

ENGLISH TRANSLATION FOR REFERENCE PURPOSE ONLY

This notice is an English translation of the original Japanese text of the timely disclosure statement dated December 12, 2019 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.

December 12, 2019

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:	Yukihiro Tanaka Director General Manager of Corporate Planning Division, Corporate Unit
Telephone No.:	+81 3 6856 7509

Notice of Acquisition of Business of Senmeisha Inc. by Our Subsidiary

We have resolved at the Board of Directors meeting held today (December 12, 2019) to assist Senmeisha, Inc. (hereinafter “Senmeisha”), which filed for civil rehabilitation proceedings with the Tokyo District Court on November 13, 2019, as a sponsor and have resolved to conclude a business transfer agreement regarding the acceptance of the transfer of the business of Senmeisha by our subsidiary (hereinafter “Business Acquisition”).

Notes

1. Purpose of support

To achieve the goals of the Third Medium-term Business Plan, “Move on: Reform and Soar Above,” announced in May 2018, we are implementing growth strategies centered on the radical cross-business structural reform of the Paper & Paperboard and the Home & Personal Care (“H&PC”), as well as the global expansion and strengthening of profitability of H&PC.

Within the Paper & Paperboard unit, the paper business, which accounts for approximately 40% of our consolidated net sales, is our core business, and our group is working together to build a business structure that gives us a comparative advantage. The sources of our competitiveness in the paper business are the cost-competitiveness of the Mishima Mill (Ehime Prefecture), one of the world’s largest coastal paper mills, and the organic functioning of our sales capabilities cultivated over many years based on our basic philosophy of “Selling the products we manufacture by our own efforts.”

In the paper industry, only we have, as a corporate group, an integrated printing company comprising businesses such as commercial printing, adhesive label printing, and business form printing. In 2017, we welcomed Miura Printing into our group and are working to strengthen the printing business. We are expanding our business by adopting a unique sales style that offers integrated solution proposals from printing paper to

printing solutions.

Senmeisha, which was founded 64 years ago, has a long-standing business relationship with major direct-demand users, primarily catalog printing for mail order. We will realize synergies as soon as possible through integrated management with our group in areas such as sales, development and technology.

At present, the printing industry is shrinking, but the market is huge, amounting to over JPY5 trillion. Demand for adhesive labels and business forms remains firm. Through our market-driven strategy in paper and printing solution sales activities, we grasp the needs of end users. We will work to provide proposals to support business-process outsourcing to resolve issues as well as develop new paper products and improve the quality of our products. This will further strengthen our paper business moving forward.

In the future, we will actively provide sales support and financial support to the acquired business as we aim for early regeneration. Please note that the execution of the Business Acquisition is subject to the approval of the court and the passage of a waiting period for the notification of the business combination to the Fair Trade Commission.

2. Overview of the Business Acquisition

(1) Schedule

1. Date of resolution of the Board of Directors	December 12, 2019 (today)
2. Date of business transfer agreement	December 12, 2019 (today)
3. Date of execution of business acquisition	January 7, 2020 (planned)

(2) Content of this Acquired Business

The material part of the business (printing business), real estate and other facilities, employees and other assets of Senmeisha

(3) Method of Business Acquisition

We will establish a wholly-owned subsidiary of Daio Printing Corporation, our wholly-owned subsidiary, and the new company shall succeed to the business of Senmeisha. The company name will not be changed.

(4) Overview of the Acquiring Company

1. Name	Senmeisha, Inc.
2. Location	2730-1, Kamitakano, Saitama-shi, Saitama
3. Representative Title and Name	Representative Director Mitsuru Ogawa
4. Business description	Printing Business
5. Stated Capital	JPY30 million

6.	Date of establishment	December 5, 2019
7.	Major shareholders and percentage of shares held	Daio Printing Corporation 100%

(5) Overview of the Transferring Company

1.	Name	Senmeisha, Inc.
2.	Location	3-8, Kudan-Kita 4-chome, Chiyoda-ku, Tokyo
3.	Representative Title and Name	Representative Director Saburo Nemoto
4.	Business description	Printing Business
5.	Stated Capital	JPY66 million
6.	Date of establishment	June 24, 1955
7.	Major shareholders and percentage of shares held	Saburo Nemoto 79.2% Noriaki Nemoto 20.8% (As of the end of September 2019)

(6) Results of operation of the Transferring Company

Undisclosed under the confidentiality agreement

(7) Consideration for the Acquired Business

Undisclosed under the confidentiality agreement

3. Future Outlook

We expect that the Business Acquisition will not have a material impact on our consolidated business results. However, we will disclose any events should the need arise in the future.

End