

Daio Paper Corporation | Overview

Daio Paper Corporation. Transition-linked finance (General Corporate Purpose)

■ Corporate profile

Industry	Pulp and Paper
Address	Japan
Business	Manufacturing, processing, and sales of paper, paperboard, pulp, daily sundries, and synthetic resin materials; design and installation of related plants; and manufacturing and trading of raw materials and fuel.

Alignment with the Elements in the Basic Guidelines

Element 1	<ul style="list-style-type: none"> Daio Paper aims to achieve carbon neutrality by FY2050 and aims to reduce fossil-derived CO₂, a major source of CO₂ emissions, by 46% (compared to FY2013) by FY2030. The company plans to contribute to the retirement of coal-fired power plants by using recycling boilers and to switch to biomass (containing black liquor) energy. The company plans to contribute to the reduction of CO₂ emissions throughout the region by using recycled power generation facilities to generate electricity using waste generated in the region as fuel. The company anticipates a shift in its energy structure, taking into account the characteristics of the paper industry and coexistence with the region. Regarding governance, the Sustainability Committee monitors the status of decarbonization activities once every quarter. The company examines and promotes climate change measures, and reflects them in reporting to the Board of Directors and considering the medium-term business plan.
Element 2	<ul style="list-style-type: none"> Among the 10 materialities identified, 3 are set to contribute to the global environment: "Response to climate change," "Realization of a recycling-oriented society," and "Forest conservation and maintenance of biodiversity". Various initiatives such as TCFD, TNFD, and others are also being promoted. As measures against global warming, the report sets a 2030 year target and a 2050 year long-term vision, and discloses specific measures and plans in consideration of the time frame.
Element 3	<ul style="list-style-type: none"> The company's carbon neutrality strategy for 2030 and 2050 focuses on energy conservation by improving the efficiency of existing facilities and reducing energy consumption, energy conversion by switching from coal to city gas and LNG and then to hydrogen and other new fuels, and carbon sequestration through CO₂ absorption and CCUS in afforested areas in Chile, South America. These strategies and initiatives are consistent with the 7th Basic Energy Plan and the Ministry of Economy, Trade and Industry's technology roadmap for the paper and pulp sector.
Element 4	<ul style="list-style-type: none"> In its long-term vision, the company has announced that it will accelerate investment for growth by increasing R&D expenditure to 24 billion yen and the ratio of R&D expenditure to sales to 2.0% in FY2035. Among the measures for FY2035, Daio Paper has announced that it will reduce CO₂ emissions from fossils and shift to sustainable products to promote environmental measures.

Source: Daio Paper's Medium-Term Business Plan, Integrated Report 2024, etc.

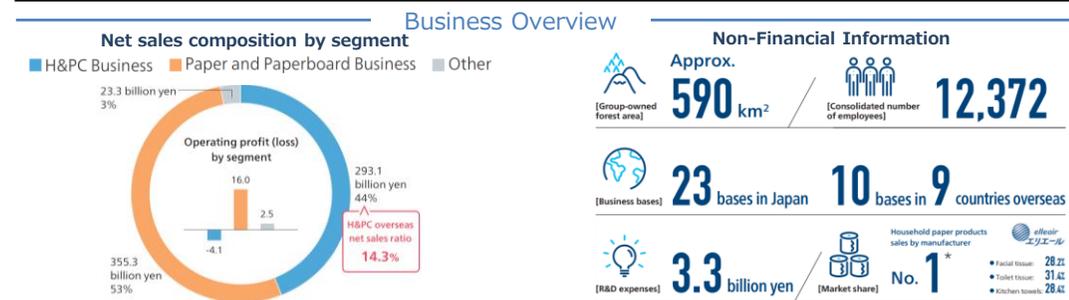
■ Overview of transition-linked finance (General Corporate Purpose)

Planned issue date	FY 2026
Planned issue amount	10 billion yen
Structuring agent	Daiwa Securities Co. Ltd.
Appraiser	DNV Business Assurance Japan Co., Ltd.

Main candidates for use of proceeds, KPI/SPT

- Transition-linked finance using KPI/SPT * Confirmation of consistency with sustainability-linked bond principles

Materiality	Eligible Business Category	Eligible Criteria
Creation of new business	Environmentally adaptive products	• Development, manufacturing, and sales of CNF (cellulose nanofiber), biorefinery products, and environmental products (e.g., plastic-free products)
	Renewable energy	• Development of solar/wind/biomass power generation facilities
Response to climate change	Energy efficiency	• Promotion of energy conservation by developing equipment and facilities
	Fuel conversion (transition)	• Conversion to biomass-derived fuels, waste-derived fuels, and LNG • Decommissioning of coal boilers
Realization of a recycling-oriented society	Pollution prevention and control	• Water recycling and reuse, and proper wastewater treatment to clean wastewater • Promotion of hard-to-recycle waste paper usage
Establishment of sustainable supply chain	Environmentally sustainable management of biological resources and land use	• Acquisition, maintenance and management of FSC- or PEFC-certified forests
KPI		SPT
Rate of reduction in CO ₂ emissions from fossil fuels		46% by the end of FY 2030 (compared to FY 2013)



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Fundraiser's climate transition strategy and governance (Element 1)

Daio Paper's targets related to carbon neutrality

2030

Reduce fossil-derived CO₂ emissions by at least 46% (compared to FY 2013) *1

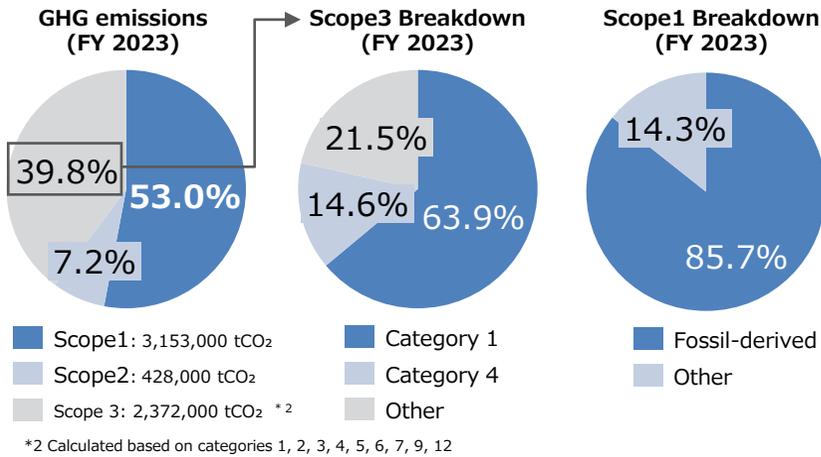
Reduce Scope 1 and 2 emissions by at least 20% (compared to FY 2013) *1

Reduce Scope 3 domestic category 1 & 4 emissions by at least 15% (compared to FY 2022) *1

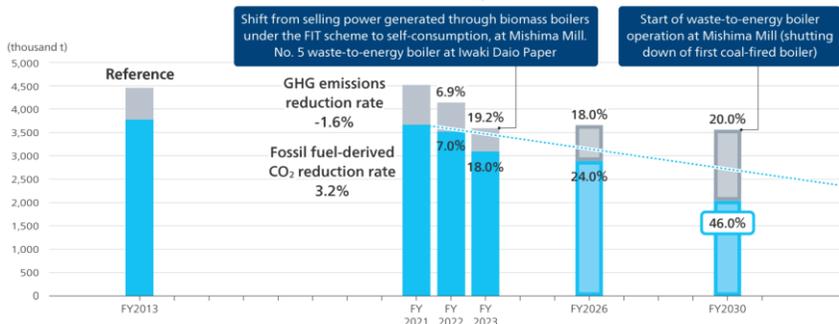
*1 Includes emissions of subsidiaries that became Daio Group companies after 2013 of the standard.

2050

Carbon neutrality



Fossil-derived CO₂ emissions and FY 2030 targets



Source: Daio Paper Group's 5th Medium-Term Business Plan, Integrated Report 2024, and the 3rd Joint Meeting on Clean Energy Strategies

Climate Transition Strategy (Roadmap for Achieving Carbon Neutrality by 2050)

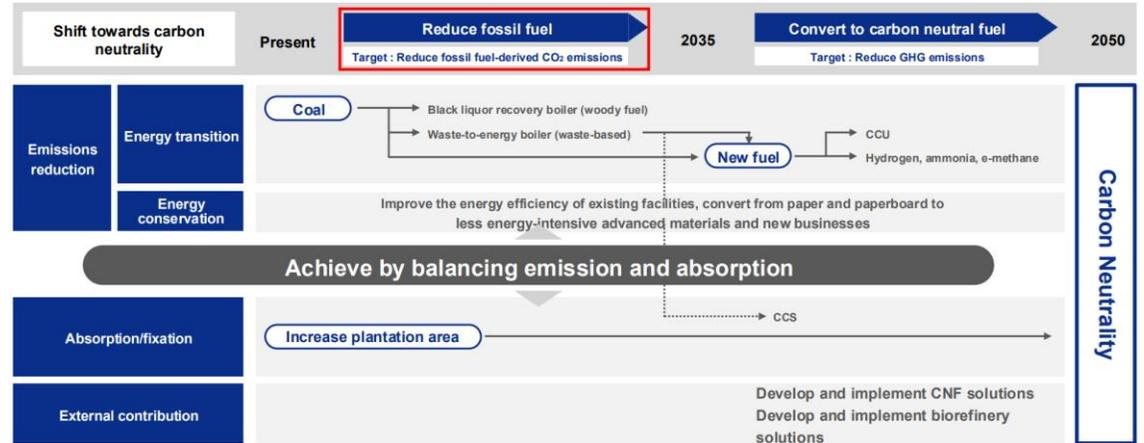
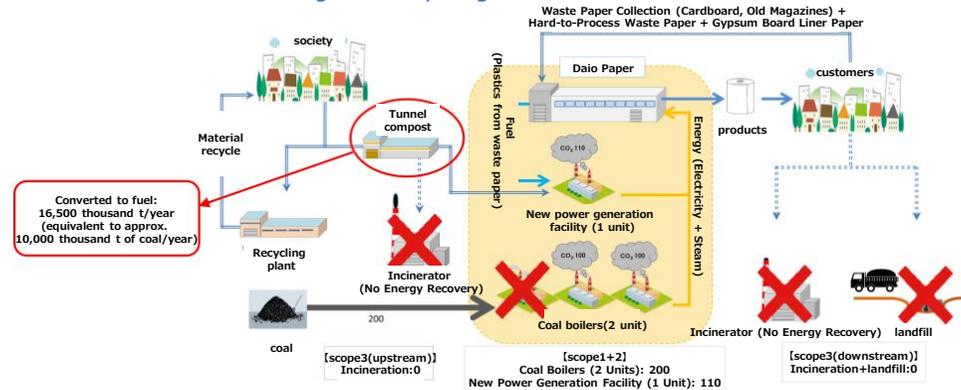


Image of Recycling Power Generation Facilities



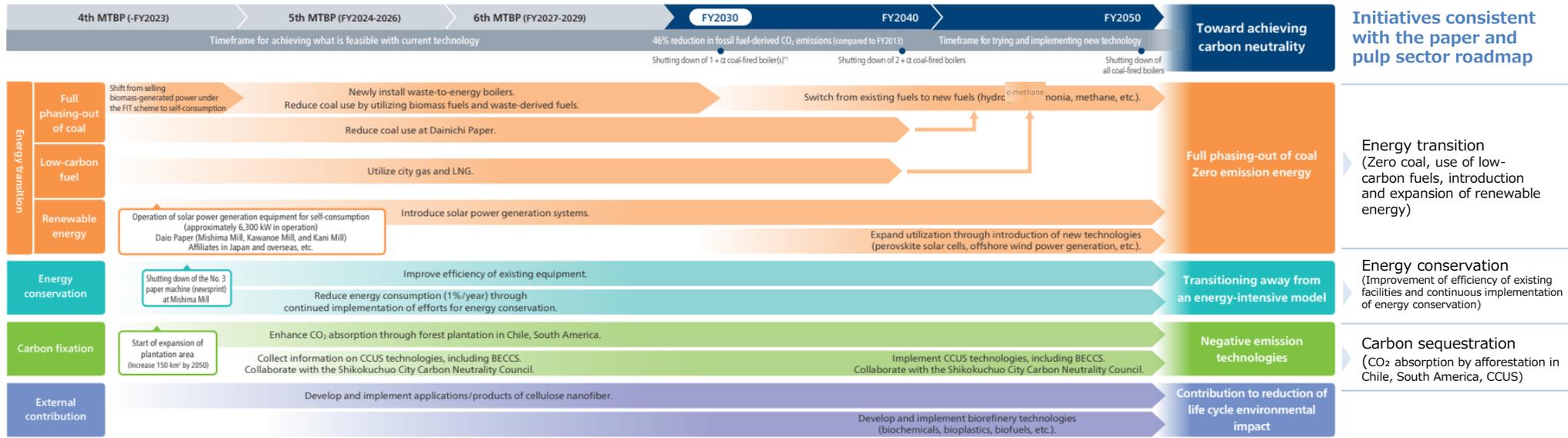
Point

- Daio Paper aims to achieve carbon neutrality by FY 2050 and aims to reduce fossil-derived CO₂, a major source of CO₂ emissions, by 46% compared to FY 2013 by FY 2030.
- The company plans to contribute to the retirement of coal-fired power plants by using recycling boilers and to switch to biomass (containing black liquor) energy.
- The company plans to contribute to the reduction of CO₂ emissions throughout the region by using recycled power generation facilities to generate electricity using waste generated in the region as fuel. The company anticipates a shift in its energy structure in light of the characteristics of the paper industry and coexistence with the region. This concept contributes to a fair transition in transition finance.

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Climate transition strategy and targets to be science-based (Element 3)

Daio Paper's roadmap to achieving carbon neutrality in 2050

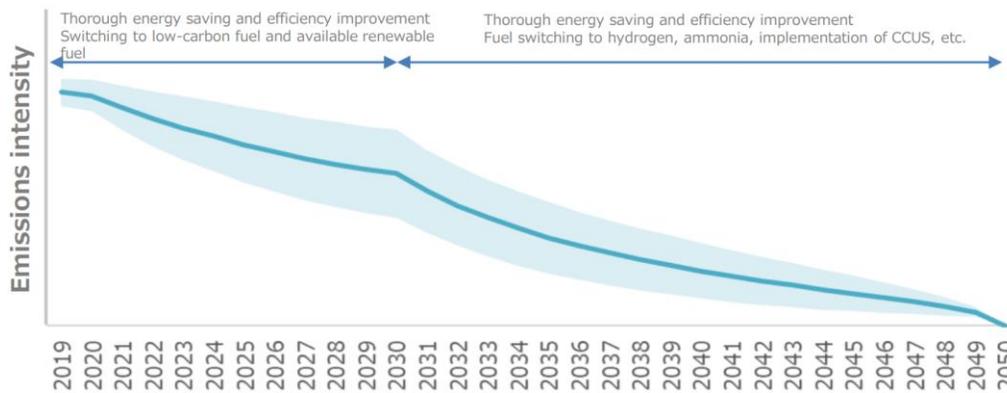


the Ministry of Economy, Trade and Industry's Pulp and Paper Technology Roadmap for Transition Finance

Reduced image

- 2020s**
 - Shifting from coal and oil to natural gas, biomass, and other fuels while promoting energy conservation and higher efficiency
- 2030s · 2040s**
 - Shifting from coal, oil, and natural gas to decarbonized fuels such as hydrogen, ammonia, and biomass while promoting energy conservation and higher efficiency. Promoting the introduction of CCUS technology

Illustration of implementation of reduction measures (excerpt)



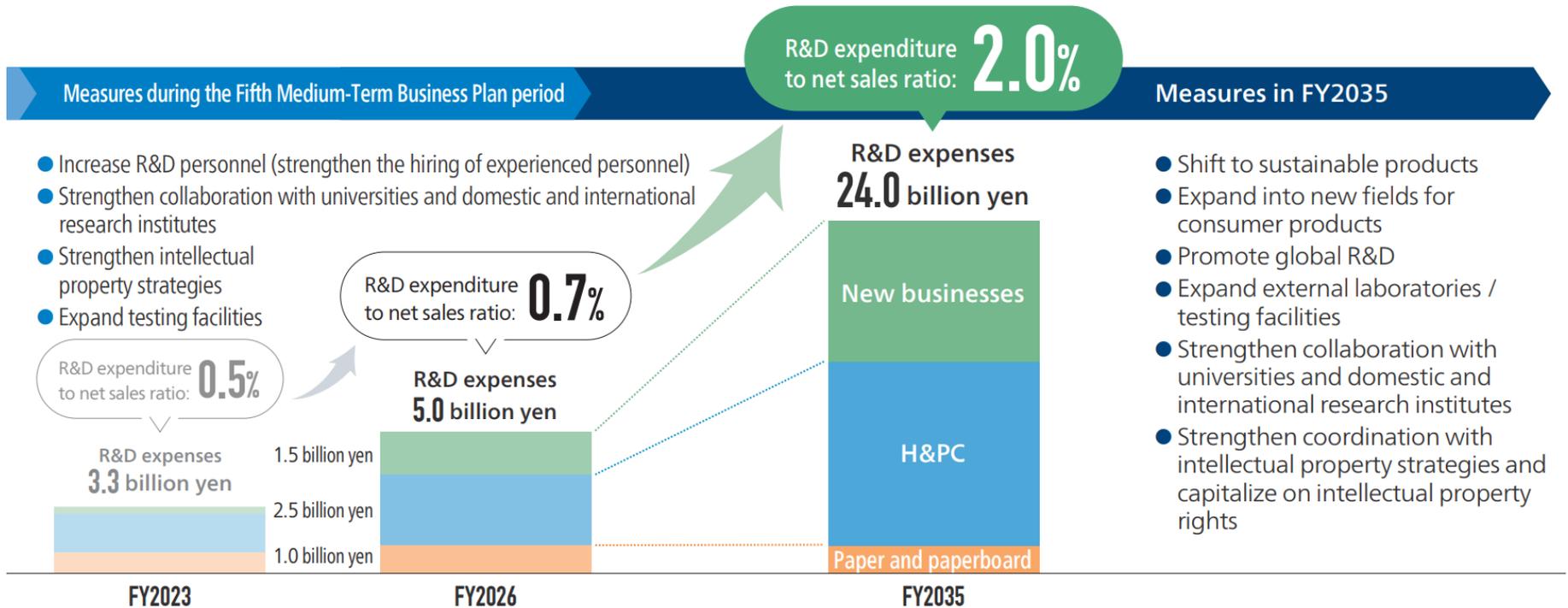
Points

- Daio Paper's carbon neutrality strategy for 2030 and 2050 focuses on energy conservation by improving the efficiency of existing facilities and reducing energy consumption, energy conversion by switching from coal to city gas and LNG and then to hydrogen and other new fuels, and carbon sequestration through CO₂ absorption and CCUS in afforested areas in Chile, South America. These strategies and initiatives are consistent with the 7th Basic Energy Plan and the Ministry of Economy, Trade and Industry's technology roadmap for the pulp and paper sector.

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Implementation transparency (Element 4)

Investment plan based on long-term vision



Point

- In its long-term vision, Daio Paper has announced the acceleration of growth investment by increasing R&D expenditure to 24 billion yen and the ratio of R&D expenditure to sales to 2.0% in FY 2035.
- Among the measures for FY 2035, Daio Paper has announced the reduction of fossil-derived CO₂ emissions and the shift to sustainable products to promote environmental measures.

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Review Result: Approval

Approval as a case study for transition finance promotion project

Main Opinions

Transition Strategy

- The pulp and paper industry has utilized coal until now, but switching to LNG and biofuels is a very important direction, and is appropriate as a transition finance project.
- At present, the financing period is not clear, but it is expected that long-term financing will be arranged in the future. In that case, it is desirable to set a target after 2030 according to the financing period.

Matters to be considered / others

- It is an important initiative to accept a part of biomass raw materials that are conventionally discarded and emit CO₂ in the region and use them as fuel, as it contributes to the reduction of CO₂ in the region as a whole.
- For stable operation of recycling boilers, it is important to continuously secure the quality and quantity of municipal solid waste as fuel.

This report focuses on the contribution of transition finance to the realization of Japan's 2050 carbon neutrality and the Paris Agreement, and does not cover any evaluation of the risks of transition finance as a financial instrument. Even in the model case of this project, it should be noted that credit risks and other risks (such as price fluctuation or liquidity risks in the case of bonds) exist as in ordinary financing.