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PRESS RELEASE

May 27, 2020

Daio Paper Corporation

Announcement of the Installation of Additional Sanitary Paper Production Facilities

Daio Paper Corporation (hereinafter, “Daio” or “we”) hereby announces that its Board of Directors has resolved at a board meeting held today (May 27) to install additional sanitary paper production facilities to strengthen its capacity to supply those products to the domestic market as the leading manufacturer of household and sanitary paper products in Japan.

Daio will install a paper machine to produce base stock for paper towels and a converting machine at Mishima Mill (Shikokuchuo City, Ehime Prefecture). The details are as follows.

1. The Installation of Additional Sanitary Paper Production Facilities

The installation of the machines announced today will strengthen our capacity to stably supply paper towels, a category which is seeing demand growth as described below. This capacity increase will enable Daio to further speed up its structural reform and develop a structure that can meet the increasing demand and diversifying needs of both domestic and overseas markets.

It is projected that the domestic paper towel market would continue to see a firm growth in demand in the years to come. Thus far, Daio has focused on the sale of paper towels to corporate users such as commercial establishments, the food service industry and medical and welfare institutions (Away-from-Home market). As the COVID-19 outbreak is causing increased hygiene consciousness and lifestyle changes among consumers, household consumption of paper towels is increasing, and we expect a further increase in sales moving forward. To meet this growth in demand, Daio will further strengthen its stable supply structure of paper towels for household users, in addition to corporate users, by installing the production facilities at Mishima Mill to make use of the mill’s highly cost-competitive kraft pulp.

2. The Background to the Installation of Kawano Mill’s Second Paper Machine

As one of its key strategies in its ongoing Third Medium-term Business Plan, Daio is implementing a radical cross-business structural reform of its Paper & Paperboard business and Home & Personal Care business. In accordance with that, Daio seeks to utilize Mishima Mill’s highly cost-competitive kraft pulp in the production of containerboard, kraft paper and sanitary paper, all of which see growing demand both within and outside Japan.

In October 2018, Daio launched the operation of Kawanoe Mill's first paper machine and converting machine which produce facial tissue and toilet paper. However, as demand for products such as high value-added lotion tissue increased following changes in lifestyles, we have reached our capacity limit for production and sales. The previously announced second paper machine to be installed at Kawanoe Mill, scheduled to launch in Oct 2021, will further strengthen our capacity to stably supply household paper products.

3. Overview of Plan

- 1) **Product:** Paper towel
- 2) **Production capacity (increase):** Approx. 1,500t per month
- 3) **Investment amount:** Approx. 6.0 billion yen
- 4) **Site of installation:** Shikokuchuo City, Ehime Prefecture (Mishima Mill, Daio)
- 5) **Start date of operation:** July 2021



For enquiries regarding this press release, please contact:

Makino and Miyamoto

Family Care Brand Marketing Department, Home & Personal Care Unit,

Daio Paper Corporation

TEL : 03-6856-7599