

This notice is an English translation of the original Japanese text of the timely disclosure statement dated February 10, 2017 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.

February 10, 2017

To whom it may concern:

Name of Company: Daio Paper Corporation
Name of Representative: Masayoshi Sako,
President and Representative Director
Securities Code: 3880
(First Section, Tokyo Stock Exchange)
Contact Person: Shuhei Shinagawa, General Manager,
Corporate Planning Department
Telephone No.: +81 3 6856 7509

Notice of Acquisition of Shares Resulting in the Transfer of the Subsidiaries of Nisshinbo Holdings Inc. with the Objective of Acquiring its Paper Products Business

Daio Paper Corporation (hereinafter, “Daio Paper”) announces that its Board of Directors resolved at the meeting held today (February 10, 2017) to execute a share transfer agreement resulting in the transfer of subsidiaries from Nisshinbo Holdings Inc. (hereinafter, “Nisshinbo HD”) to Daio Paper, with the objective of acquiring the Paper Products Business (hereinafter, “the Business”) of Nisshinbo HD (hereinafter, “the Transaction”). The details are as follows.

1. Objectives of the Transaction

Established in 1943, Daio Paper started with the manufacture and sale of mainly newsprint and containerboard. In the late 1970s, Daio Paper entered the markets of printing paper and household paper and developed into a full-range paper manufacturer. Up until today, Daio Paper has expanded its business to encompass peripheral fields such as absorbent products including disposable diapers, corrugated container, printing paper, adhesive paper, labels and more. Notably, in the field of household paper where it conducts business mainly under the brand of Elleair, Daio Paper propelled the business to the top of the household paper market within seven years after entering the field in 1979, thereby establishing a firm position in the market.

At present, the entire Daio Paper Group is working together as one to implement the strategies of its Second Medium-Term Business Plan (announced in May 2015): (1) Structural shifting of the Paper Business, (2) Strengthening of the Containerboard and Corrugated Container Business, (3) Further growth and acceleration of the Home and Personal Care Business, (4) Thorough cost reduction, (5) Pursuing efficiency and diversity in human resource utilization, and (6) Further improvement of financial position.

On the other hand, the Business holds a history of 70 years, and is involved in the manufacture and sale of a wide range of paper products, from household paper products like tissue paper and toilet paper to specialty paper, centered on fine paper and synthetic paper, as well as processed goods like telegram and packaging

paper, and label systems. In all of these fields, the Business commits to the planning and development of high value-added products under the concept of Environment- and People-Friendly Craftsmanship. Daio Paper, collectively as a group, has a presence in every field of the Business (household paper, specialty paper, processed paper products, label-related products). Therefore, Daio Paper can make full use of all of the management resources (human talents, facilities and equipment, brands) of the Business, and is capable of raising the value of all of the businesses and developing each business further. The specialty paper business specializes in areas such as fine paper and synthetic paper, areas that Daio Paper does not possess; therefore it will complement and expand the group's product lineup, fitting with Daio Paper's business strategy of the Structural Shifting of the Paper Business. Also, the acquisition will also lead to the strengthening of the competitiveness of Daio Paper's household paper products and the sales expansion of high value-added products, both of which are measures of Daio Paper's Second Medium-Term Business Plan. Based on the aforementioned reasons, Daio Paper decided to implement this matter.

The Transaction would add the high functionality tissue paper and toilet paper brands (such as "Cotton Feel", and "Toilet paper with twice the absorbency for use with shower toilets") that Nisshinbo HD possesses to Daio Paper's product lineup. Using the high level of brand awareness of Daio Paper's Elleair brand, Daio Paper will expand the sales opportunity of such high value-added products, and also build a framework to cope with market demands and consumer needs, both of which are expected to expand and diversify further. Furthermore, with the new household paper machine in Kawanoe Mill scheduled to operate in October 2018, Daio Paper will strive for the prompt realization of its goal to achieve the No.1 share position in every category of the household paper market.

2. Details of the Transaction

(1) Details of the Business

The shares of Nisshinbo HD's domestic subsidiaries, Nisshinbo Paper Products Inc. (hereinafter, "Nisshinbo PP"; also, Nisshinbo PP holds all issued shares of its subsidiaries, Daiwa Shiko Co., Ltd. and Tokai Seishi Kogyo Co., Ltd.) and Nisshinbo Postal Chemical Co., Ltd (hereinafter, "Nisshinbo PC"), and Nisshinbo HD's equity in its Chinese subsidiary, Shanghai Sun-Rich Arts & Crafts Co., Ltd (hereinafter, "Shanghai Sun-Rich Arts & Craft"), all of which are involved in the Business, as well as the immovable properties, intellectual property rights and other assets pertaining to the Business that Nisshinbo HD holds.

(2) Method of the Transfer

Nisshinbo HD shall, by absorption-type company split, have Nisshinbo PP succeed its shares in Nisshinbo PC, its equity in Shanghai Sun-Rich Arts & Craft, and its immovable properties and intellectual property rights held pertaining to the Business, and thereafter Daio Paper shall acquire all shares in Nisshinbo PP from Nisshinbo HD.

(3) Operating results of the Business

	For the year ended March 31, 2016
Net sales	32,584 million yen

(Note 1) The above financial data is the consolidated net sales of the Paper Products business of Nisshinbo HD, and is unaudited.

(Note 2) As this transaction is a business transfer of one business segment of Nisshinbo HD, it is difficult to segregate costs accurately. Therefore, only the net sales amount is stated above.

3. Overview of the Party of the Transaction (Nisshinbo HD)

(1) Company name	Nisshinbo Holdings Inc.	
(2) Location	2-31-11, Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo	
(3) Title and name of Representative	President and Representative Director Masaya Kawata	
(4) Business details	Electronics, automobile brakes, precision instruments, chemicals, textiles, paper products, real estate and others	
(5) Capital	27,587 million yen	
(6) Date established	February 5, 1907	
(7) Consolidated net assets	284,471 million yen (as of March 31, 2016)	
(8) Consolidated total assets	651,793 million yen (as of March 31, 2016)	
(9) Major shareholders and the ratio of shares held	The Master Trust Bank of Japan, Ltd. 12.71% Japan Trustee Services Bank, Ltd. 11.46% Fukoku Mutual Life Insurance Company 6.71% Teijin Ltd. 3.37% Trust & Custody Services Bank, Ltd. 2.90% Shikoku Chemicals Corporation 1.45% Mizuho Bank, Ltd. 1.29% The Japan Wool Textile Co., Ltd. 1.28% Goldman Sachs Japan Co., Ltd. 1.18% BNP Paribas Securities (Japan) Limited 1.14% (as of September 30, 2016)	
(10) Relationship with Daio Paper	Capital ties	No applicable items
	Personnel ties	No applicable items
	Business ties	No applicable items
	Status of related parties	No applicable items

4. Overview of the subsidiary (Nisshinbo PP) to be transferred

(1)	Company name	Nisshinbo Paper Products Inc.		
(2)	Location	2-31-11, Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo		
(3)	Title and name of Representative	President and Representative Director Akihiro Yoshino		
(4)	Business details	Manufacture and sale of household paper, specialty paper, processed paper products, etc.		
(5)	Capital	5,000 million yen		
(6)	Date established	April 1, 2009		
(7)	Major shareholders and the ratio of shares held	Nisshinbo Holdings Inc. 100%		
(8)	Relationship with Daio Paper	Capital ties	No applicable items	
		Personnel ties	No applicable items	
		Business ties	No applicable items	
		Status of related parties	No applicable items	
(9)	Business results and financial status for the past three years			
	For the fiscal year ended	March 31, 2014	March 31, 2015	March 31, 2016
	Net assets	9,308 million yen	9,541 million yen	9,992 million yen
	Total assets	13,618 million yen	14,210 million yen	14,719 million yen
	Net assets per share	1,861,617 yen	1,908,134 yen	1,998,486 yen
	Net sales	25,233 million yen	24,757 million yen	26,082 million yen
	Operating income	37 million yen	413 million yen	1,020 million yen
	Ordinary income	72 million yen	438 million yen	1,040 million yen
	Profit attributable to owners of parent	-2 million yen	183 million yen	632 million yen
	Earnings per share	-341 yen	36,573 yen	126,352 yen

Note 1: The above financial data is non-consolidated and includes transactions with the other subsidiaries to be transferred and Nisshinbo HD.

Note 2: The above financial data is that of before the absorption-type company split to be carried out by Nisshinbo HD to have Nisshinbo PP succeed its shares in Nisshinbo PC, its equity in Shanghai Sun-Rich Arts & Craft, and its immovable properties, intellectual property rights and other assets pertaining to the Business, as stated in “2. (2) Method of the Transfer”.

5. Number of shares to be acquired and status of number of shares held before and after acquisition

	Nisshinbo Paper Products Inc.
(1) Number of shares held before transfer	0 shares (Number of voting rights: 0) (Percentage of voting rights: 0.0%)
(2) Number of shares to be acquired	5,000 shares
(3) Number of shares held after transfer	5,000 shares (Number of voting rights: 5,000) (Percentage of voting rights: 100.0%)

6. Purchase Price and Settlement

Approximately 25 billion yen.

Settlement in cash.

7. Schedule

February 10, 2017 (Friday) Resolution of the Board of Directors (Today)

Execution of Share Transfer Agreement Contract (Scheduled)

April 3, 2017 (Monday) Date of transfer of the Business (date of acquisition of Nisshinbo PP shares) (Scheduled)

8. Impact on business forecasts

Regarding the impact of the Transaction on Daio Paper's business forecasts, Daio Paper will promptly announce to the market any adjustments to forecasts, or other matters requiring disclosure, should they become necessary in the future.

End