ROE)	%	10.0	9.2	7.1	2.2	2.6	10.0	10.1	9.5	-14.0	1.9	**-4.6**
Return on assets (ROA)	%	2.0	2.2	1.8	0.6	0.6	2.5	2.6	2.8	-3.9	0.5	**-1.2**
Equity ratio	%	23.7	24.9	26.8	25.9	24.9	26.1	28.2	30.8	25.5	26.4	**26.7**
Net debt to equity ratio (NDER)	times	1.9	1.7	1.4	1.6	1.6	1.4	1.3	1.1	1.6	1.5	**1.4**

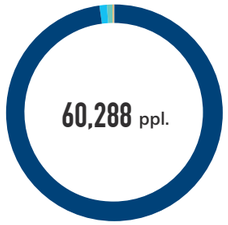
*1. Amounts are rounded down to the nearest million yen for the fiscal year ended March 2021 and subsequent years, and are rounded to the nearest million yen for years before the fiscal year ended March 2021.
*2. Until the fiscal year ended March 2014, corporate expenses were included in "adjustments." However, since the fiscal year ended March 2015, corporate expenses have been allocated to each business segment in order to more accurately grasp the financial results of each business segment. The adjustments represent eliminations of inter-segment transactions.
*3. Not presented as the Company recorded an operating loss for the fiscal year ended March 2023.
*4. Not presented as the Company recorded an ordinary loss for the fiscal year ended March 2023.
*5 The Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022) and related standards have been applied from the beginning of the fiscal year ended March 2025. Figures for the fiscal year ended March 2023 and thereafter reflect the amounts after applying these accounting standards retrospectively.
*6 Effective from the fiscal year ended March 2019, interest and dividends received and interest paid are presented under "Cash flows from operating activities." Consolidated financial statements for the fiscal year ended March 2018 are restated to reflect the change in classification.

Investor Information

Status of Shares
(As of March 31, 2025)

Authorized Shares	300,000,000 shares
Number of Shares Issued	169,012,926 shares
Number of Shareholders	60,288 ppl.

Shareholder Distribution



Number of Shareholders by Type of Shareholder

Individuals, others	97.9%
Other domestic companies	1.2%
Foreign institutions and individuals	0.8%
Financial institutions	0.1%
Securities companies	0.1%
Treasury stock	0.0%



Number of Shares by Type of Shareholder

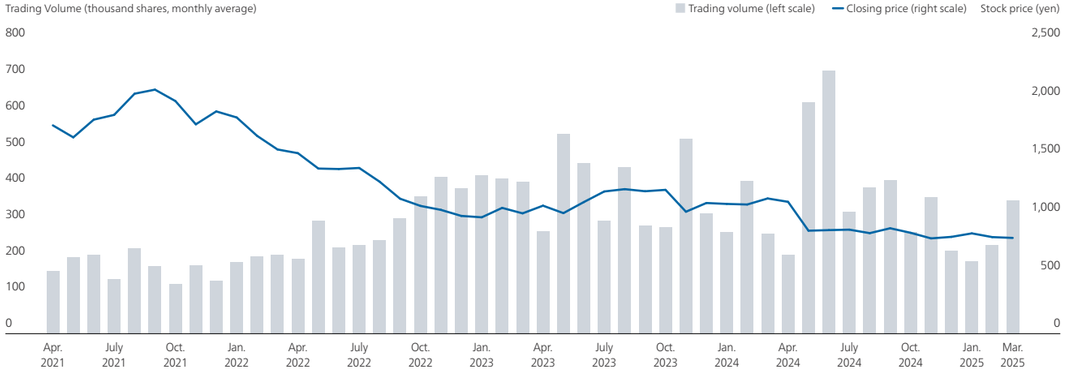
Other domestic companies	50.8%
Financial institutions	22.9%
Foreign institutions and individuals	12.7%
Individuals, others	12.2%
Securities companies	0.6%
Treasury stock	0.8%

Major Shareholders

Name	Number of shares held (thousand)	Shareholding ratio (%)*2
Hokuetsu Corporation	41,589	24.8
The Master Trust Bank of Japan, Ltd. (Trust Account)*1	11,902	7.1
Daio Kaiun Co., Ltd.	11,162	6.7
The Iyo Bank, Ltd.	7,072	4.2
The Ehime Bank, Ltd.	6,920	4.1
Custody Bank of Japan, Ltd. (Trust Account)*1	6,008	3.6
Ehime Paper Manufacturing Co. Ltd.	5,331	3.2
Kami Shoji Co. Ltd.	4,700	2.8
Hyogo Paper Manufacturing Co., Ltd.	3,179	1.9
Hyogo Pulp Co., Ltd.	2,752	1.6
Total	**100,619**	**60.0**

*1 The shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account) are related to trust service.
*2 The shareholding ratio does not include treasury stock (excluding shares held by the trust bank as the Trust for Delivery of Shares and the Employee Stock Ownership Plan Trust).

Stock Price and Trading Volume

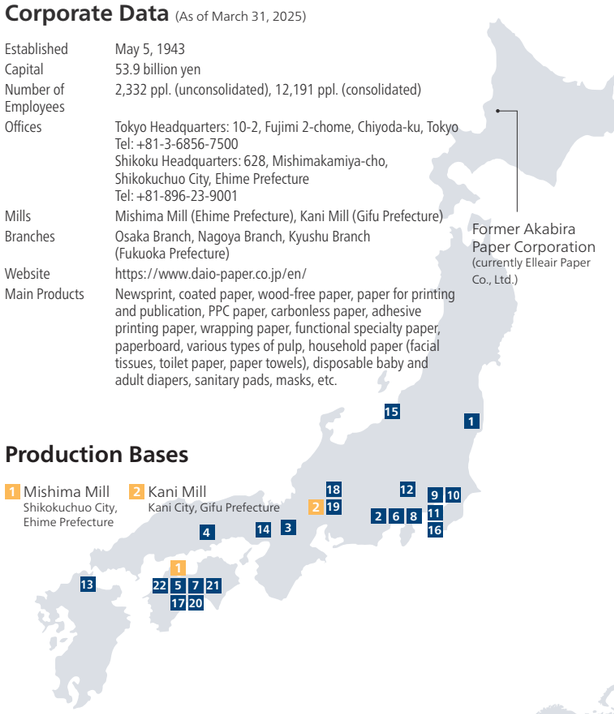


Corporate Data

Corporate Data (As of March 31, 2025)

Established	May 5, 1943
Capital	53.9 billion yen
Number of Employees	2,332 ppl. (unconsolidated), 12,191 ppl. (consolidated)
Offices	Tokyo Headquarters: 10-2, Fujimi 2-chome, Chiyoda-ku, Tokyo Tel: +81-3-6856-7500 Shikoku Headquarters: 628, Mishimakamiya-cho, Shikokuchuo City, Ehime Prefecture Tel: +81-896-23-9001
Mills	Mishima Mill (Ehime Prefecture), Kani Mill (Gifu Prefecture)
Branches	Osaka Branch, Nagoya Branch, Kyushu Branch (Fukuoka Prefecture)
Website	https://www.daio-paper.co.jp/en/
Main Products	Newsprint, coated paper, wood-free paper, paper for printing and publication, PPC paper, carbonless paper, adhesive printing paper, wrapping paper, functional specialty paper, paperboard, various types of pulp, household paper (facial tissues, toilet paper, paper towels), disposable baby and adult diapers, sanitary pads, masks, etc.

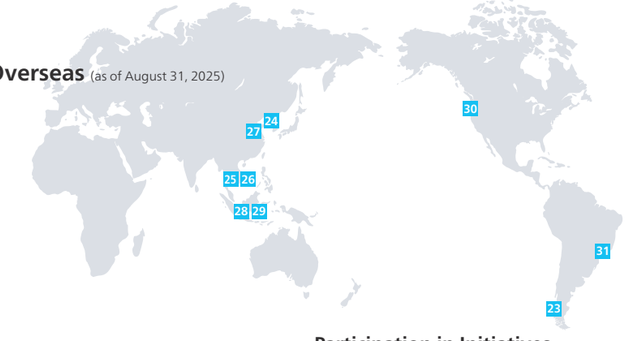
Production Bases



Business Bases of the Group Companies in Japan (as of August 31, 2025)

Paper Manufacturing	1 Iwaki Daio Paper Corporation Iwaki City, Fukushima Prefecture 2 Dainichi Paper Corporation Fuji City, Shizuoka Prefecture 3 Otsu Paper Board Co., Ltd. Otsu City, Shiga Prefecture 4 Daio Paper Techno Corporation Tsuyama City, Okayama Prefecture 5 Marubishi Paper Tec. Corporation Shikokuchuo City, Ehime Prefecture
H&PC Manufacturing	6 Elleair Paper Co., Ltd. Fujinomiya City, Shizuoka Prefecture 7 Elleair Product Co., Ltd. Shikokuchuo City, Ehime Prefecture 8 Daio Paper Products Corporation Fuji City, Shizuoka Prefecture 9 Daiki Co., Ltd. Chiyoda-ku, Tokyo
Printing	10 Daio Miura Corporation Toshima-ku, Tokyo
Corrugated Containers	11 Daio Package Corporation Chiyoda-ku, Tokyo 12 Yorii Insatsu Shiki Co., Ltd. Honjo City, Saitama Prefecture 13 Uemura Shiko Corporation Kanda-machi, Miyako District, Fukuoka Prefecture 14 Yoshikawa Shigyo Corporation Kawanishi City, Hyogo Prefecture 15 Yoshizawa Kogyo Corporation Izumozaki-machi Mishima District, Niigata Prefecture
Distribution	16 EBS Co., Ltd. Chuo-ku, Tokyo
Paper Converting	17 Elleair Paper Technology Co., Ltd. Shikokuchuo City, Ehime Prefecture 18 Elleair Paper Technology Tokai Corporation Kawabe-cho, Kamo District, Gifu Prefecture 19 Elleair Texel Corporation Kani City, Gifu Prefecture
Engineering	20 Daio Engineering Co., Ltd. Shikokuchuo City, Ehime Prefecture
Transportation	21 Daio Logistics Co., Ltd. Shikokuchuo City, Ehime Prefecture
Other Businesses	22 Elleair Resorts Golf Club Co., Ltd. Matsuyama City, Ehime Prefecture

Business Bases of the Group Companies Overseas (as of August 31, 2025)



23 Forestal Anchile LTDA. (Chile)
24 Elleair International Korea Co., Ltd. (South Korea)
25 Elleair International (Thailand) Co., Ltd. (Thailand)
26 Elleair International Vietnam Co., Ltd. (Vietnam)
27 Elleair International China (Nantong)
28 PT. Elleair International Trading Indonesia (Indonesia)
29 PT. Elleair International Manufacturing Indonesia (Indonesia)
30 Oregon Chip Terminal Inc. (U.S.)
31 Santher-Fábrica de Papel Santa Therezinha S. A. (Brazil)

External Evaluations

FTSE Blossom Japan Sector Relative Index
Selected as a constituent of the "FTSE Blossom Japan Sector Relative Index" for two consecutive years

FTSE Blossom Japan Index
Selected as a constituent of the "FTSE Blossom Japan Index" for two consecutive years

Sompo Sustainability Index
Selected as a constituent of the SOMPO Sustainability Index

ecovadis
Received an EcoVadis silver medal for two consecutive years

DBJ BCM格付
Acquired a DBJ BCM (Business Continuity Management) rating from the Development Bank of Japan (DBJ) for four consecutive years

FTSE Russell (a registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that as a result of a third-party survey, Daio Paper Corporation has been found to satisfy the requirements for inclusion in the FTSE Blossom Japan Sector Relative Index, and has become a constituent thereof. The FTSE Blossom Japan Sector Relative Index is widely used to create and assess sustainable investment funds and other financial instruments.

- Recognized as a Health & Productivity Management Outstanding Organization (large enterprise category (White 500)) for eight consecutive years
- Recognized as a Health & Productivity Management Outstanding Organization (SME category) for the first time
- Recognized as a D&I AWARD 2024 "Best Workplace" company
- Obtained a two-star rating "L-boshi Certification" based on the Act on the Promotion of Women's Active Engagement in Professional Life
- Certified as an employee welfare promotion organization in Hataraku Yell 2025
- Certified as a Sports Yell Company 2025

Participation in Initiatives and Advocacy Activities

- UN Global Compact
- WEPs
- Task Force on Climate-related Financial Disclosures (TCFD)
- Taskforce on Nature-related Financial Disclosures (TNFD)
- Voluntary Consumer-oriented Declaration (Promotion of Consumer-oriented Management)
- Declaration of Partnership Building
- GX League
- 30by30 Alliance
- Japan Partnership for Circular Economy (J4CE)
- My Declaration of Human Rights
- Keidanren Initiative for Biodiversity Conservation
- CLOMA
- Paper Recycling Promotion Center

▶For more information visit https://www.daio-paper.co.jp/en/csr/