

*This notice is an English translation of the Japanese original dated August 12, 2022 issued by Daio Paper Corporation, and is for reference purpose only. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.*

August 12, 2022

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 the Tokyo Stock Exchange
Contact Person:	Shuhei Shinagawa Managing Executive Officer General Manager of Corporate Planning Division, Corporate Unit
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## **Announcement of Acquisition of Shares of DAIKI co. ltd.**

We would like to hereby announce as follows that we have resolved at the meeting of the Board of Directors held today (August 12, 2022), to acquire all shares of DAIKI co. ltd., a company manufacturing pet care products (hereinafter, "Daiki") (hereinafter, the "Share Acquisition"), thereby making it one of our subsidiaries.

### 1. Reasons for Share Acquisition

In the "Daio Group Sustainability Vision" announced in May 2021, our Group has established a purpose of achieving the "Three Lives", namely, hygiene, life, and regeneration, and realizing an "Abundant and Affable Future for the World". With an aim to contribute to the "Regeneration of the Earth" as stated in the Vision, we are working to solve social issues through our business activities. Such activities include a launching of a joint study on recycling of used disposable diapers in June 2022 (Note 1). We believe that, with this Share Acquisition, we will not only be able to establish a material recycling model within our Group but also concurrently realize the further strengthening of the revenue base of the Home & Personal Care business.

Founded in 1984, Daiki is an OEM manufacturer and distributor of paper pellets cat litter used for cat excretion. It supplies approximately 40% of the paper pellets cat litter market in Japan through major domestic pet care product manufacturers. It manufactures high-quality paper pellets cat litter by utilizing recycled raw materials such as diapers, wallpaper and pulp-based non-woven fabrics that are below the standard of manufacturers. It has two production facilities in Japan, with products supplied promptly to eastern Japan from the Mooka production site in Tochigi Prefecture and to western Japan from the Shikoku production site in Kagawa Prefecture. Leveraging the know-how and patents obtained from years of experience, it has strength in developing the products that meet increasingly sophisticated and diverse needs, as well as in cost competitiveness.

While most of the production losses generated in the manufacturing process of sanitary paper, disposable diapers, sanitary products and surgical masks that our Group manufactures and sells have been returned to raw material processes for commercialization, those that cannot be reused have been sold as raw materials for recycling or used as fuel for our own boilers. With the Share Acquisition, we will be able to recycle such production losses within our Group, leading to establish material-recycling, which will enable us to strengthen the revenue and profit of the business through manufacturing and selling paper pellets cat litter to pet care product manufacturers.

Furthermore, along with the contribution to the achievement of SDGs and realization of sustainable recycling society, we also aim to utilize pulp and polymers separated and recovered from our recycling business of used disposable diapers for paper pellets cat litter production.

(Note 1) In June 2022, we agreed with LiveDo Corporation to engage in a joint study to separate and recover pulp, polymers and plastics from used disposable diapers and recycle them as resources.

## 2. Outline of the Transferring Company (As of July 31, 2022)

(1) Name	DAIKI co. ltd.		
(2) Location	Akasaka Tango-cho Building B1F, 4-4-11 Akasaka, Minato-ku, Tokyo		
(3) Representative Position, Name	Representative Director and President Yoshiaki Murata		
(4) Business	Development, manufacturing and sale of pet care products, processed paper products and the like Recycling and processing of recycled products and industrial waste Planning, development, manufacturing, and sale of new products		
(5) Capital Stock	50 million yen		
(6) Date of Establishment	February 14, 1986		
(7) Major Shareholder	Funds managed and operated by Marunouchi Capital Inc.		
(8) Relationship between Listed Company and the Company Concerned	Capital Relationship	None	
	Human Relationship	None	
	Business Relationship	Business relationship exists	
(9) Operating results and financial status of the company for the past three years (Note 2)			
Fiscal Year-end	FYE 4/2020	FYE 4/2021	FYE 4/2022
Net Assets	4,235 million yen	4,157 million yen	4,037 million yen
Total Assets	12,420 million yen	11,237 million yen	10,871 million yen
Net Sales	2,728 million yen	2,689 million yen	2,713 million yen

Operating Profit	84 million yen	156 million yen	152 million yen
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(Note 2) • The company concerned has merged with its subsidiary on December 1, 2020.

- The management indices for the fiscal years ended April 2020 and April 2021 show the figures consolidated with the subsidiaries.

### 3. Overview of the Counterparty of Share Acquisition

(1) Name	Marunouchi Capital Inc.
(2) Location	Kokusai Building 6F, 3-1-1 Marunouchi, Chiyoda-ku, Tokyo
(3) Business	Investment Management
(4) Capital Stock	250 million yen
(5) Shareholders	Mitsubishi Corporation: 85.1%, MUFG Bank, Ltd.: 14.9%

### 4. Number of Shares Acquired and Status of Shares Held before and after Acquisition

(1) Number of Shares Held before Acquisition	0 share (Number of voting rights: 0, percentage of voting rights held: 0%)
(2) Number of Shares Acquired	5,011,270 shares (Number of voting rights: 5,011,270)
(3) Acquisition Price	Approximately 7.4 billion yen
(4) Number of Shares Held after Acquisition	5,011,270 shares (Number of voting rights: 5,011,270, percentage of voting rights held: 100%)

### 5. Schedule

(1) Date of Resolution of Board of Directors	August 12, 2022 (Today)
(2) Date of Conclusion of Share Transfer Agreement	August 12, 2022 (Today)
(3) Date of Execution of Share Transfer	October 3, 2022 (Scheduled)

### 6. Outlook

With this Share Acquisition, Daiki will become our subsidiary as of October 3, 2022.

The consolidation of Daiki into the consolidated financial results upon the Share Acquisition is expected to be

from the third quarter of the fiscal year ending on March 31, 2023. The amount of impact thereof is included in the revised consolidated financial results forecast announced today.

We will promptly announce any new event which becomes clear and requires announcement, such as a change in the financial results forecast.

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