

This notice is an English translation of the Japanese original dated September 26, 2019 issued by Daio Paper Corporation, and is for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

September 26, 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)
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Director, Responsible for Product Development Division,
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Regarding the Installation of Additional Household Paper Production Facilities

Daio Paper Corporation (hereinafter, the “Company”) hereby announces that the board of directors of the Company approved a resolution at the meeting held today (September 26) to install additional state-of-the-art household paper production facilities to fortify stable supply to the domestic market and strengthen exports to Asian countries such as China in order to fulfill the needs of the market and consumers as the manufacturer of Japan’s top household paper brand.

The facilities will be installed at the Company’s Kawanoe Mill (Shikokuchuo City, Ehime Prefecture; papermaking facility), which was converted into a household paper mill in October 2018, and the Kani Mill (Kani City, Gifu Prefecture; converting facility).

The papermaking facility to be installed at the Kawanoe Mill will be a high-speed machine with wide wire width that makes use of highly cost competitive pulp and energy supplied from the Mishima Mill that is located next to an international trade port. The converting facility to be installed at the Kani Mill will make full use of the mill’s locational advantage that facilitates flexibility in the supply of products to high demand areas in Japan, from the Tokyo metropolitan area to the Kansai area.

Through an optimization in production balance involving both the facilities to be added and existing facilities, the Company will establish a manufacturing structure that enables the stable supply of all categories of household paper (facial tissue, toilet paper and kitchen paper) to the domestic market. Moreover, the Company will ensure that the household paper produced at Kawanoe Mill could be exported in the form of jumbo rolls to its overseas production bases to escalate the sales of household paper in Asia, with a focus on China.

In recent years, the Company has fortified its manufacturing structure to meet the growth in demand for high value-added products such as lotion tissue and deodorizing toilet paper. Having reached the 40th anniversary of the Elleair brand in 2019, the Company sets out to fulfill the increasingly growing and diversifying needs of the markets and consumers of Japan and other regions of the world.

The Company plans to procure the funds for this project through debt based financing, etc. Please also note that this matter will have no significant impact on the Company's consolidated financial results for the fiscal year ending March 31, 2020.

-Overview of Plan-

Production capacity:	Approximately 4,500t per month
Investment amount:	Approximately 20.0 billion yen
Sites of installation:	Shikokuchuo City, Ehime Prefecture (Kawanoe Mill, the Company); Kani City, Gifu Prefecture (Kani Mill, the Company)
Start date of operation:	September 2021

End