

ENGLISH TRANSLATION FOR REFERENCE PURPOSE ONLY

This notice is an English translation of the original Japanese text of the timely disclosure statement dated February 27, 2020 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 27, 2020

To whom it may concern:

Name of Company: Daio Paper Corporation
Name of Representative: Masayoshi Sako
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(First Section, Tokyo Stock Exchange)
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Announcement of Acquisition of Shares of a Hygiene Products Manufacturer in Turkey (New Subsidiary)

Daio Paper Corporation (hereinafter, “Daio” or “we”) announces that its Board of Directors resolved at the meeting held today to acquire all shares of Özen Kişisel Bakım Ürünleri Üretim A.Ş. (hereinafter “Özen”), a hygiene products manufacturer owned by Yıldız Holding A.Ş. (hereinafter “Yıldız”), which is a major food and consumer goods conglomerate in the Republic of Turkey (hereinafter “Turkey”), (hereinafter “Share Acquisition”) and to make Özen our subsidiary. The details are as follows.

1. Purpose of the Share Acquisition

Daio resolutely pursues the key strategies of its growth plan, with a focus on further expanding its Home & Personal Care (including sanitary goods, hereinafter, “H&PC”) business globally and strengthening the profitability of the H&PC business, in accordance with its Third Medium-term Business Plan “Move on: Reform and Soar Above” and its long-term vision ^[Note 1] announced in May 2018.

Note 1: “Net sales of 800 Billion to 1 Trillion JPY, with H&PC to account for over 50% of net sales, and H&PC Overseas to account for over 30% of net sales.”

Since its establishment in 1943, Daio has continued to grow as a full-range paper manufacturer and has established a solid position in Japan since 1979 with the brand “Elleair”, which holds strong brand awareness in the household paper sector, and other brands such as “GOO.N” (disposable baby diapers) and “Attento”

(disposable adult diapers). The H&PC business of Daio is currently focusing on the sales of high value-added products to further enhance market share in Japan. Overseas, it is engaged in increasing the sales of its H&PC products, including “GOO.N” disposable baby diapers. Through a business strategy of localizing products to cater to region-specific consumer needs on top of the development and launch of high-value added products, Daio has steadily enhanced its market shares in China and Southeast Asia.

While considering the next expansion area following Asia, Daio started to focus on Turkey, which has unique geopolitical characteristics, and has conducted market research since 2014. As Turkey is expected to have a solid growth in its domestic hygiene market with a population of 82 million and more than 1 million births per year and has a potential to become a production base for possible export to MENA (Middle East and North Africa) and Russia and its neighboring countries, Daio established a representative office in Istanbul in 2017 from which it has been selling baby diapers since March 2018. As a result, our GOO.N brand has already gained a certain degree of recognition locally. Furthermore, Daio opened a representative office in Moscow in July 2019 to strengthen our marketing activities in Russia, and Daio has also been conducting sales activities in countries in the Middle East.

Özen, established in 1998, has a factory situated in an excellent location close to Istanbul and currently produces and sells products in three product categories, including baby diapers, wet wipes and toiletries, which is expected to have synergistic effects with Daio’s H&PC business. Since Özen, which entered the baby diaper business in 2007, had ESSITY, a major global manufacturer of hygiene products, as its equity participant from 2011 to 2019, we assess that Özen’s technical capabilities in manufacturing baby diapers is high.

Meanwhile, as Daio has gained a foothold to establish a factory in Turkey and promote business expansion, Daio evaluated the efficacy of constructing our own factory versus a corporate acquisition. As a result of our deliberation, Daio concluded that the acquisition of Özen from Yıldız is the most effective option to realize our long-term vision.

Through the Share Acquisition, Daio will secure a business base in Turkey, and we will further enhance our enterprise value by strengthening and expanding our business foundation by introducing to the Turkish market our product development capabilities, manufacturing technology and sales capabilities that Daio developed in the Japanese and Asian markets.

2. Overview of Özen

(1) Name	Özen Kişisel Bakım Ürünleri Üretim A.Ş.
(2) Principal office	Balçık Mah. Pelityolu Cad. No.138 Gebze/Kocaeli, Turkey
(3) Representative title and name	Chief Executive Office Hafize Nurtaç Afridi
(4) Business description	Production and sales of baby diapers, wet wipes, toiletries, etc.
(5) Stated capital	154,000 Thousand TRY (Approximately 2.8 Billion JPY)

(6)	Date of establishment	January 13, 1998		
(7)	Major shareholders and shareholding ratio	Yıldız Holding A.Ş. 100%		
(8)	Relationship between listed companies and the company	Capital relationship	No noteworthy capital relationship	
		Human relationship	No noteworthy personnel relationship	
		Business relationship	No noteworthy business relationship	
		Related party status	No noteworthy related party status	
(9)	Consolidated operating results and financial position of this company during the last 3 years			
	Fiscal year	FYE 12/2016	FYE 12/2017	FYE 12/2018
	Consolidated net assets	8,203 Thousand TRY (150 Million JPY)	6 Thousand TRY (0.1 Million JPY)	△29,497 Thousand TRY (△538 Million JPY)
	Consolidated total assets	133,612 Thousand TRY (2,438 Million JPY)	159,834 Thousand TRY (2,917 Million JPY)	164,443 Thousand TRY (3,001 Million JPY)
	Consolidated net asset per share	1.33 TRY (24 JPY)	0.00 TRY (0 JPY)	△4.79 TRY (△87 JPY)
	Consolidated net sales	137,021 Thousand TRY (2,501 Million JPY)	203,846 Thousand TRY (3,720 Million JPY)	196,082 Thousand TRY (3,578 Million JPY)
	Consolidated operating profit	△24,220 Thousand TRY (△442 Million JPY)	△6,242 Thousand TRY (△114 Million JPY)	△8,899 Thousand TRY (△162 Million JPY)
	Consolidated profit before tax	△33,378 Thousand TRY (△609 Million JPY)	△19,883 Thousand TRY (△363 Million JPY)	△30,220 Thousand TRY (△552 Million JPY)
	Consolidated profit attributable to owners of parent	△32,292 Thousand TRY (△589 Million JPY)	△16,912 Thousand TRY (△309 Million JPY)	△29,743 Thousand TRY (△543 Million JPY)
	Consolidated basic earnings per share	△5.24 TRY (△96 JPY)	△2.75 TRY (△50 JPY)	△4.83 TRY (△88 JPY)
	Dividends per share	0	0	0

Note 2: The operating results and financial position are in accordance with IFRS and audited by audit firm.

Note 3: After the Share Acquisition, we plan to rectify the excess of debt by capital increase.

Note 4: The figures are converted into JPY with 18.25 Yen / TRY currency rate as at January 31, 2020.

3. Overview of the Seller of the Shares

(1) Company name	Yıldız Holding A.Ş	
(2) Principal office	Istanbul, the Republic of Turkey	
(3) Representative title and name	Ali Ülker (Chairman)	
(4) Business description	Manufacture, Sales and Distribution of Food, Confectionery and Daily Necessities.	
(5) Date of establishment	1944	
(6) Relationship between listed companies and the company	Capital relationship	No noteworthy capital relationship
	Personnel relationship	No noteworthy personnel relationship
	Business relationship	No noteworthy business relationship
	Related party status	No noteworthy related party status

Note 5: Since Yıldız is an unlisted company, stated capital, consolidated net assets, consolidated total assets and major shareholders and their shareholding ratio are not disclosed.

4. Number of acquired shares, acquisition value, and status of shares held before and after acquisition

(1) Number of shares before transfer	0 Share (Number of voting rights : 0, Proportion of voting rights held : 0.0%)
(2) Number of shares acquired	Number of shares acquired: 6,160,000 (Number of voting rights : 6,160,000)
(3) Acquisition value	165 million TRY (3 Billion JPY) (estimate) ^[Note 6,7] * 1 TRY = 18.25 yen Note 6: The Share Acquisition value above includes the equity value, debt value of Özen owed to Yıldız which will be transferred to us, and fees of advisers. Transferred debt will then be converted into Özen's Shares. Note 7: The equity value may be adjusted in accordance with the provisions of the definitive share purchase agreement to be executed. This transaction will be settled in cash.
(4) Number of shares after transfer	6,160,000 Shares (Number of voting rights : 6,160,000, Proportion of voting rights held : 100%)

5. Schedule

(1). Date of resolution at the Board of Directors' meeting	February 27, 2020 (today)
(2) Execution date of share purchase agreement	February 27, 2020 (scheduled)
(3) Execution date of Share Acquisition	Early April of 2020 (scheduled)

6. Future outlook

As the Share Acquisition will be executed after obtaining clearance from the Turkish Competition Authority, the indicated date of the Share Acquisition above is an estimation at this point in time.

The impact of the Share Acquisition on our consolidated financial results is minor. However, Daio will promptly disclose any information that should be disclosed, such as a change to our financial results forecast, should the need arise in the future.

End