

ENGLISH TRANSLATION FOR REFERENCE PURPOSE ONLY

This notice is an English translation of the original Japanese text of the timely disclosure statement dated August 10, 2023, 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.

August 10, 2023

To whom it may concern:

Name of Company: Daio Paper Corporation
Name of Representative: Yorifusa Wakabayashi
President and Representative Director
Chief Executive Officer
Securities Code: 3880
(Prime Market of Tokyo Stock Exchange)
Contact Person: Yukihiro Tanaka, Director
Director Managing Executive Officer
General Manager of General Affairs and Personnel Division
+81-3-6856-7501

Boiler Reconstruction at Our Subsidiary Iwaki Daio Paper Corporation

Regarding the accident that damaged a boiler at our consolidated subsidiary, Iwaki Daio Paper Corporation (hereinafter “Iwaki Daio”) based in the Minamidai district of Iwaki City, Fukushima Prefecture, on September 6, 2022, we once again apologize to residents in the neighborhood, customers, related companies, relevant authorities, and many other parties concerned for any anxiety and inconvenience caused.

As reported in the “Measures Addressing Aftermath of Boiler Breakage at Our Subsidiary Iwaki Daio Paper Corporation (3rd Report)” dated July 6, Iwaki Daio and Daio Paper Corporation have prepared an accident investigation report, through the “Accident Investigation Committee” that included external intellectuals, describing the determination of its causes and means of fending off recurrence, and have since discussed boiler reconstruction.

Our Board of Directors, at its meeting held today, voted to approve a boiler reconstruction plan calling for the adoption of recurrence-preventing measures addressing multiple presumed causes of the explosion based on the accident investigation report, and herein we notify the parties concerned of the Board action.

The Daio Group is working to realize, through business activities, its management philosophy, “Shaping an abundant and affable future for the world.” In its business activities, we will continue making efforts to ensure stability in product quality and reduce the environmental load through the effective use of natural resources while giving top priority to safety.

1. Overview of boiler reconstruction plan

- 1) Electric output: 33,333 kilowatts
- 2) Boiler type: CFB^{*1} boiler (^{*1} circulating fluidized bed)
(design based on recurrence-preventing measures below)
- 3) Fuel: Woodchips, RPF, tire chips, waste inside premises
- 4) Investment amount: 19 billion yen (rough estimation)
- 5) Start of operation: 2025 (planned)

2. Recurrence-preventing measures

1) Steps to prevent water tube leakage

- Eliminate seal fin for triangular space^{*2} (which results in the disappearance of the triangular space)

^{*2} Very narrow space between the sealing material, which ensures combustor airtightness, and the water tube; it is too narrow to allow inspection.

- Restrict scale buildup on the inside of water tubes (avoiding the risk of creep damage)
- Prevent decline in the pH level of boiler water (avoiding the risk of tube corrosion by hydrogen)
- Prevent the risk of heat load rising on water tubes as a result of refractory removal (avoiding corrosion by hydrogen, creep damage, rupture risk)

2) Measures to reduce the risk of steam explosion occurring even when water leaks

Besides the measures described in item 1), we requested the boiler manufacturer to take additional safety steps. As a result, some design specifications have been changed as follows.

- Eliminate the triangular space to prevent massive water from abruptly coming into contact with fluid material with high heat content

3) Measures to prevent the scope of breakage from expanding further

- Render water piping structure on peripheral walls of the external heat exchanger (water tubes + refractory structure) into a non-pressure structure (casing/iron plate + refractory structure)
- No evaporator installation inside the external heat exchanger

Through the boiler reconstruction, Iwaki Daio is scheduled to turn the relevant factory into one that not only recycles raw materials (producing newsprint and containerboard from used paper) but also ensures thermal recycling in which all fuel is based on non-petroleum sources such as woodchips, RPF and waste.

(END)

For reference: [“Measures Addressing Aftermath of Boiler Breakage at Our Subsidiary Iwaki Daio Paper Corporation \(3rd Report\)” dated July 6, 2023](#)