ENGLISH TRANSLATION FOR REFERENCE PURPOSES ONLY

This notice is an English translation of the original Japanese text of the timely disclosure statement dated May 26, 2026 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.

May 26, 2026

To whom it may concern:

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Notice Regarding Opinions of Daio Paper's Board of Directors on Shareholder Proposals

Daio Paper Corporation (the "Company") received a document on April 28, 2026 regarding the exercise of shareholder proposal rights at the 115th Annual General Meeting of Shareholders to be held on June 29, 2026. We hereby announce that the Board of Directors resolved at its meeting held today to oppose the proposals.

1. Proposing Shareholder

Name of Proposing Shareholder: One individual shareholder

*The name will not be disclosed as it is an individual shareholder.

Number of voting rights held: 311 (0.020% of total voting rights)

2. Content of the Shareholder Proposals

The content and reasons for the proposals made by the proposing shareholder are presented, in principle, as originally submitted.

(Company note: The proposals were originally submitted in Japanese, and the English translations thereof have been prepared by the Company.)

(1) Agenda 1: Partial Amendment to the Articles of Incorporation (Addition of "Data Center business" to Article 3 (Purpose))

A. Details of the Proposal

Add the following item to the Company's Articles of Incorporation "Article 3 (Purpose)":

"The purpose of the Company shall be to conduct the following business activities:

(New Item)

- Holding, operating, managing, and leasing a data center; related consulting business; and information services business such as processing, providing, and accumulating data"

B. Reasons for the Proposal

The Company is experiencing a decrease in paper demand. Assets at its Mishima Mill such as power generation, water supply, effluent treatment capacity, and large factory buildings, make the site one of Japan's top locations for a next-generation data center (DC).

As the railway industry, including Tokyu Railways, moves into the DC market which has a low barrier to entry requiring only installing server racks, the Company should aim for differentiation with its unique waste-heat recycling model. With approximately 520,000 kW of self-generation capacity and water rights to in the Yoshino River system, the region holds

a dominant position compared to the metropolitan area, which faces significant restrictions on electricity and cooling water.

Utilizing waste heat from the DC as the heat source for the paper-drying process can significantly cut fuel costs and generate carbon-offset revenue, achieving a sub-1.0 PUE -- the theoretical minimum -- by fully converting waste heat into manufacturing energy and minimizing actual consumption. The DC business should be added to the purpose of the Company to foster a structural shift to the cutting-edge AI infrastructure industry. By achieving low capital investment through leveraging its existing infrastructure, the Company can target ROE of 20-30% and substantially enhance corporate value.

(2) Agenda 2: Partial Amendment to the Articles of Incorporation (Addition of Provisions Relating to the Promotion of "Foreign Capital-Backed" Joint Data Center Projects through Global Partnerships)

A. Details of the Proposal

Add the following item to the Company's Articles of Incorporation "Article 3 (Purpose)":

"The purpose of the Company shall be to conduct the following business activities:

(New Item)

- Asset-provision-type joint venture involving land, electricity, industrial water, and a minority investment, formed through a JV with an external partner to enter the data center business."

B. Reasons for the Proposal

To avoid substantial investment and operational risks associated with entering the DC business, establishing a JV with an external partner is proposed.

The Company should focus on an "asset-provision model," in which it restricts its role to supplying land, electricity, industrial water, and a minority investment, while the specialist business operator assumes full responsibility for data management and security.

This will enable the severance of direct liabilities arising from security incidents while maintaining stable infrastructure revenue (leasing, electricity sales, and dividends).

The approximately 300 billion yen initial investment, which is critical for generative AI infrastructure – in which US tech giants such as GAFAM invest trillions of yen annually in fierce global competition to secure computing infrastructure worth 300 billion yen per site -- can be funded without using internal funds. This can be achieved by positioning as a hub that draws external capital, including US mega-tech firms and sovereign funds from the Middle East and other regions, which are urgently seeking regionally decentralized data centers in Japan. Management is requested to reframe owned assets as a "capital-attracting vehicle" to maximize capital efficiency.

(3) Agenda 3: Partial Amendment to the Articles of Incorporation (Addition of Provisions Relating to the Attraction of Next-Generation "Water-Cooled Hyperscale Data Centers" Utilizing Water Rights in the Yoshino River System)

A. Details of the Proposal

Add the following item to the Company's Articles of Incorporation "Article 3 (Purpose)":

"The purpose of the Company shall be to conduct the following business activities:

(New Item)

- Attracting a water-cooled (liquid-cooled) hyper-scale data center by leveraging water rights to the Yoshino River system and existing water supply infrastructure, supplying cooling water to and recovering waste heat from these facilities for mutual energy use"

B. Reasons for the Proposal

With the rapid adoption of generative AI, the thermal density produced by high-density GPUs used for computation and inference has exceeded the capacity of air cooling. For next-generation hyperscale DCs, the transition to water (liquid) cooling is essential.

Mishima Mill has existing water supply infrastructure for the Dozan River, a tributary of the Yoshino River system, and has tremendous potential to be converted to or incorporated with a globally rare, water-cooled DC site without large-scale

new development.

Against the backdrop of this rare water-utilization capacity, the active attraction of foreign hyper-scalers, etc., that are urgently trying to avoid concentration risk in the metropolitan area, is proposed to be added to the management's basic policy. Converting or incorporating existing paper-manufacturing assets (electricity, water, and factory buildings) is an industrial transformation that maximizes the value of existing assets as AI infrastructure. The full-recycling model centered on water resources (water resources → liquid cooling → heat recovery → paper drying → recirculation) will establish a dominant competitive advantage that competitors will not be able to replicate even in the context of SDGs.

(4) Agenda 4: Partial Amendment to the Articles of Incorporation (Addition of Provisions Relating to the Promotion of the "Shikoku Chuo Digital Hub" Initiative Contributing to Digital Security)

A. Details of the Proposal

Add the following item to the Company's Articles of Incorporation "Article 3 (Purpose)":

"The purpose of the Company shall be to conduct the following business activities:

(New Item)

- Developing and attracting data centers, semiconductor manufacturing facilities, and industrial clusters centered thereon that contribute to digital security, and developing next-generation energy infrastructure and power supply, including pumped-storage hydropower, offshore wind power, and ammonia-based power generation"

B. Reasons for the Proposal

This proposal goes beyond the framework of a single corporation to drive national digital security and regional revitalization for the Shikoku region.

It fully aligns with the government's DC decentralization policy, and accelerated business activity with public funds and special district designation can be expected.

Beginning with Shikoku-Chuo City, an industrial cluster should be established to support an AI computation and inference platform by a hyper-scale DC, and a semiconductor plant, to create high value-added employment. Accordingly, the management's basic policy should include a "securing power sources strategy" that leverages not only the Yoshino River system but also incorporates power storage solutions such as pumped-storage hydropower, offshore wind energy in the Kii Channel, and the development of an ammonia-receiving and power-generation hub at Kochi New Port.

This will link to the future Shikoku Bullet Train concept, which assumes direct connectivity with the Kansai region, international logistics collaboration via an extension to Kochi Airport, and high-speed freight transport directly connected to plants. It will serve as the foundation for developing Shikoku into a sustainable region by the 22nd century. It prevents limiting the Company's front-line infrastructure value to paper manufacturing and strongly promotes participation in a grand business design linked to the national strategy.

(5) Agenda 5: Partial Amendment to the Articles of Incorporation (Addition of Provisions Relating to the Profit Improvement of Existing Businesses and Utilization of Carbon Credit by Data Center Waste Heat Recycling)

A. Details of the Proposal

Add the following item to the Company's Articles of Incorporation "Article 3 (Purpose)":

"The purpose of the Company shall be to conduct the following business activities:

(New Item)

- Recovering waste-heat generated by DC and reusing the same as a supplementary heat source for the paper manufacturing process, measuring of greenhouse gas emission reductions and obtaining certification to reduce greenhouse gas emissions through energy recycling, and trading and selling emissions rights (carbon credits)"

B. Reasons for the Proposal

This proposal seeks to incorporate into the Company's basic management policy the reuse of massive waste-heat generated by a hyper-scale DC as a supplementary heat source (establishing a thermal energy circulation system that integrates DC cooling processes and paper manufacturing heating processes via heat pump technology) for existing paper manufacturing processes (drying household paper, etc.).

This will significantly reduce conventional boiler operation and fuel use, achieving a drastically lower cost structure than competitors for producing the same paper. Additionally, the waste-heat recycling model functions as a "carbon offset facility" that directly cuts CO2 emissions from fossil fuel use, opening new revenue streams through avoiding future carbon taxes and engaging in carbon credit trading.

The brand story that our product, Elleair, is "made with AI heat" will make a leap forward the brand to symbolize a sustainable society.

Redefining the paper manufacturing sector from a high-energy-consuming industry into a state-of-the-art, energy-efficient AI infrastructure industry by integrating DC is proposed. The Company should aim for fundamental improvements in both business profitability and market evaluation.

(6) Agenda 6: Partial Amendment to the Articles of Incorporation (Addition of Provisions Relating to the Commercialization of the CNF "In-situ Soil Modification Method" Contributing to National Resilience)

A. Details of the Proposal

Add the following item to the Company's Articles of Incorporation "Article 3 (Purpose)":

"The purpose of the Company shall be to conduct the following business activities:

(New Item)

- Developing, manufacturing, and selling soil improvement materials utilizing Cellulose Nanofiber (CNF), as well as developing in-situ soil modification methods using such soil for civil engineering, construction, excavation, defense, and other applications, and related consulting business"

B. Reasons for the Proposal

Based on my engineering expertise, a reasonable hypothesis can be derived that the addition of CNF to high-moisture in-situ soil improves the internal friction angle (φ) and cohesion (c) through an interparticle bridging effect.

A construction method should be established to convert on-site soil into usable material by directly mixing and placing it behind levees with a backhoe during flood events.

At disaster sites where every second matters, like the Aki River levee breach I witnessed while serving as a staff of Kochi Prefecture, moving large sandbags is the biggest challenge. This approach removes that obstacle, enabling extremely fast emergency restoration.

By applying the Company's CNF technology to civil engineering fields that contribute to National Resilience, the Company should aim to secure a first-mover advantage in the vast public infrastructure market.

In addition, mixing soil with CNF has the potential to become a groundbreaking new method for the following areas:

- Tunnel construction: Grout material for stabilizing the tunnel face
- Energy development: Borehole walls stabilization and protection during shale oil drilling
- Defense: Rapid and robust construction of field fortifications utilizing in-situ soil
- Environmental improvement: Recycling sludge and dredged soil into usable soil

(7) Agenda 7: Partial Amendment to the Articles of Incorporation (Addition of Provisions Relating to the Transition from CNF Material Sales to an "Engineering Method and Solutions Business" for Next-Generation Infrastructure Material)

A. Details of the Proposal

Add the following item to the Company's Articles of Incorporation "Article 3 (Purpose)":

"The purpose of the Company shall be to conduct the following business activities:

(New Item)

- Designing, developing, manufacturing, and selling prestressed concrete (PC) structures incorporating Cellulose Nanofiber (CNF), as well as engineering methods and solutions businesses for the renewal and construction of infrastructure, including bridges, using this technology"

B. Reasons for the Proposal

Develop the next-generation infrastructure market by utilizing CNF in the pre-tensioning method for prestressed

concrete (PC) structures.

Drawing on my expertise as a Licensed First-Class Civil Engineering Construction Management Engineer and practical experience in road development at the Ministry of Land, Infrastructure, Transport and Tourism, I note that CNF enhances tensile performance and suppresses cracks, allowing for higher prestress (tensile) forces in concrete. This makes it possible to create very thin, lightweight structural members, enabling designs that surpass traditional PC structure limits, such as longer bridge spans and lighter bridge deck slabs.

Densification of the internal concrete structure through the addition of CNF blocks the penetration of moisture and deterioration factors, dramatically improving resistance to carbonation and salt damage. This addresses the urgent challenge of extending the service life of public infrastructure. By expanding the business beyond simple material supply to "construction methods and solutions businesses" that deliver high-performance structures, and by collaborating with major general contractors and related industry participants, the Company should build a dominant market position in the demand for the renewal and new construction of aging infrastructure.

(8) Agenda 8: Partial Amendment to the Articles of Incorporation (Addition of Provisions Relating to the Promotion of the "Shikoku Semiconductor and Ultra-Pure Water (UPW) Corridor" Initiative Anchored by the Mishima Mill)

A. Details of the Proposal

Add the following item to the Company's Articles of Incorporation "Article 3 (Purpose)":

"The purpose of the Company shall be to conduct the following business activities:

(New Item)

- Purifying and supplying ultra-pure water essential for semiconductor manufacturing, managing water resources, attracting semiconductor plants and supporting their operations using owned assets like the Mishima Mill, and facilitating the development of related industrial clusters"

B. Reasons for the Proposal

Combine the Mishima Mill's water rights with the previously proposed telecommunications infrastructure to establish a leading global semiconductor hub.

Ultra-pure water is essential for manufacturing advanced logic semiconductors at the single-digit nanometer scale. Unlike Kumamoto, where groundwater depletion risks are increasing, Shikoku's rivers -- such as the Yoshino, Niyodo, Monobe, Shimanto, and Hiji -- provide plentiful surface water, ensuring superior supply stability, water quality, and volume, along with strong business continuity planning (BCP) advantages. Notably, the Niyodo River's high-quality water is a world-class potential resource directly linked to reducing purification costs and boost manufacturing yields. The Mishima Mill can serve as the central hub, with plans to expand operations across these river systems.

Future development of the Shinkansen bullet train will enhance Shikoku-Chuo City's connectivity with the Kansai region, enabling easier to secure advanced human resources from Osaka and Kyoto compared to Kumamoto.

The Company has a long history of managing water and power on a large scale as capital-intensive process industry. Leveraging this "manufacturing DNA," it should aim to connect Shikoku's exceptional water resources directly to semiconductor manufacturing. Daio Paper should evolve into an "advanced AI infrastructure platform" that underpins the core of the digital society.

(9) Agenda 9: Partial Amendment to the Articles of Incorporation (Addition of Provisions Relating to the Development of an Ammonia Receiving Hub at Kochi New Port and the Expansion into Next-Generation Power Generation Businesses)

A. Details of the Proposal

Add the following item to the Company's Articles of Incorporation "Article 3 (Purpose)":

"The purpose of the Company shall be to conduct the following business activities:

(New Item)

- Importing, storing, selling, and operating receiving hubs for next-generation fuels such as ammonia and hydrogen, as well as generating power using such fuels and supplying and selling electricity"

B. Reasons for the Proposal

To reduce energy costs and utilize ammonia, a hydrogen-derived next-generation fuel that emits no CO2 during combustion, a receiving hub and a thermal power plant should be developed at Kochi New Port.

Ammonia is a key fuel for both co-firing and dedicated power generation. However, ports on the Seto Inland Sea side are unsuited for handling large tankers because of navigational constraints, such as heavy congestion in the Kurushima Strait and the Bisan Seto shipping routes.

In contrast, Kochi New Port, with direct access to the Pacific Ocean, has the potential to be Shikoku's sole "energy gateway," capable of safely handling 100,000-ton-class tankers. Its close proximity of about 65 km to Shikoku-Chuo City, the region's largest demand center, is rational in terms of power t transmission efficiency. This strategic location offers a significant competitive edge in attracting and retaining hyper-scale data centers and the semiconductor industry where competition to secure power sources is intensifying.

Although the Company is not directly involved with the port at present, its proven track record in power generation and expertise in managing hazardous substances uniquely qualify it to develop integrated fuel-receiving and power-generation facilities from the perspective of an actual energy consumer. This strategy aims to transform underused public infrastructure into a growth platform for the Company and to establish a supply chain with significant competitive advantages.

(10) Agenda 10: Partial Amendment to the Articles of Incorporation (Addition of Provisions Relating to the Renaming of the Mishima Mill and the Consolidation of Headquarters Functions in Shikoku in order to Establish a Next-Generation "Super Blue-Collar" Organizational Model)

A. Details of the Proposal

Add the following item to, or revise the Company's Articles of Incorporation:

"Article X. Headquarters Address and the Name of the Office

1. Establish the Company's head office in Shikoku-Chuo City, Ehime Prefecture, and consolidate its management functions into said base.
2. Rename the current "Mishima Mill" and "Shikoku Headquarters" as the "Shikoku Chuo Headquarters Mill."
3. Promote advanced IT integration at the sites and establish a front line-responsive decision-making organization directly linking manufacturing and management (the 'Super Blue Collar Organization')"

B. Reasons for the Proposal

Abolish the Tokyo headquarters, which no longer directly contributes to profitability and has become a cost center, and consolidate its functions into the Shikoku headquarters.

Rename the current "Mishima Mill" and "Shikoku Headquarters" to the "Shikoku Chuo Headquarters Mill."

Eliminate bases detached from the front line and shift management functions back to the core manufacturing sites to physically integrate management and production.

Establish a rapid, effective, and field-responsive decision-making structure.

This reorganization forms the foundation of the "Super Blue Collar" concept.

Elevate the front line into "sanctuaries of knowledge," where personnel with advanced IT skills in leading fields like semiconductors and clean energy create value.

Create a next-generation labor model that breaks down the divide between white-collar and blue-collar work and accelerates front line-driven innovation.

Daio Paper should improve corporate value (contribute to national interests and regional revitalization by building next-generation infrastructure such as DC and clean energy) with "Passion with Sincerity," working together with the Shikoku region and competing globally through the strength of its front line operations.

3. Opinions of the Company's Board of Directors on the Shareholder Proposals

[Board of Directors' Opinion on Agenda 1 to 9 (common)]

The Board of Directors **opposes each of the shareholder proposals set forth in Proposals 1 through 9.**

The Company is conducting its business operations in line with its long-term vision and medium-term business plan. As all businesses currently conducted or planned by the Company fall within the scope of the business purposes set forth in the current Articles of Incorporation, the Company believes that it is unnecessary to add the proposed items to the Articles of Incorporation.

[Board of Directors' Opinion on Agenda 10]

The Board of Directors **opposes this shareholder proposal.**

Regarding the proposed amendment, the provision stating that "Establish the Company's head office in Shikoku-Chuo City, Ehime Prefecture," is already stipulated in substance under Article 2 of the Company's current Articles of Incorporation. Furthermore, the remaining portions of this proposal pertain to matters concerning management functions and organizational structures. These are operational issues that should be determined with a certain degree of flexibility by the Company, taking into account management strategies and changes in the business environment. Therefore, the Board believes it is inappropriate to enshrine such specific provisions in the Articles of Incorporation, which is intended to define only the fundamental principles regarding the organization and operation of the Company.

End