

*ENGLISH TRANSLATION FOR REFERENCE PURPOSE ONLY*

*This notice is an English translation of the original Japanese text of the timely disclosure statement dated March 11, 2021 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.*

March 11, 2021

To Whom It May Concern:

|                         |   |
|-------------------------|---|
| Name of Company:        | Daio Paper Corporation  |
| Name of Representative: | Masayoshi Sako<br>President and Representative Director                       |
| Securities Code:        | 3880<br>(First Section, Tokyo Stock Exchange)                                 |
| Contact Person:         | Yukihiro Tanaka<br>Director<br>General Manager of Corporate Planning Division |
| Telephone No.:          | +81 3 6856 7502   |

**Regarding the Introduction of Trust-Type Employee Stock Ownership Plan (ESOP)**

Daio Paper Corporation (hereinafter, “Daio” or “we”) hereby announces that we have resolved at the Board of Directors meeting held today to introduce a “Trust-Type Employee Stock Ownership Plan (ESOP)” (hereinafter referred to as the “Plan”) as an incentive plan by utilizing the Group's employee shareholding association, for the purpose of enhancing the medium- to long- term corporate value and advancing benefits for its employees, details of which are stated below.

Notes

1. Purpose of introducing the Plan

Daio is introducing this plan as part of its welfare program, and by activating the employee shareholding association of the Group, Daio aims to promote stable asset formation of the Group's employees, as well as to enhance Daio's medium- to long-term corporate value by increasing the Group employees' sense of participation in the corporate management and providing them with incentives to improve business performance.

2. Overview of the Plan

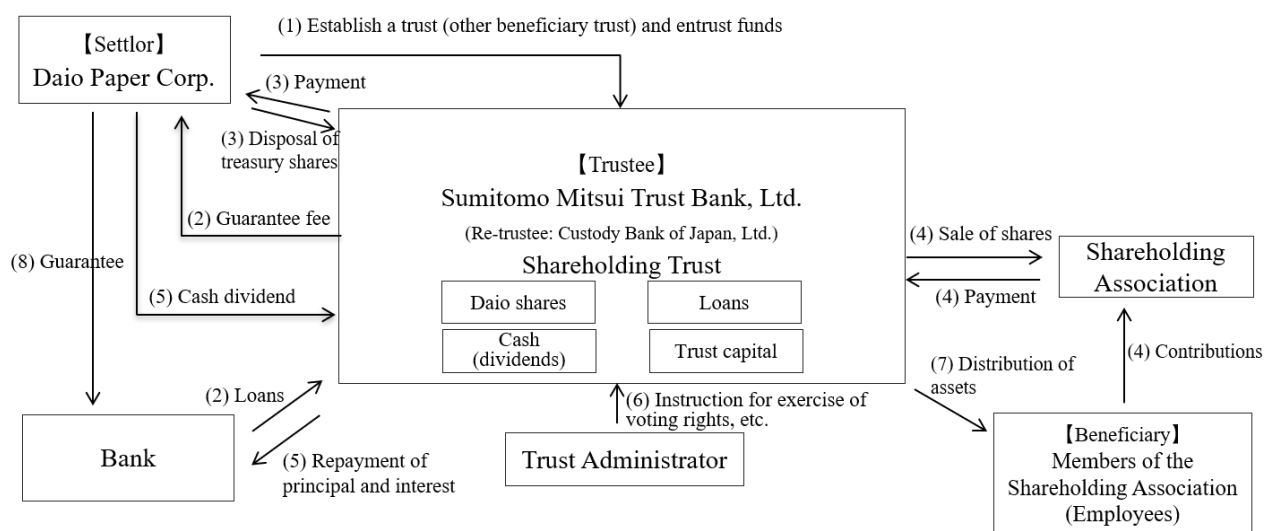
Daio is introducing this plan to the Group's employees who are member of the “Daio Paper Employee Shareholding Association” (hereinafter, the “Shareholding Association”).

Daio will establish an “Employee Shareholding Association Trust (third-party beneficiary trust)” (hereinafter, the “Shareholding Trust”), for which the Group's employees who are members of the Shareholding Association who have fulfilled certain criteria are the beneficiaries.

The Shareholding Trust will collectively acquire Daio's shares for an amount expected to be acquired by the Shareholding Association over the five years following the trust agreement, using funds procured through bank loans. Daio will guarantee such loans undertaken by the Shareholding Trust.

After the introduction of the Plan, the acquisition of Daio's shares by the Shareholding Association will be conducted through purchase from the Shareholding Trust. If an amount equivalent to net gains on sales of shares has accumulated in the Shareholding Trust through the acquisition of Daio's shares by the Shareholding Association, such amount will be distributed to the Group's employees who are beneficiaries when the trust period comes to an end. Meanwhile, if the Shareholding Trust is unable to pay off the debt obligation due to a drop in Daio's share price, Daio will repay the outstanding debt to the lender bank. In such cases, the Group's employees who are members of the Shareholding Association will not bear the debt.

### 3. Framework of the Plan



- (1) Daio will establish a Shareholding Trust.
- (2) The Shareholding Trust will borrow funds necessary for acquiring Daio's shares from banks. Daio, the Shareholding Trust, and the Bank will enter into a guarantee agreement under which Daio will guarantee any loss for the Bank in connection with the borrowing. The Shareholding Trust will pay guarantee fees to Daio in consideration of the guarantee agreement.
- (3) The Shareholding Trust will collectively acquire Daio's shares for an amount expected to be acquired by the Shareholding Association during the trust period (by disposal of treasury shares through third-party allotment).
- (4) Throughout the trust period, the Shareholding Trust will basically sell the shares it holds to the Shareholding Association on a certain day each month at market price.
- (5) The Shareholding Trust will use the proceeds from the sale of Daio's shares to the Shareholding Association as well as dividends received for shares held, to repay the principal and interest of loans from the Bank.
- (6) Throughout the trust period, the trust administrator, who protects the interests of beneficiaries and supervises the trustee, will give instructions for the management of trust assets, including the exercise of

voting rights.

- (7) If there are any residual assets in the Shareholding Trust after the repayment of loans by the sale of Daio's shares, distributions will be made to the Group's employees who satisfy beneficiary requirements according to the amount of contribution during the trust period.
- (8) If there is any outstanding debt after the disposal of remaining assets in the Shareholding Trust, Daio will repay it in accordance with the guarantee agreement.

Sumitomo Mitsui Trust Bank, Ltd., as the trustee of the Plan, will entrust (re-trust) the management of trust assets to Custody Bank of Japan, Ltd.

#### 4. Overview of the Shareholding Trust

|                            |  |
|----------------------------|--|
| i. Settlor                 | Daio Paper Corp.   |
| ii. Trustee                | Sumitomo Mitsui Trust Bank, Ltd.<br>(Re-trustee: Custody Bank of Japan, Ltd.)  |
| iii. Beneficiaries         | Members of the Shareholding Association who satisfy beneficiary requirements   |
| iv. Type of trust          | Money trust (third-party benefit trust)  |
| v. Date of trust agreement | March 29, 2021 (planned)   |
| vi. Trust period           | From March 29, 2021 (planned) to final business day of March 2026 (planned)  |
| vii. Purpose of trust      | Stable and continuous supply of Daio's shares to the Shareholding Association and distribution of trust assets to the beneficiaries determined through the beneficiary determination procedure |

#### 5. Details of the acquisition of Daio's shares by the Shareholding Trust

|  |   |
|--|---|
| i. Shares to be acquired                   | Common shares: 516,500 shares   |
| ii. Total amount of share acquisition cost | 999,944,000 yen   |
| iii. Acquisition date                      | March 29, 2021 (planned)  |
| iv. Acquisition method                     | Acquisition through disposal of treasury shares (third-party allotment) |

End