

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
President and Representative Director
Securities Code: 3880
(First Section, Tokyo Stock Exchange)
Contact Person: Yukihiro Tanaka
Director
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Regarding the Disposal of Treasury Shares through Third-Party Allotment in Line with the Introduction of Trust-Type Employee Stock Ownership Plan (ESOP) and Change in the Employee Share Grant System

Daio Paper Corporation (hereinafter, “Daio” or “we”) hereby announces that we have resolved at the Board of Directors meeting held today to execute the disposal of treasury shares in line with the introduction of trust-type employee stock ownership plan (ESOP) and the change in the Employee Share Grant System (hereinafter referred to as the “Disposal of Treasury Shares”), details of which are stated below.

Notes

1. Overview of the disposal

i.	Disposal date	March 29, 2021 (planned)
ii.	Type and no. of shares to be disposed of	Common shares: 1,232,200 shares
iii.	Disposal price	1,936 yen per share
iv.	Total disposal amount	2,385,539,200 yen
v.	Planned allottee	Sumitomo Mitsui Trust Bank, Ltd. (trust account) (Re-trustee: Custody Bank of Japan, Ltd. (trust account))
vi.	Other	The Disposal of Treasury Shares is subject to effective registration under the Financial Instruments and Exchange Act of Japan.

2. Purpose and reason of the disposal

Daio, at its Board of Directors meeting held on March 11, 2021 resolved to introduce a Trust-Type Employee Stock Ownership Plan (ESOP) (the trust to be established for this plan is hereinafter referred to as the

“Shareholding Trust”) as part of its welfare program. The purpose is to promote stable asset formation of the Group’s employees by activating the employee shareholding association of the Group, as well as to enhance Daio’s medium- to long-term corporate value by increasing the Group’s employees’ sense of participation in the corporate management and providing them with incentives to improve business performance. In addition, it was decided at its Board of Directors meeting held on March 11, 2021 to expand the scope of the Share Grant System introduced on October 16, 2019 for executive officers (the trust already established for the Share Grant System is hereinafter referred to as the “Trust for Delivery of Shares to Employees”) to include employees at managerial positions and to extend the term of the trust. In accordance with this, we have resolved to place additional money in the trust for the trustee to acquire additional shares of Daio.

For an overview of the Shareholding Trust and the Trust for Delivery of Shares to Employees, please refer to the press releases “Regarding the Introduction of Trust-Type Employee Stock Ownership Plan (ESOP)” and “Regarding the Resolution of Expansion of the Scope of the Employee Share Grant System to Employees at Managerial Positions of Daio”, both dated on March 11, 2021.

The Disposal of Treasury Shares shall be made to Sumitomo Mitsui Trust Bank, Ltd. (trust account), the trustee of the Shareholding Trust and Trust for Delivery of Shares to Employees (re-trustee: Custody Bank of Japan, Ltd. (trust account)).

The number of shares to be disposed of, for the Shareholding Trust, shall be obtained by dividing the amount that the Shareholding Association plans to purchase for approximately five years after the trust agreement by the disposal price, based on the amount calculated from current actual annual purchases (annualized amount based on the most recent monthly purchase, bonus purchase and dividend reinvestment result) of “Daio Paper Employee Shareholding Association” (hereinafter, the “Shareholding Association”). For the Trust for Delivery of Shares to Employees, the number of shares to be disposed of shall be equivalent to the number of shares expected to be delivered to employees at managerial positions, based on the Share Grant Regulations established by Daio and taking into consideration the transition of composition of employees in managerial positions during the extended trust period.

The scale of dilution is 0.73% of the total number of issued shares of 169,012,926 shares as of the end of September 2020, and 0.74% of the total number of voting rights of 1,657,796 as of the end of September 2020. (Both figures are rounded off to the second decimal place). We believe that the Disposal of Treasury Shares will provide incentives for the Group's employees to increase Daio's medium- to long-term corporate value and promote Daio's constant growth by raising the Group's employees' morale through capital participation as shareholders. Therefore, we judge that the number of shares to be disposed of and the scale of dilution are reasonable, and the impact on the secondary market will be slight.

(Reference) Overview of the Trust Agreement for the Shareholding Trust

i.	Settlor	Daio Paper Corp.
ii.	Trustee	Sumitomo Mitsui Trust Bank, Ltd. (Re-trustee: Custody Bank of Japan, Ltd.)
iii.	Beneficiaries	Members of the Shareholding Association who satisfy beneficiary requirements
iv.	Exercise of voting rights	The trust administrator will give instructions on the exercise of voting rights for Daio's shares in the trust.
v.	Type of trust	Money trust (third-party benefit trust)
vi.	Date of trust agreement	March 29, 2021 (planned)
vii.	Trust period	From March 29, 2021 to final business day of March 2026 (planned)
viii.	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

(Reference) Overview of the Trust Agreement for the Trust for Delivery of Shares to Employees

i.	Settlor	Daio Paper Corp.
ii.	Trustee	Sumitomo Mitsui Trust Bank, Ltd. (Re-trustee: Custody Bank of Japan, Ltd.)
iii.	Beneficiaries	Members of the Shareholding Association who satisfy beneficiary requirements
iv.	Trust administrator	Appointment of a third party independent of Daio and its officers
v.	Exercise of voting rights	The trust administrator will give instructions on the exercise of voting rights for Daio'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.	Date of additional entrustment	March 29, 2021 (planned)
ix.	Trust period (after extension)	From October 16, 2019 to final business day of March 2026
x.	Purpose of the trust	Delivery of Daio's shares to the beneficiaries in accordance with the Share Grant Regulations

3. Basis for calculation of the disposal price and specific details thereof

By taking into consideration recent stock price movements, and with a view to eliminating arbitrariness in determination, the disposal price shall be 1,936 yen, the closing price of Daio's shares on the Tokyo Stock Exchange on March 10, 2021 (the business day immediately preceding the date of resolution by the Board of Directors).

The above price deviates -5.70% from 2,053 yen, the average closing share price for the one month immediately

preceding the date of the Board of Directors resolution (February 12, 2021 to March 10, 2021), -2.02% from yen, the average closing share price for the three months immediately preceding the date of the Board of Directors resolution (December 11, 2020 to March 10, 2021), and 8.40% from 1,786 yen, the average closing share price for the six months immediately preceding the date of the Board of Directors resolution (September 11, 2020 to March 10, 2021) (All share prices are rounded down, and all deviation rates are rounded off to the second decimal place).

Given these considerations, we have determined that the disposal price for this Disposal of Treasury Shares is not particularly advantageous for the planned allottee and is reasonable.

With respect to the above-mentioned disposal price, all Audit & Supervisory Board Members who attended the Board of Directors' Meeting (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 the controlling shareholders, Daio is not required to carry out the procedures to obtain 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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