

This notice is an English translation of the original Japanese text of the timely disclosure statement dated May 31, 2018 issued by Daio Paper Corporation, and is for reference purposes only. In the event of any discrepancy between the original Japanese text and this English translation, the Japanese text shall prevail

May 31, 2018

To whom it may concern:

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Regarding the Third Medium-term Business Plan

Daio Paper Corporation (hereinafter, “Daio Paper”) hereby announces the overview of the Third Medium-term Business Plan (hereinafter, the “3rd MTBP”) spanning the three years from FY2018 to FY2020 as follows.

1. Daio Paper Group’s Long-term Vision and the position of the 3rd MTBP

Based on the Group’s Management Philosophy “Shaping an abundant and affable future for the world”, Daio Paper established its Long-term Vision of “To strategically transform its business portfolio and become a sustainable corporate group capable continuous growth”. In 10 years, it aims to achieve net sales of 800 billion yen to 1 trillion yen (with the Home & Personal Care (hereinafter, “H&PC”) business contributing above 50%, and the H&PC overseas business achieving net sales composition ratio of above 30%).

For the 3rd MTBP, it will resolutely implement growth strategies aimed at achieving the Long-term Vision, while advancing the reform of its corporate structure to strengthen resilience to sudden changes in the external environment.

2. Overview of the 3rd MTBP

The overview of the 3rd MTBP is as follows. Please see the attached document “The Third Medium-term Business Plan (April 2018~March 2021)” for more details.

1) Theme: “Move on: Reform and Soar Above”

2) Financial targets:

(1) The 3rd MTBP

	FY2017 Results	3 rd MTBP FY2020 Targets	(For reference) Long-term Vision
Net sales	531.3 bn yen	635 bn yen	800 bn yen–1 tn yen
Operating income	11.1 bn yen	32 bn yen	80–100 bn yen
(Operating margin)	(2.1 %)	(5.0 %)	(10 %)
H&PC overseas business net sales ratio	7.7 %	15 %	Above 30 %
ROE	2.2 %	8 %	Above 12 %
Net D/E ratio	1.6	1.6	Under 1.0
(For reference) Net interest-bearing debt	280.0 bn yen	350 bn yen	-

*Assumptions

Exchange rate	110.9 JPY/USD	112 JPY/USD	-
Dubai crude oil	56 USD/barrel	62 USD/barrel	-

(2) Targets by business segments

	FY2017 Results			FY2020 Targets		
	Net sales (bn yen)	OP income (bn yen)	Ratio	Net sales (bn yen)	OP income (bn yen)	Ratio
Paper & Paperboard	313.6	0.7	0.2%	320	10	3.1%
H&PC	197.0	8.1	4.1%	291	20	6.9%
Overseas	41.1	Δ1.3	-	100	7	7.0%
Domestic	155.9	9.4	6.0%	191	13	6.8%
Other businesses (incl. adjustments)	20.8	2.3	11.1%	24	2	8.3%
Total	531.3	11.1	2.1%	635	32	5.0%

3) Capital expenditure plan

Daio Paper will make capital investments of a total of 158 billion yen over the three years ending FY2020; the breakdown of which is 115 billion yen for strategic investments and 43 billion yen for ordinary investments.

• Breakdown of the 115 billion yen for strategic investments

Structural reform of Paper & Paperboard business	37 bn yen
Future growth and structural reform of H&PC business	52 bn yen
New businesses (CNF*, biomass power generation under FIT scheme, etc.)	19 bn yen
IT investments (NEXT.DAIO Project)	7 bn yen
Strategic investments, total	115 bn yen

*CNF: Cellulose nanofiber

4) Key strategies

- (1) Radical cross-business structural reform of Paper & Paperboard and Home & Personal Care
- (2) Global expansion and strengthening of profitability of Home & Personal Care
- (3) Logistics reform to support domestic growth of Home & Personal Care
- (4) New businesses (CNF, biomass power generation under the FIT scheme)

3. Overview of the Key Strategies

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

(1) Reform of the Paper business' production structure that capitalizes on Daio Paper's strengths

Daio Paper will thoroughly pursue a reform of its production portfolio by capitalizing on Mishima mill's three strengths as described below.

The first strength is the competitive advantage of its kraft pulp. Mishima mill is capable of producing both softwood pulp (highest production volume in Japan) and hardwood pulp (second highest production volume in Japan), and its coastal location also gives Daio Paper a cost advantage in the procurement of woodchips. Modification work to increase kraft pulp production would complete in July 2020, thus further increasing profitability.

The second strength is its domestic leading technological capability of sorting and re-pulping hard-to-recycle recovered paper (recovered paper which is difficult for standard facilities to turn into pulp). Daio Paper will establish a cost structure with competitive advantage against its competitors, by incorporating the automated metal/plastic/colored object sorting technology that Daio Paper Group possesses into its recovered paper processing facility, therefore enabling the effective use of low-cost

hard-to-recycle recovered paper. In the future, Daio Paper aims to develop this technology further and increase its usage of hard-to-recycle recovered paper to 40% of the recovered paper used in containerboard production.

The third strength is Mishima mill's location next to an international trade port. As the difference between the freight cost from the Port of Mishima-Kawanoe to the Port of Shanghai in China and that to the Port of Tokyo is minimal, Daio Paper designates Mishima mill as the export base of its household paper, containerboard and kraft paper. Daio Paper regards the whole of Asia, including China, as its new market, and it hopes to create new market opportunities in Asia.

(2) Structural reform of Paper & Paperboard: From graphic paper to packaging paper

I. Maintain stable supply of graphic paper (e.g. newsprint, printing paper, business communication paper)

Daio Paper aims to maintain its structure of stable supply to its customers by making effective use of the swing machine (paper machine that can produce various grades of paper) at Mishima mill. In addition, it seeks to strengthen its competitive advantage by continuing to pursue a shift in product mix and promote close cooperation with the members of the regional distributors' partnership "Sakura Terrace", and by increasing the production efficiency and cost competitiveness of its mills.

II. Strengthen production structure and increase export of packaging paper

To adapt to structural changes in demand, Daio Paper will build a highly cost competitive containerboard production structure by increasing the usage of hard-to-recycle recovered paper in machines with superior productivity, and also strengthen its production of kraft paper.

- Rebuild Mishima mill's paper machine into a containerboard machine of leading competitiveness in Japan (planned for April 2020)
- Shut down the containerboard machine at its subsidiary, Taisei Paper Corporation (hereinafter, "Taisei"), and shift the production of white top linerboard from Taisei to Mishima mill
- Implement production adjustments for machine at Mishima: shift from production of containerboard and specialty kraft paper to production of kraft paper

As a result of the production increase of containerboard and kraft paper, Daio Paper will strengthen exports to China and other Asian countries, where demands are particularly strong. The move to export containerboard would also facilitate the development of corrugated containerboard businesses to be based near H&PC overseas production factories, each an assured source of demand, in the near future.

As regards Taisei, in addition to the existing household paper production machine, Daio Paper would install processing machines for wet tissues and other products, and transform Taisei's business structure to a production factory that is dedicated to the H&PC domestic business.

2) Global expansion and strengthening of profitability of Home & Personal Care

(1) Household paper

Following the launch of the new household paper production machine at Kawanoe mill* in October 2018, Daio Paper will export jumbo tissue rolls (intermediate good) to its Chinese subsidiary, Elleair International China (Nantong) (hereinafter, "EICN"), convert into premium toilet rolls at EICN, and sell the finished products in the Chinese market. On the strength of the high-end brand image of "Elleair" and "Daio (Dawang)" established by EICN's baby diapers business, consumer reactions to the test marketing

that it is conducting in China at the present are very favorable, and it is expected that the sales of the premium toilet rolls in China would expand at a quicker rate than initial projections.

To accommodate the sales expansion in China, Daio Paper will be increasing allocation of the household paper produced by the new machine at Kawanoe mill to exports to Asia, including China. That would result in a shortage of household paper for the domestic market. As such, Daio Paper will install a new household paper machine in Kani mill (slated for April 2020), in order to increase the profitability of the H&PC business and to further strengthen its supply structure as the leading household paper company in Japan, and establish its position as the dominant No.1 household paper brand in Japan.

*Kawanoe mill, which is located beside Mishima mill, have pipes and power transmission lines connected to Mishima mill. As such, Mishima mill will supply highly cost competitive kraft pulp in slurry form, as well as energy such as steam and electric power to Kawanoe mill. Operations of Mishima mill and Kawanoe mill will be integrated.

(2) Absorbent products

I. Domestic business

Daio Paper's "Attento" brand adult disposable diapers are top-class in the institutional use category. Capitalizing on this advantage, Daio Paper has started to provide an original app through Medical Care Station, an SNS platform exclusive to medical and nursing care professionals, within the framework of the "Community-based Integrated Care Systems" that the Ministry of Health, Labor and Welfare promotes. Through this initiative to meet the needs of a society where consumers would rotate between hospitals and home-based medical and nursing care, Daio Paper seeks to strengthen the connection between its institutional diapers and diapers for retail customers, and increase its sales and profit.

Daio Paper also seeks to realize the sales expansion of the following product categories through its meticulous dedication to quality and its wide product line-up: light incontinence products ("Natura" brand) which seek to alleviate the anxieties of active mid-lifers and elderly people to improve their comfort and quality of lives, and baby disposable diapers ("GOO.N" brand), for which consumer quality demands (e.g. gentleness on skin, absorbency) are getting higher due to the decline in domestic birthrate.

II. Overseas business

Regarding China, in addition to initiatives to increase the sales of baby disposable diapers in the super premium zone, it has started full-scale sales activities for adult disposable diapers, such as sales proposal activities aimed at high-end elderly care facilities in Beijing and the East China region. As stated above, it is also seeking to create new market space for premium household paper and accelerate multi-category business expansion. To strengthen production in China to cope with the projected increase in sales, Daio Paper intends to acquire the land next to EICN's existing factory for use as the site for its second production base in 2018, and start operations of the second factory during the time frame of the 3rd MTBP.

As regards Thailand, its factory, which currently produces baby disposable diapers, feminine care products and wet tissues, is the first of the Daio Paper Group's overseas production bases to expand into production of multiple categories. Daio Paper regards the Indochinese peninsula as a single market, and is currently engaged in activities to increase sales in Thailand, Vietnam, Malaysia, Myanmar and other countries in the region.

In regard to Indonesia, to cope with the increase in demand for baby disposable diapers, Daio Paper plans to install more production facilities. It is also currently engaged in activities to increase sales to

channels such as traditional trade shops (warung), which make up 30% of the baby disposable diaper market, the rapidly expanding EC channel and others. As such, Daio Paper is currently considering the construction of a second factory to strengthen production.

As to Turkey, one of the major economies in the Middle East, Daio Paper established a representative office in September 2017 and started the sales of baby disposable diapers. Consumer reactions are favorable, and Daio Paper has begun studying the feasibility of constructing a factory in preparation for local production in the future.

Also, regarding countries where it is conducting export sales, such as South Korea, Taiwan and Russia, it aims to further expand sales area and product diversification by promptly capturing the trends and changes in each country's consumer sentiments and reflect those in product development.

3) Logistics reform to support domestic growth of Home & Personal Care

To support the growth of the H&PC domestic business, Daio Paper is further strengthening its supply structure as the top household paper manufacturer in Japan by making the shift to become the preferred choice of transportation companies. It is also constructing a framework to provide robust support for the sales and profit expansion of its retailers.

From April 2018, four large-scale logistics center (with total floor area of approximately 175,000m²) at the three main production bases of the Group situated in Shikokuchuo city (Ehime prefecture), Kani city (Gifu prefecture), and Fujinomiya city (Shizuoka prefecture) will start operations sequentially, improving storage efficiency by approximately 10%. In addition, through the development of dedicated pallets, Daio Paper is pushing ahead a shift from manual loading and unloading to pallet distribution, which will reduce loading and unloading times by approximately 75%.

4) New businesses (CNF, biomass power generation under the FIT scheme)

Daio Paper is strengthening the development of new businesses, focusing mainly on the early commercialization of CNF. For the 3rd MTBP, it aims to accelerate materials development and the development of applications to fields such as electric appliances, cosmetics. Daio Paper will also work on establishing the technology for mass production and cost reduction, and its goal is to launch CNF-related products within the time frame of the 3rd MTBP.

As regards the biomass power generation under the FIT scheme, the business is slated to launch in July 2020.

4. Building the foundation for sustainable growth

1) ESG initiatives

Daio Paper seeks to realize sustainable growth as a corporate by proactively implementing initiatives to tackle environmental, social and governance issues through its business activities.

- Environmental
 - Commence biomass power generation under the FIT scheme (July 2020)
 - Make effective use of its forest plantation and hard-to-recycle recovered paper, and reduce waste, etc.
- Social
 - Improve infrastructure (e.g. bridges and roads) of its forest plantation in Chile
 - Provide support for home-based nursing care within the framework of the “Community-based Integrated Care Systems”, etc.
- Governance
 - Establish sound governance structure to support sustainable growth

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

The Daio Paper Group will implement ERP (Enterprise Resource Planning: systems and software package for the integrated management of core business processes) as the Group's core system, and work on improving the efficiency of group management. In addition, it will continue to promote the standardization of common operations through BPR (Business Process Re-engineering), and advance the reform of its business processes with IT investments geared toward future business expansion.

3) Reform of working styles

The Daio Paper Group will implement a radical reform of the working styles of all of its employees, increase the productivity and efficiency of each and every employee, and focus its management resources on growth areas. At the Group's principal mill, the Mishima mill, the number of female employees who are engaged in manufacturing or logistics operations is increasing. To ensure that female employees could work with peace of mind, Daio Paper established an on-site childcare facility for its employees in April 2018. The Daio Paper Group will continue to strengthen its initiatives to create an environment that enables women to maximize their potential in the workplace.

5. Shareholder returns

During the 3rd MTBP, Daio Paper aims to increase its corporate value by thoroughly pushing forward the radical reform of its production structure and the implementation of its grown strategies to construct a robust corporate structure. Daio Paper regards the return of profits to its shareholders as an important management issue, and its fundamental policy is to strive to maintain stable dividends while considering the replenishment of retained earnings. For the mid- to long-term, it will also take into account the progress of its business performance when reviewing dividend level.

End

Cautions regarding forward-looking statements

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

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

The Third Medium-term Business Plan

(April 2018 ~ March 2021)

Move on: Reform and Soar Above

May 31, 2018

Notes regarding figures and expressions:

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

Disclaimers regarding translation:

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

1. Overview of the Second Medium-term Business Plan

2. Daio Paper Group's vision

3. Strategic transformation of business portfolio

4. The Third Medium-term Business Plan

(1) Numeric Goals

- ① Financial targets
- ② Net sales and operating income (targets) by business segment
- ③ Consolidated operating income improvement plan
- ④ Capital expenditure

(2) Key strategies

The big picture of the key strategies

- ① Radical cross-business structural reform of Paper & Paperboard and Home & Personal Care
- ② Global expansion and strengthening of profitability of Home & Personal Care
- ③ Logistics reform to support domestic growth of Home & Personal Care
- ④ Early commercialization of cellulose nanofiber (CNF)

5. Building the foundation for sustainable growth

(1) ESG initiatives

- (2) Reform of business process via IT investments geared toward business expansion**
- (3) Reform of working styles**

1. Overview of the Second Medium-term Business Plan

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

Principal business goals and results

(billions of yen)	2 nd MTBP goals	Results
Net sales	500	531.3
Ordinary income	25	12.8
Sales ratio	5 %	2.4 %
Net interest-bearing debt	Under 250	280
Equity ratio	28 %	25.9 %
Net D/E ratio	1.5	1.6

Exchange rate	113 JPY/USD	110.9 JPY/USD
Dubai crude oil	55 USD/barrel	56 USD/barrel

Principal strategies

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

2. Daio Paper Group's vision

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



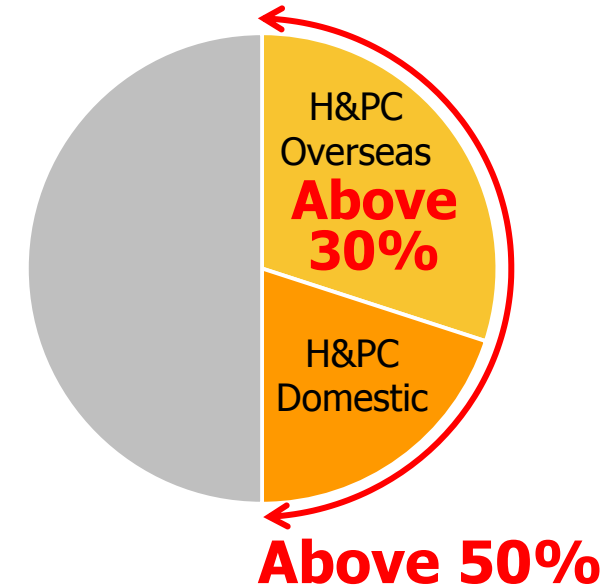
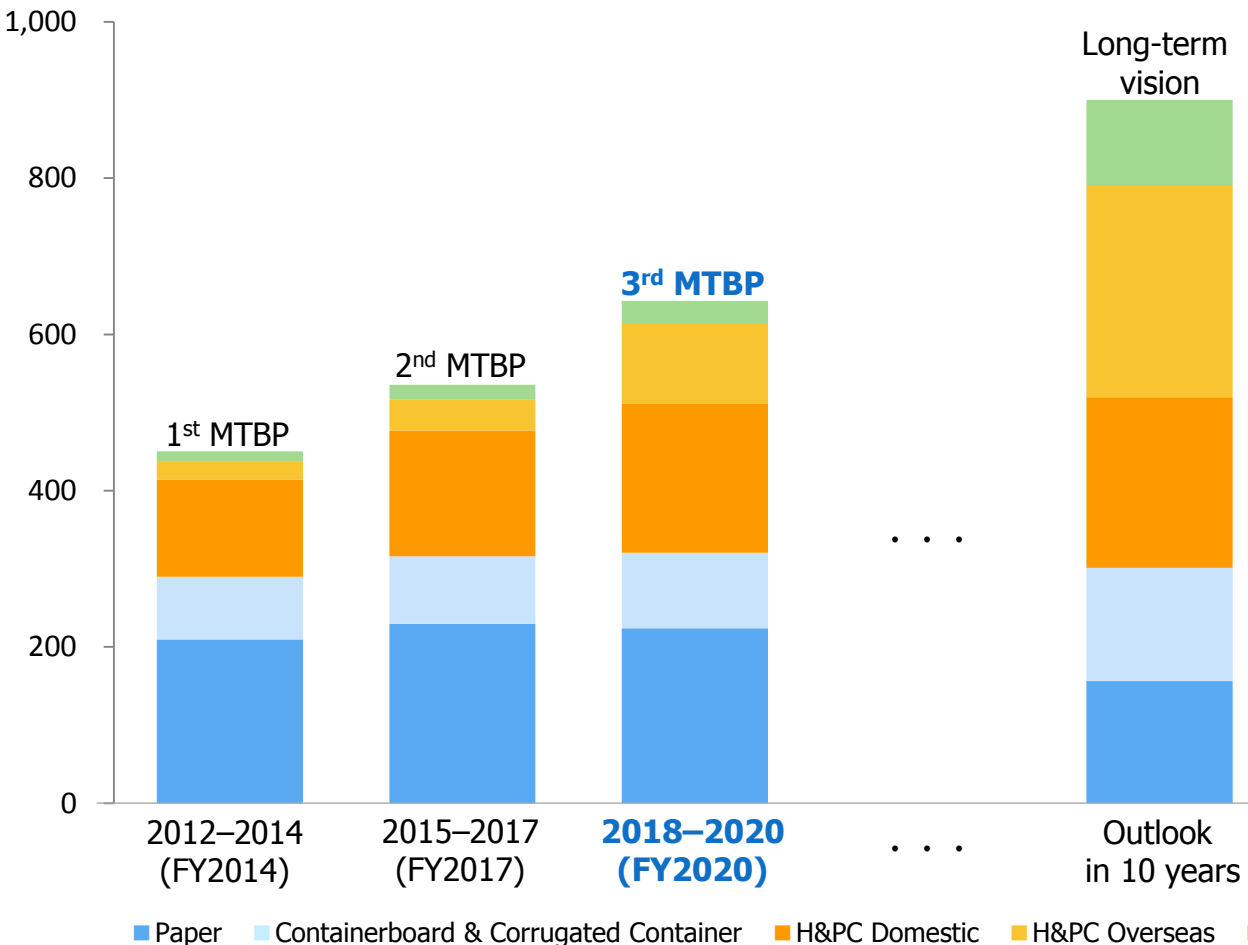
3. Strategic transformation of business portfolio

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

Net sales by segment

Net sales composition in 10 years (Outlook)

(billions of yen)



4. The Third Medium-term Business Plan (1) Numerical targets

① Financial targets

(billions of yen)	1 st MTBP (FY2014)	2 nd MTBP (FY2017)	3 rd MTBP (FY2020)	Long-term vision (Outlook in 10 years)
Net sales	450.2	531.3	635	800–1 tn yen
Operating income (Operating margin)	21.8 (4.8 %)	11.1 (2.1 %)	32 (5.0 %)	80–100 (10 %)
H&PC overseas business net sales ratio	4.9 %	7.7 %	15 %	Above 30 %
ROE	10.0 %	2.2 %	8 %	Above 12 %
Net D/E ratio	1.9	1.6	1.6	Under 1.0
Reference	Ordinary income (Ordinary margin)	21.8 (4.8 %)	12.8 (2.4 %)	28.5 (4.5 %)
	CAPEX (3-year cumulative)	78.3	109.3	158.0 ※1
	Depreciation (3-year cumulative)	80.0	87.2	105.8
	Net interest-bearing debt	292.5	280.0	350.0 ※2
JPY/USD	109.8	110.9	112	JPY/USD
Dubai crude oil	84	56	62	USD/barrel

※1 : Daio Paper plans to use own funds and debt financing (borrowings from financial institutions, bond issues) to fund CAPEX.

※2 : Daio Paper will mitigate impact to financial position through initiatives such as shortening of cash conversion cycle (from current 87 days to 77 days).

4. The Third Medium-term Business Plan (1) Numerical targets

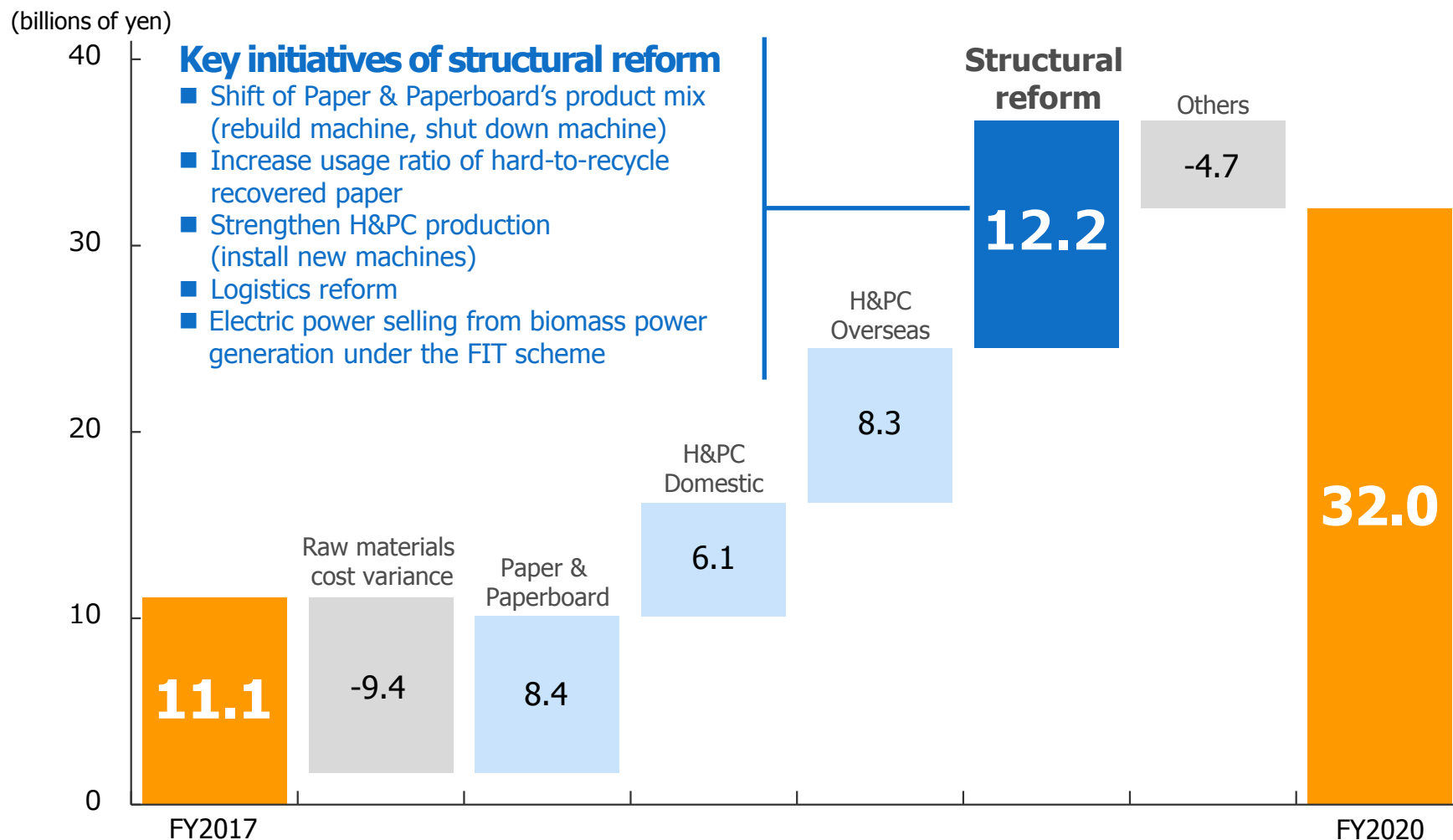
② Net sales and operating income (targets) by business segment



Business segment	2 nd MTBP (FY2017)			3 rd MTBP (FY2020) Targets		
	Net sales (bn yen)	OP income (bn yen)	OP margin	Net sales (bn yen)	OP income (bn yen)	OP margin
Paper & Paperboard	313.6	0.7	0.2%	320.0	10.0	3.1%
H&PC	197.0	8.1	4.1%	291.0	20.0	6.9%
(Breakdown) Overseas	41.1	-1.3	-	100.0	7.0	7.0%
Domestic	155.9	9.4	6.0%	191.0	13.0	6.8%
Other businesses (incl. adjustments)	20.8	2.3	11.1%	24.0	2.0	8.3%
Total	531.3	11.1	2.1%	635.0	32.0	5.0%

③ Consolidated operating income improvement plan

- Aim to achieve **consolidated operating income of 32 bn yen (+20.9 bn yen from FY2017)** in FY2020 by implementing initiatives centered on “structural reform”, the main pillar of the growth strategy, during the 3rd MTBP



④ Capital expenditure

3-year cumulative CAPEX: 158 bn yen

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

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

The big picture of the key strategies

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

[Paper & Paperboard] Structural reform

Make full use of Mishima mill's "three strengths"

- 1 Kraft pulp with competitive edge
- 2 Top-class recovered paper processing technology in Japan
- 3 Location next to an international trade port

1

2

Shift from "graphic paper" to "packaging paper"

- Stable supply of graphic paper
- Strengthen production of packaging paper

3

Increase export of containerboard and kraft paper to Asia

1

New businesses

Biomass power generation under the FIT scheme
Cellulose nanofiber (CNF)

1

[H&PC] Global expansion and strengthening of profitability

Household paper

Domestic

Strengthen supply structure
Establish dominant No.1 position

- Start production for new machine at Kawanoe mill
- Strengthen supply structure for domestic household paper market

Overseas

Expand sales of premium toilet rolls in China

- Convert jumbo rolls (which are produced by new machine at Kawanoe mill) at EICN
- Expand sales of household paper in Asia

3

Absorbent products

Domestic

Develop products and implement initiatives to address social needs

Overseas

Expand sales area and channels of baby diapers
Accelerate multi-category expansion

- Expand sales of adult diapers, feminine care products and wet wipes

Household paper/Absorbent products
Multi-category expansion

(Ref) Location of Mishima mill and Kawano mill



Kawano mill, which is located beside Mishima mill, have pipes and power transmission lines connected to Mishima mill. As such, Mishima mill will supply highly cost competitive kraft pulp in slurry form, as well as energy such as steam and electric power to Kawano mill. The operations of Mishima mill and Kawano mill will be integrated.

① Radical cross-business structural reform of Paper & Paperboard and Home & Personal Care <1>

Initiatives that capitalize on Mishima mill's three strengths

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

1 Kraft pulp with competitive edge

➤ Maximize profit

- Produces both softwood pulp (highest production volume in Japan) and hardwood pulp (second highest)
- Locational advantage of coastal mill in the procurement of imported woodchips
- Increase production capacity of kraft pulp

2 Top-class recovered paper processing technology in Japan

➤ Reduce cost by making effective use of hard-to-recycle recovered paper

- Make full use of original automated sorting technology in the recovered paper processing process
- Increase usage ratio of hard-to-recycle recovered paper

3 Mishima mill's location next to an international trade port

➤ Develop new markets

- Export household paper, containerboard and kraft paper to Asian countries, where demand is particularly strong

Transform production portfolio

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

<Paper & Paperboard>

1. Shift from "graphic paper" to "packaging paper"

<H&PC>

2. Strengthen production structure of household paper

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

Maintain stable supply of “graphic paper”

(e.g. newsprint, printing paper,
business communication paper)

Strengthen production structure and increase export of “packaging paper”

- Make effective use of Mishima mill’s swing machine, and maintain stable supply structure
- Continue to promote close cooperation with members of the regional distributors’ partnership “Sakura Terrace”
- Increase production efficiency and cost competitiveness to strengthen competitive advantage
- Strengthen production structure of containerboard
 - Rebuild Mishima mill’s paper machine into a containerboard machine of leading production capacity in Japan (planned for Apr 2020)
 - Shift white top linerboard production from Taisei Paper to Mishima mill (planned for Apr 2020)
 - Shut down Taisei Paper’s containerboard machine (planned for Apr–Jun 2020)
 - Realize a containerboard “one-stop delivery” system (to deliver all types of containerboard in one shipment) at Mishima mill
 - Implement production adjustments for machine at Mishima: shift from production of containerboard and specialty kraft paper to production of kraft paper
 - Strengthen cost competitiveness by making effective use of hard-to-recycle recovered paper
- Capitalize on Mishima mill’s locational advantage and expand export sales of paperboard and kraft paper to Asia, where demand is particularly strong



Overall view of
Port of Mishima-Kawanoe
(Provided by Shikokuchuo city)

H&PC : Strengthen production structure of household paper

Start full-scale sales of premium toilet rolls in the Chinese market

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

Strengthen supply structure of household paper and establish position as the dominant No.1 in the domestic market

- Realize the optimal product mix to respond to market environment and meet consumer needs with the start-up of the new machine at Kawanoe mill
- Realize "quick delivery" of high value-added products to the Tokyo metropolitan area, the largest source of final demand
 - Install new household paper converting machine in Gyoda city, Saitama pref. (Oct 2018)
- Strengthen supply structure of high value-added products and accelerate nationwide distribution of the product brands acquired through M&A (Cotton Feel, Shower Toilet), etc.
- Install new household paper machine at Kani mill (planned for Apr 2020) to further strengthen supply structure for the domestic market, in light of the expansion of household paper exports which would lead to a shortage for the domestic market
- Install converting machines for wet tissues and others at Taisei Paper, of which containerboard machine is to be shut down, in order to turn it into a production factory dedicated to the H&PC business

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

② Global expansion and strengthening of profitability of Home & Personal Care <1>Household paper



H&PC Household Paper Business Expansion

Overseas

Accelerate multi-category business expansion

- 1 From Kawano mill to China (EICN)
Start low-cost export of jumbo roll
- 2 Install new converting machine at EICN
Convert at and sell from EICN
- 3 Capitalize on brand equity of baby diapers to
Develop toilet roll market
- 4 Increase sales of wet wipes and others in Thailand and other Southeast Asian countries
Expand product line-up

Domestic

Strengthen supply structure and establish dominant No.1 in share

- 1 Start-up of Kawano mill's new machine and
Improve production efficiency
- 2 Install new household paper converting machine in Saitama prefecture
"Quick delivery" to the Tokyo metropolitan area
- 3 Strengthen supply structure of high value-added products
Expand sales and profit through stable supply
- 4 With the brands acquired through M&A
Accelerate synergy realization with nationwide distribution



H&PC Absorbent Products Business Expansion

Overseas

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

- 1 Install more baby diaper machines
Expand sales of premium products
- 2 Develop products that meet each country's needs
Increase export sales
- 3 Proactively approach traditional trade shops and open up stores on EC platforms
Expand sales channels
- 4 Expand sales of feminine care products and adult diapers
Accelerate multi-category business expansion



Domestic

Develop products and implement initiatives to address social needs

- 1 Strengthen connection between institutional diapers and diapers for retail consumers
Expand customer base of adult diapers for retail consumers
 - Utilize Daio Paper's original app, provided through "Medical Care Station" (an SNS platform exclusive to medical and nursing care professionals), within the framework of the "Community-based Integrated Care Systems"
- 2 Alleviate anxieties of active mid-lifers and elderly people
Increase sales of products for light incontinence
- 3 Product development that reflects users' voices
Strengthen sales of baby diapers



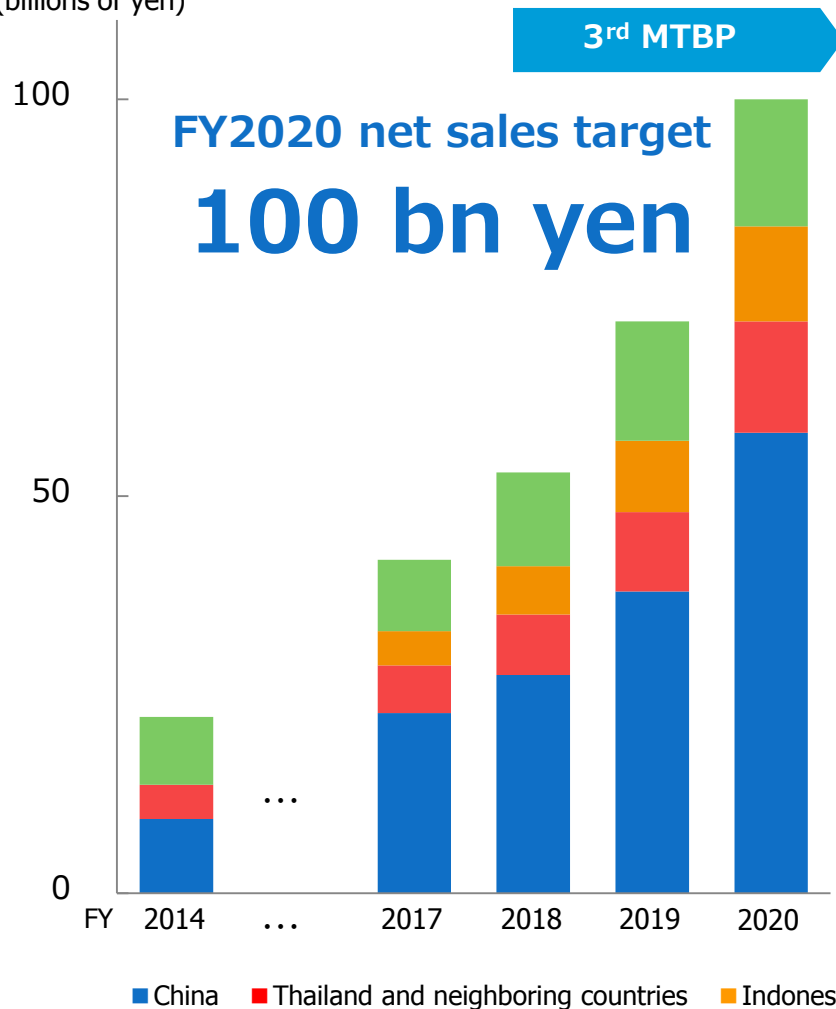
4. The Third Medium-term Business Plan (2) Key strategies

② Global expansion and strengthening of profitability of Home & Personal Care <3> Overseas initiatives



Net sales by country/region

(billions of yen)



Initiatives by country/region

China

- Increase sales of baby diapers in the super premium zone
- Promote multi-category business expansion with household paper and adult diapers

Thailand
and
neighboring
countries

- Strengthen sales of baby diapers, and promote multi-category business expansion with feminine care products and household paper in the Indochinese peninsula

Indonesia

- In addition to increasing sales to hyper-/supermarket and minimarket channels, strengthen sales toward traditional trade shops and EC channels.

Turkey,
South Korea,
Taiwan, Russia
and others

- Accelerate multi-category business expansion and product development that captures the needs of each country

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

② Global expansion and strengthening of profitability of Home & Personal Care <4> Overseas initiatives



China Construct and start operations of a second factory on the site beside existing factory

Baby diapers

Further increase sales of super premium zone

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

Multi-
category
expansion

Adult diapers

Increase sales by expanding sales channels

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

Household paper

Develop premium zone in household paper market

- Expects toilet paper market to expand on the back of the "Toilet Revolution"
- Install new household paper converting machine at Chinese factory (EICN) in Oct 2018
- Promote sales in the premium zone



Super premium zone products
(Left) Angel series (Right) Guangyu series



4-ply premium toilet rolls



Premium toilet rolls displayed/sold in the same space as the Angel series and the Guangyu series

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

② Global expansion and strengthening of profitability of Home & Personal Care <5>Overseas initiatives



Thailand and neighboring countries (Vietnam, Malaysia and others)

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

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



Indonesia

Further increase sales of baby diapers through expanding sales channels

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



Turkey

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



South Korea, Taiwan, Russia and others

Develop products that meet the needs of each country and pursue further sales increase and multi-category business expansion in countries where export sales are conducted



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

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



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

Large-scale logistics warehouse

Consolidate external warehouses into large-scale warehouses

(Total floor area: approx. 175,000m²)

Consolidation increases storage efficiency

by **10%**

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

by **half**



Shikokuchuo: completed in May 2018
(Shikokuchuo city, Ehime pref.)
54,952m²



Fuji-kitayama: to be completed in Jun 2018
(Fujinomiya city, Shizuoka pref.)
24,808m²



Chubu-kani: completed in Apr 2018
(Kani city, Gifu pref.)
27,588m²



Fuji-nanryo: to be completed in Jul 2018
(Fujinomiya city, Shizuoka pref.)
67,166m²

Shift to pallet distribution

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

75% reduction in loading and unloading times

(Test operations of pallet distribution of household paper slated to start from Jun 2018)



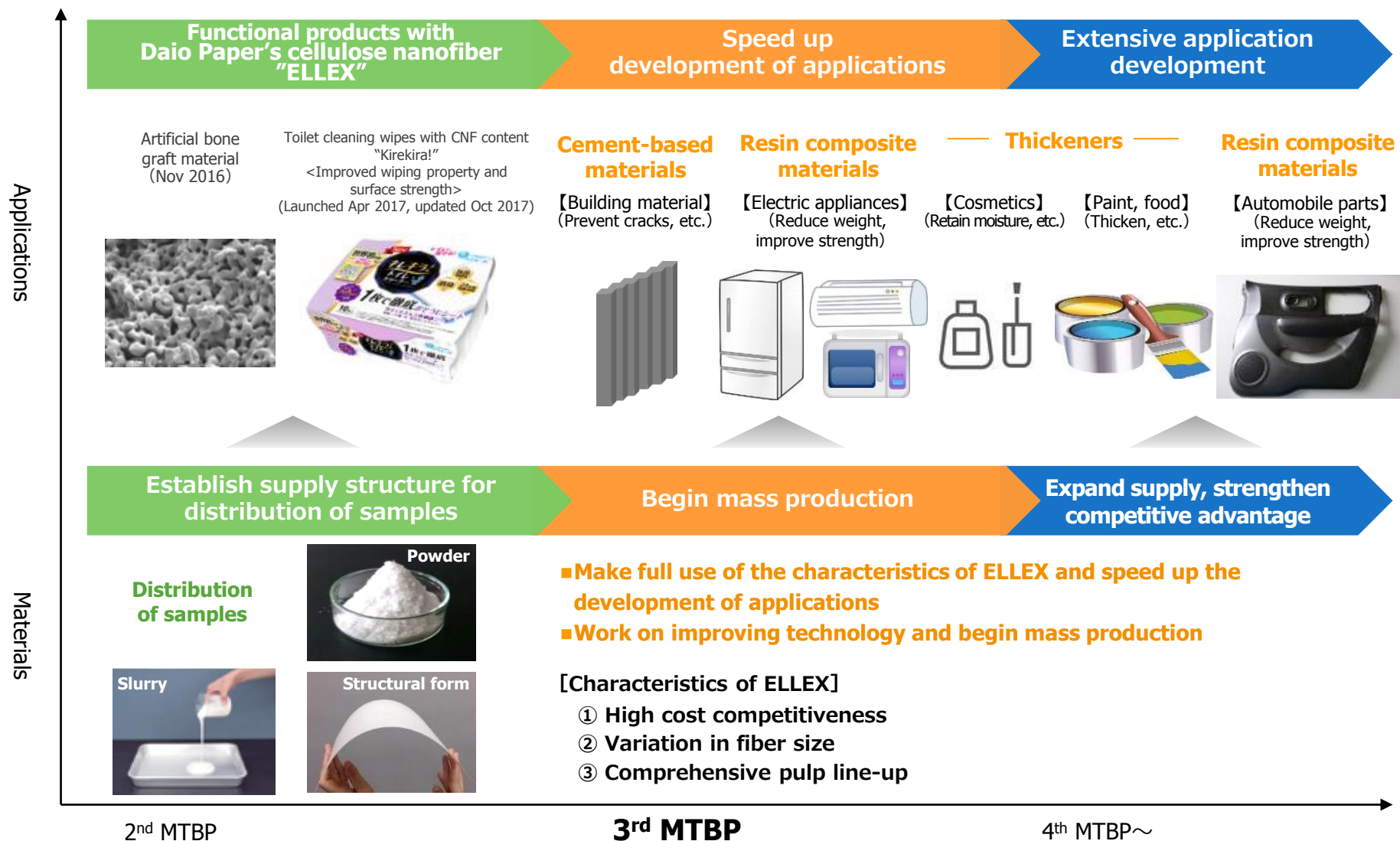
4. The Third Medium-term Business Plan (2) Key strategies

④ Early commercialization of cellulose nanofiber (CNF)

Further expansion of CNF business

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

Source: METI



(1) ESG initiatives

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

Category

Major initiatives

Environmental

Contribute to recycling-oriented and sustainable society by reducing environmental load

- Commence biomass power generation under the FIT scheme (planned for Jul 2020)
- Promote transparent procurement of wood-based raw materials by ensuring traceability from logging to distribution
- Reduce amount of sewage sludge ash by recycling recovered paper deinking sludge into filler (chemical used in papermaking)
- Promote initiatives to reduce carbon dioxide emissions based on the “Daio Global Environment Charter”: effectively use hard-to-recycle recovered paper, save energy, reduce waste, etc.
- Implement Environmental Accounting, and Material Flow Accounting to monitor the Group’s contributions to the environment



Conceptual drawing of the biomass boiler that makes use of pulp waste byproduct from the pulping process

Social

Respond to declining birthrate and aging society, coexist in harmony with local communities

- Improve infrastructure at the Group’s forestry property (Chile)
- Support home-based caregivers by providing a continence care app through “Medical Care Station”, a medical and nursing care SNS platform, within the framework of the “Community-based Integrated Care Systems” promoted by the Ministry of Health, Labor and Welfare
- Create a workplace environment that offers employees challenges and growth potential (health and productivity management, diversity management, human resource development)



Improvement of infrastructure at the Group’s forestry property in Chile

Governance

Establish sound governance structure to support sustainable growth

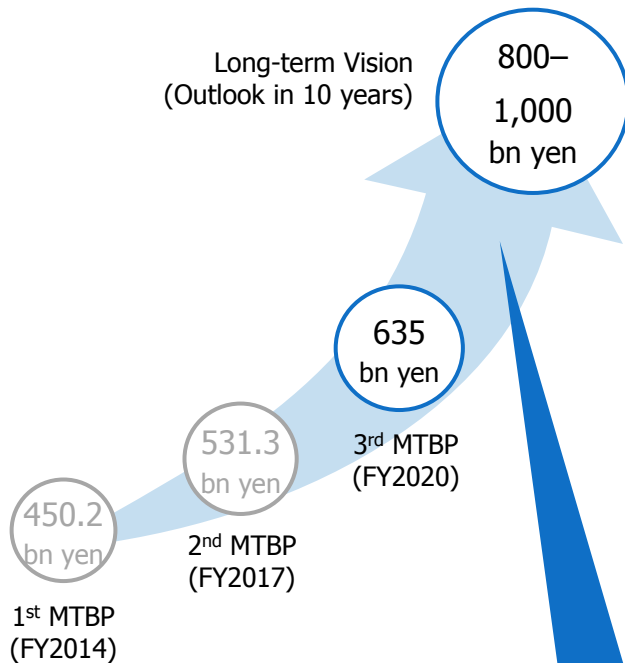
- Conduct evaluation of the effectiveness of the Board of Directors (incorporate third-party opinion into the composition and operations of the Board of Directors)
- Review risk management framework and make decisions and implement concrete risk control measures according to the type of risk through a Compliance Committee

5. Building the foundation for sustainable growth (2) Reform of business process via IT investments geared toward business expansion

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

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

Advance the NEXT.DAIO Project with
the aim of achieving the Long-term Vision



Outline of the NEXT.DAIO Project

1. Reform business process

(Business Process Reengineering)

- Share and consolidate operations of Personnel/General Affairs, Accounting, and Procurement within the Group
- Enhance speed of management
- Reinforce internal control

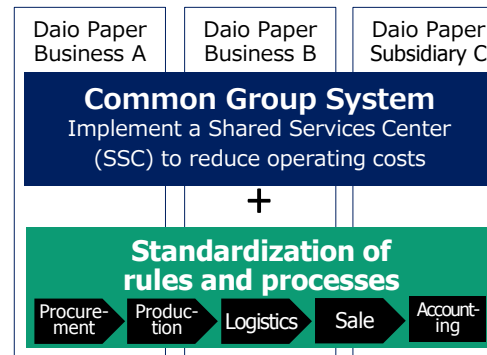
2. Reform DCM · SCM

- Improve precision of sales/production planning
- Improve inventory turnover rate and logistics efficiency
- Improve customer service

3. Renovate core system

(Implement ERP)

- Improve work productivity, from procurement to production, sales and shipment
- Promote labor-saving
- Improve intra-Group data integration and operational efficiency with cloud-based unified data management



NEXT.DAIO Project: Strengthen Group Management Infrastructure

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

5. Building the foundation for sustainable growth

(3) Reform of working styles

Diversity management

■ Realize diverse and flexible working styles

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



GOO.N Original Character
"HUGOO.N"



■ Provide support to balance work and career advancement with childcare

- "GOO.N Sukusuku Leave (childcare leave)" for male employees, management training for managers with female subordinates

■ Promote women's participation and advancement in the workplace

- FY2020 targets: ratio of women in managerial roles — 3.5%, ratio of women in career-track position — 12.5%
(Long-term targets: women in managerial roles — 30%, women in career-track position — 40%)

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

Health and productivity management

■ Push forward initiatives such as "increase employee's health-consciousness", "create a comfortable workplace environment", "promote mental healthcare", "promote efforts to stop smoking"

■ Certified as a "White 500" for Health and Productivity Management, obtained highest rank in "DBJ Health Management Rating"



The Third Medium-term Business Plan

Financial targets

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

(Assumptions for FY2020) Exchange rate: 112JPY/USD Dubai crude oil : 62USD/barrel

Cautions regarding forward-looking statements

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

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