

ENGLISH TRANSLATION FOR REFERENCE PURPOSE ONLY

This notice is an English translation of the original Japanese text of the timely disclosure statement dated March 6, 2025 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 6, 2025

To whom it may concern

Company name: Daio Paper Corporation

Representative: Yorifusa Wakabayashi, President and Representative Director Chief Executive Officer

Securities code: 3880 (Prime Market of Tokyo Stock Exchange)

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Notice Regarding Partial Transfer of Fixed Assets of Consolidated Subsidiary

At the meeting of the Board of Directors held on March 6, 2025, the Company resolved to transfer a fixed asset of consolidated subsidiary Elleair International China (Nantong) Co., Ltd. ("EICN") to Hangzhou Haoyue Industrial Co., Ltd. ("Haoyue").

EICN owns the Nantong West (First Factory), which produces baby diapers, and the Nantong East (Second Factory), which produces sanitary products. We have decided to transfer all the land, buildings, and production facilities of the Nantong West (First Factory) to Haoyue. The production of baby diapers will be outsourced, and sales will continue, allowing us to establish a system that can promptly respond to the needs of local consumers. In addition, the production and sales of sanitary products, which have been growing steadily, will continue at the Nantong East (Second Factory) with the aim of building a new business model. Through this restructuring, we will improve our financial position and remain committed to enhancing corporate value.

1. Overview of the subsidiary

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|--------------------------------------|---|
| (1) Name | Elleair International China (Nantong) Co., Ltd. |
| (2) Location | Nantong City, Jiangsu Province, People's Republic of China |
| (3) Name and title of representative | Takahisa Kashiwabara, President and Representative Director |
| (4) Business details | Production and sale of paper products and sanitary products, etc. |
| (5) Capital | USD 160 million |
| (6) Date of establishment | December 18, 2012 |

2. Reason for the transfer

EICN produces and sells baby diapers and sanitary products, etc. in China. However, competition in the Chinese baby diaper market has intensified due to the declining birthrate and the emergence of local Chinese manufacturers, resulting in a review of its business portfolio. The Company, with the aim of strengthening its operating cash flow generation abilities as outlined in its fifth medium-term business plan beginning FY2024, has proceeded with efforts toward the restructuring of its H&PC overseas business, and after carefully examining the future development of the Chinese business, has decided to transfer a fixed asset related to the production of baby diapers to Haoyue and focus its management resources on sanitary products, so as to achieve a recovery in performance levels. Furthermore, as EICN's baby diaper brand "GOO.N" is very well known within China, future production of diapers under this brand will be outsourced to other parties, including Haoyue, in order to improve cost competitiveness as well as to develop and produce products that quickly respond to the needs of Chinese consumers, allowing for the sale of diapers with this brand name to continue. The transferee, Haoyue, is cost-competitive thanks to also producing raw materials for baby diapers, and due to its high affinity with EICN, the Company determined that it would be the optimal transferee for the asset while EICN proceeds with its transition to a new business model.

3. Details of assets subject to transfer

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|--------------------|--|
| (1) Name of asset | Nantong West (First Factory) |
| (2) Location | Nantong City, Jiangsu Province, People's Republic of China |
| (3) Transfer price | 266 million yuan (approx. 5.8 billion yen) |
| (4) Transfer loss | 185 million yuan (approx. 4.0 billion yen) |
| (5) Current status | Plant belonging to Elleair International China (Nantong) Co., Ltd. |

※ 1. Currency converted at a rate of 1 yuan = 21.67 yen.

The transfer loss is an estimated amount that has been calculated by deducting the book value and the estimated costs related to the transfer from the transfer price.

4. Overview of the transferee

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|---|--|-----|
| (1) Name | Hangzhou Haoyue Industrial Co., Ltd. | |
| (2) Location | Hangzhou City, Zhejiang Province, People's Republic of China | |
| (3) Name and title of representative | Zhibiao Li, General Manager | |
| (4) Business details | Manufacture and sale of paper diapers, sanitary products, non-woven fabrics, and packaging materials, etc. | |
| (5) Capital | 155 million yuan | |
| (6) Date of establishment | March 11, 2008 | |
| (7) Net assets | 3,217 million yuan | |
| (8) Total assets | 4,647 million yuan | |
| (9) Major shareholders and shareholding ratio | Zhibiao Li 34.53%, Weili Zhu 21.85%, Shiyuan Li 6.04% | |
| (10) Relationship between listed company and transferee | Capital relationship | N/A |
| | Personal relationship | N/A |
| | Business relationship | N/A |
| | Status of Related Parties | N/A |

※ 2. Net assets and total assets for the fiscal year ending December 2023

5. Schedule

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| (1) Date of resolution of the Company | March 6, 2025 |
| (2) Date of conclusion of the agreement | March 6, 2025 |
| (3) Ownership transfer date | June 30, 2025 (scheduled) |

6. Outlook for the future

The transfer of the fixed assets is expected to result in an extraordinary loss of approximately 4 billion yen on a consolidated basis for the fiscal year ending March 2025. The impact on the consolidated financial results for the fiscal year ending March 2025 is currently under review.

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