

ENGLISH TRANSLATION FOR REFERENCE PURPOSE ONLY

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

May 27, 2020

To whom it may concern:

Name of Company:	Daio Paper Corporation
Name of Representative:	Masayoshi Sako President and Chief Executive Officer
Securities Code:	3880 (First Section, Tokyo Stock Exchange)
Contact Person:	Yukihiro Tanaka Director General Manager of Corporate Planning Division, Corporate Unit
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Announcement of Acquisition of Shares of KG LOGISTICS LTD. by Our Subsidiary

Daio Paper Corporation (hereinafter, “Daio” or “we”) announces that the Board of Directors of Daio Logistics Co., Ltd. (hereinafter, “DLC”), which is a subsidiary of Daio, resolved at the meeting held today (May 27, 2020) to acquire all shares of KG LOGISTICS LTD. (hereinafter, “KG LOGISTICS”), which has logistics bases in Kanto and Kyushu, (hereinafter, “Share Acquisition”) and to make KG LOGISTICS its subsidiary (our sub-subsidiary). The details are as follows.

1. Purpose of the Share Acquisition

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

Since its establishment in 1943, Daio has continued to grow steadily as a full-range paper manufacturer and has established a solid position with the brand “Elleair”, which holds strong brand awareness in the household paper market (facial tissue and toilet paper) that it entered in 1979, and also other brands such as “GOO.N” (disposable baby diapers) and “Attento” (disposable adult diapers). Notably, as regards its household paper business, Daio increased its domestic supply capacity such as by commencing nationwide production of brands acquired through M&A in 2017, and by launching the operation of the Kawanoe Mill (Shikokuchuo City, Ehime

Prefecture) and the Gyoda Factory (Gyoda City, Saitama Prefecture) in 2018, and it intends to continue to further strengthen its supply structure. In view of further increases in domestic sales moving forward, Daio recognizes a need to enhance its transportation capacity.

As a leading manufacturer of household paper, Daio aims to build a logistics network that further ensures stable supply and strengthens the profitability of its domestic business. Notably, through DLC, Daio has worked to strengthen its stable supply structure by constructing regional logistics centers in each high demand area, in addition to logistics trunk lines to link production bases to high demand areas.

The environment surrounding the logistics industry has been harsh in recent years, and there is a continued shortage of truck drivers. Even under such circumstances, Daio has taken measures to improve the efficiency of its logistics network by making the shift to pallet distribution for household paper, as well as by launching four large-scale logistics centers (warehouses) located next to its production bases in Shizuoka, Gifu, and Ehime Prefectures in 2018, integrating previously dispersed warehouses, in order to strengthen its stable supply structure in each high demand area.

KG LOGISTICS has a 49-year history of business and has firmly accumulated know-hows on transportation and warehousing services, centered on transportation of automotive parts. KG LOGISTICS has business offices mainly in Kanto and in Kyushu as well, and has approximately 70 trucks and truck drivers. Daio recognizes these as strengths of KG LOGISTICS. Daio has determined that the Share Acquisition would generate synergies by combining Daio Group's product transportation with KG LOGISTICS' logistics network at each place of product consumption and by further increasing external sales (outside the group) through the utilization of return load, and also lead to further strengthening of Daio's capacity to ensure stable supply to high demand areas.

2. Overview of our subsidiary acquiring the shares (as of April 1, 2020)

(1) Company name	Daio Logistics Co., Ltd.
(2) Principal office	1-11-45 Mishima Asahi, Shikokuchuo-shi, Ehime
(3) Representative title and name	Satoshi Iseki President and Representative Director
(4) Business description	General motor truck transportation business, consigned freight forwarding business
(5) Stated capital	30,000 thousand yen
(6) Date of establishment	April 1, 2013
(7) Major shareholders and shareholding ratio	Daio Paper Corporation 100%

3. Overview of the sub-subsidiary to be transferred (KG LOGISTICS) (as of April 1, 2020)

(1)	Company name	KG LOGISTICS LTD.		
(2)	Principal office	330 Naganuma-cho, Inage-ku, Chiba-shi, Chiba		
(3)	Representative title and name	Hiroyuki Suzuki President		
(4)	Business description	General motor truck transportation business, consigned freight forwarding business, light motor truck transportation business, warehouse management, cargo handling and packaging business, industrial waste treatment business, customs clearance business, insurance agency business, etc.		
(5)	Stated capital	100,000 thousand yen		
(6)	Date of establishment	October 31, 1970		
(7)	Major shareholders and shareholding ratio	Kinugawa Rubber Industrial Co., Ltd. 100%		
(8)	Relationship between listed companies and the company	Capital relationship	N/A	
		Personnel relationship	N/A	
		Business relationship	N/A	
(9)	Financial position and operating results of the company during the last 3 years (million yen)			
	Fiscal year	FYE 3/2017	FYE 3/2018	FYE 3/2019
	Net assets	617	659	716
	Total assets	1,059	1,109	1,183
	Net assets per share (yen)	6,171.68	6,586.07	7,160.09
	Net sales	2,038	2,100	2,183
	Operating profit	102	100	82
	Ordinary profit	110	107	89
	Profit	56	68	57
	Basic earnings per share (yen)	562.45	683.26	567.50
	Dividends per share (yen)	350.00	280.00	-

4. Overview of the party from whom the shares are acquired (as of April 1, 2020)

(1) Company name	Kinugawa Rubber Industrial Co., Ltd.	
(2) Principal office	330 Naganuma-cho, Inage-ku, Chiba-shi, Chiba	
(3) Representative title and name	Takashi Moriuchi President	
(4) Business description	Manufacture and sale of rubber and synthetic-resin used for automobiles and others, manufacture, sale and repair of manufacturing machinery and equipment for rubber and synthetic-resin products, manufacture, sale and repair of metalworking machinery and equipment, etc.	
(5) Stated capital	4,500,000 thousand yen	
(6) Date of establishment	October 1, 1939	
(7) Major shareholders and shareholding ratio	Development Bank of Japan Inc. 100%	
(8) Relationship between listed companies and the company	Capital relationship	N/A
	Personnel relationship	N/A
	Business relationship	N/A
	Related party status	N/A

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

(1) Number of shares before transfer	0 shares (Number of voting rights: 0) (Proportion of voting rights held: 0%)
(2) Number of shares acquired	100,000 shares (Number of voting rights: 100,000)
(3) Number of shares after transfer	100,000 shares (Number of voting rights: 100,000) (Proportion of voting rights held: 100%)

※ The acquisition value is not disclosed, as Daio has confidentiality obligations under a confidentiality agreement with the party from whom the shares are acquired. The acquisition value was determined through discussions with said party based on the valuation calculated by a third-party valuation institution. The acquisition value is less than the amount equivalent to 15% of our consolidated net assets.

6. Schedule

(1) Date of resolution at the Board of Directors' meeting	May 27, 2020 (today)
(2) Execution date of share purchase agreement	May 27, 2020 (today)
(3) Execution date of share transfer	July 1, 2020 (scheduled)

7. Future outlook

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

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