

ENGLISH TRANSLATION FOR REFERENCE PURPOSE ONLY

This notice is an English translation of the original Japanese text of the timely disclosure statement dated September 30, 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.

September 30, 2019

To Whom It May Concern:

Name of Company: Daio Paper Corporation
Name of Representative: Masayoshi Sako
President, CEO and Representative Director
Securities Code: 3880
(First Section, Tokyo Stock Exchange)
Contact Person: Hiromitsu Fujii
Director
General Affairs and Personnel Division
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**Notice Concerning the Disposal of Treasury Shares through
Third-party Allotment Due to the Introduction of Stock-based Incentive System**

Daio Paper Corp. (“the Company”) hereby announces that the Board of Directors of the Company today resolved to dispose of its treasury shares (hereafter, the “Disposal of Treasury Shares”) as a stock-based incentive. The details are as described below.

1. Outline for the Disposal of Treasury Shares

i.	Disposal date	October 16, 2019
ii.	Type and no. of shares to be disposed of	301,987 shares of the Company’s common stock (of which 244,044 shares for System for Directors and 57,943 shares for System for Executive Officers)
iii.	Disposal price	1,385 yen per share
iv.	Total disposal amount	418,251,995 yen (of which 338,000,940 yen for System for Directors and 80,251,055 yen for System for Executive Officers)
v.	Planned allottee	Sumitomo Mitsui Trust Bank, Limited (trust account) (Re-trustee: Japan Trustee Services Bank, Ltd. (trust account))
vi.	Other	The Disposal of Treasury Shares is subject to effective registration under the Financial Instruments and Exchange Law of Japan

2. Objectives and reasons for disposal

At the Board of Directors meeting held on May 27, 2019, the Board of Directors resolved that the Company will introduce a stock-based incentive system for the Company’s directors (excluding outside directors, the same applying hereinafter) and a stock-based incentive system for executive officers (hereinafter, directors and executive officers are collectively referred to as the “Directors, etc.”) (the stock-based incentive system for the Company’s directors will be referred to as the “System for Directors”, and the stock-based incentive system for executive officers will be referred to as the “System for Executive Officers,” and together, they will be referred to collectively as the “System”). The adoption of the System for Directors was approved at the 108th Ordinary General Meeting of Shareholders held

on June 27, 2019. The System is designed to enhance the motivation of the Directors, etc. to contribute to greater business performance and corporate value of the Company over the medium- to long-term by more clearly linking the remuneration of the Directors, etc. with the Company's shareholder value, and by having the Directors, etc. share profit and risks resulting from share price fluctuations with the shareholders.

Please refer to the "Introduction of New Stock-based Incentive System," dated May 27, 2019, for an outline of the System for Directors.

The Disposal of Treasury Shares will be carried out by allotting the Company's shares to Sumitomo Mitsui Trust Bank, Limited (trust account) (Re-trustee: Japan Trustee Services Bank, Ltd. (trust account)), which is the trustee of the trusts established to introduce the System (the trust to be established for the introduction of the System for Directors will be referred to as the "Trust for Delivery of Shares to Directors," and the trust to be established for the introduction of the System for Executive Officers will be referred to as the "Trust for Delivery of Shares to Executive Officers," and they will be referred to collectively as the "Trust").

The number of shares to be disposed of is equivalent to the number of shares expected to be granted to the Directors, etc., which is based on the Share Grant Regulations established by the Company when the System is introduced, and takes into consideration the changes in the positions and compositions of the Directors, etc. during the trust period. The scale of dilution resulting from the Disposal of Treasury Shares is 0.20% of 153,713,191 shares, the total outstanding shares as of March 31, 2019 (0.20% of 1,494,566, the total voting rights as of March 31, 2019) (both figures are rounded off to the second decimal place). Accordingly, the Company judges that the impact on the secondary market will be slight. The Company believes that the System will clarify the relation between the remuneration for the Directors, etc. and the Company's shareholder value, and lead to improvements in corporate value in the medium to long term, therefore it considers that the Disposal of Treasury Shares is rational.

Reference: Outline of the trust agreement for the Trust for Delivery of Shares to Directors

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| i. Settlor | Daio Paper Corp. |
| ii. Trustee | Sumitomo Mitsui Trust Bank, Ltd.
(Re-trustee: Japan Trustee Services Bank, Ltd.) |
| iii. Beneficiaries | Directors who satisfy beneficiary requirements |
| iv. Trust administrator | Appointment of a third party independent of the Company and the Company's directors is planned |
| v. Exercise of voting rights | Voting rights of the Company's shares in the trust will not be exercised |
| vi. Type of trust | Trust of money other than money trust (third-party-benefit trust) |
| vii. Date of trust agreement | October 16, 2019 |
| viii. Trust period | October 16, 2019 to final business day of October 2024 |
| ix. Purpose of trust | To deliver shares of the Company to the beneficiaries in accordance with the Share Grant Regulations |

Reference: Outline of the trust agreement for the Trust for Delivery of Shares to Executive Officers

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|--------------------|---|
| i. Settlor | Daio Paper Corp. |
| ii. Trustee | Sumitomo Mitsui Trust Bank, Ltd.
(Re-trustee: Japan Trustee Services Bank, Ltd.) |
| iii. Beneficiaries | Executive officers who satisfy beneficiary requirements |

iv. Trust administrator	Appointment of a third party independent of the Company and the Company's directors is planned
v. Exercise of voting rights	The trust administrator shall provide instructions on the exercise of voting rights of the Company's shares in the trust
vi. Type of trust	Trust of money other than money trust (third-party-benefit trust)
vii. Date of trust agreement	October 16, 2019
viii. Trust period	October 16, 2019 to final business day of October 2024
ix. Purpose of trust	To deliver shares of the Company to the beneficiaries in accordance with the Share Grant Regulations

3. The Basis for the Calculation of the Disposal Price and the Specifics

In view of the recent share price trend, the disposal price shall be 1,385 yen, which is the closing price for the Company's shares on the Tokyo Stock Exchange on September 27, 2019 (the business day immediately prior to the date of the resolution by the Board of Directors), in order to eliminate arbitrariness.

This price deviates 2.59% from 1,350 yen, the average closing share price for the one month immediately preceding the date of the Board of Directors resolution (August 28 to September 27, 2019), 7.28% from 1,291 yen, the average closing share price for the three months immediately preceding the date of the Board of Directors resolution (June 28 to September 27, 2019), and 7.28% from 1,291 yen, the average closing share price for the six months immediately preceding the date of the Board of Directors resolution (March 28 to September 27, 2019) (all share prices are rounded down, and all deviation rates are rounded off to the second decimal point). Therefore, the Company judges that the disposal price is rational.

Given these considerations, the Company has determined that the disposal price for the Disposal of Treasury Shares is not particularly favorable to the planned allottee and is reasonable.

With respect to the above-mentioned disposal price, all of the Company's Audit & Supervisory Board Members (five members, three of which are Outside Audit & Supervisory Board Members) expressed their opinions that the disposal price is not particularly favorable to the planned allottee.

4. Procedures under the Corporate Code of Conduct

As the Disposal of Treasury Shares 1) will have a dilutive effect of less than 25% and 2) does not involve a change in controlling shareholders, the Company is not required to carry out the procedures to obtain the opinion of an independent third party or confirm the intents of its shareholders, as provided by Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange.

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