

October 1, 2018  
Daio Paper Corporation

## First in Papermaking and Personal Care Industries in Japan

# Issuance of Green Bond

Daio Paper Corporation (Address: Chiyoda-ku, Tokyo) hereby announces that it is set to issue green bond.

Green bonds are bonds that align to the Green Bond Principles set by the International Capital Market Association (ICMA), and refer to bonds that companies, municipalities and other organizations issue to procure funds exclusively for projects aimed at solving environmental problems (“Green Projects”).

This green bond issuance will be the first such issuance in the papermaking industry and the personal care industry in Japan.

### ■ Daio Paper Green Bond

The Daio Paper Group’s management philosophy, “Shaping an Abundant and Affable Future for the World”, contains the Group’s desire to bring about a compassionate future that provides “abundant and affable” lifestyles for people around the world through its business activities.

The Group is working towards the realization of this management philosophy in unity, with a focus on the four pillars: “Dedication to Manufacturing”, “Bonds with Local Communities”, “Corporate Culture Providing Safety and Motivation to Work”, and “Contribution to the Global Environment”.

In particular, as regards “Contribution to the Global Environment”, the Group has been advancing initiatives to reduce its environmental burden: high usage of recovered paper, effective use of biomass energy, promotion of energy conservation, and more. The Group aims to contribute to the formation of a sustainable recycling-based society through business activities that are in harmony with the global environment.

In line with the Group’s management philosophy and aim, the proceeds of the green bonds will be allocated to the following Green Projects: “Facility for the effective use of hard-to-recycle recovered paper (※1)”, and “Biomass power plant (boiler) fueled by black liquor (※2), a waste product of the kraft pulping process”.

## ■ Outline of Green Bond

- ◇Amount of Issuance : Approximately 10 billion yen
- ◇Tenor : Undetermined
- ◇Date of Issuance : October 2018 (scheduled)
- ◇Use of Proceeds : (1) Facility for the effective use of hard-to-recycle recovered paper  
(2) Biomass power plant (boiler) fueled by black liquor
- ◇Lead Managers : Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.,  
Daiwa Securities Co. Ltd.
- ◇Green Bond Structuring Agent (※3) :  
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
- ◇Second Party Opinion :  
Daio Paper received second party opinion from an external review agency, DNV  
GL Business Assurance Japan K.K., to ensure the eligibility of the green bond.

The expenses required for the acquisition of external review for the green bond are eligible for subsidies under the Japanese Ministry of the Environment's FY2018 Financial Support Programme for Green Bond Issuance (※4) .

This will be the second green bond issuance in the Japanese manufacturing industry.

## ■Green Projects

- (1) Facility for the effective use of hard-to-recycle recovered paper ( ※ 1 ) /  
Total investments: Approximately 16 billion yen

One of the many strengths of Daio Paper's Mishima Mill is its recovered paper sorting and pulping technology. Daio Paper will make use of this domestically leading technology and expand its facility for the effective use of hard-to-recycle recovered paper. Going forward, Daio Paper aims to develop this technology further and increase its usage of hard-to-recycle recovered paper to 30% of the total amount of recovered paper used in the production of containerboard.

### 【Project Outline】

- ◎It will conduct a retooling of the current facility and install a new machine for the reuse of hard-to-recycle recovered paper as the raw material of containerboard and others.
- ◎Also, it will burn residual waste, such as vinyl, arising from the recycling process of hard-to-recycle recovered paper as fuel, and make use of the resulting heat energy to generate electricity as well as in the papermaking process.
- ◎By conducting material recycling and thermal recycling as stated above, it is projected that the following benefits will occur:
  - 1) Reduction of waste materials  
Daio Paper will make use of hard-to-recycle recovered paper, which has been difficult for standard facilities to reuse, thus reducing the amount of waste materials.

## 2) Reduction of CO<sub>2</sub> emissions

The reuse of hard-to-recycle recovered paper, which would otherwise be incinerated, will lead to the reduction of CO<sub>2</sub> emissions that would be generated from the incineration process.

Also, using residual waste as fuel for power generation will reduce the amount of fossil fuels necessary for power generation.

## (2) Biomass boiler fueled by black liquor (※2) /

Total investments: Approximately 21 billion yen (※5)

To establish a foundation to support sustainable growth, Daio Paper will commit to biomass power generation initiatives that utilize the FIT scheme as part of its Third Medium-term Plan.

Going forward, the Daio Paper Group will continue to work on initiatives to reduce its environmental burden through the effective use of renewable energy.

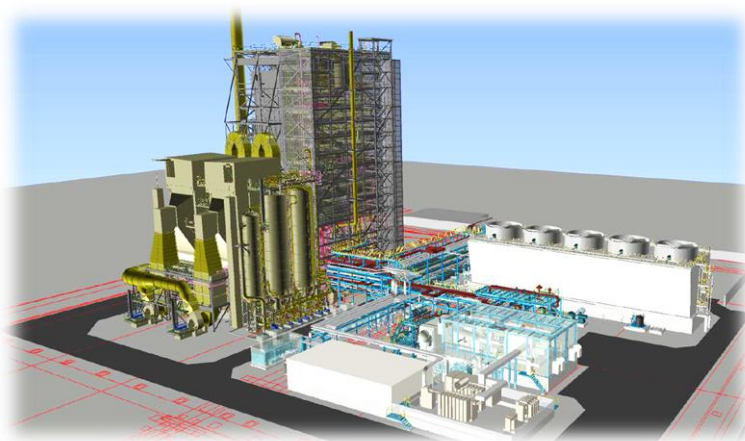
### 【Project Outline】

- ◎Daio Paper will install a new biomass boiler that uses black liquor, a waste product from the kraft pulping process, as fuel.
- ◎The boiler to be installed will use 100% (※6) black liquor, a type of biomass fuel.
- ◎The launch of the biomass boiler is projected to bring about the following environmental benefits:

### 1) Reduction of CO<sub>2</sub> emissions

Power generation using biomass fuels produces less CO<sub>2</sub> emissions than power generation using fossil fuels.

Conceptual rendering of the boiler when completed



This news release is provided for the sole purpose of conveying information regarding the Company's issuance of securities, and not for the purpose of soliciting investment or engaging in any similar activities, within or outside Japan.

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- ※1: Hard-to-recycle recovered paper refers to recovered paper, which is particularly difficult to process for reuse, within unsorted recovered paper that has vinyl and other materials attached to it. This is an original term established by Daio Paper.
- ※2: Black liquor is a type of biomass fuel that is a concentration of liquid waste (derived from wood resin) produced during the process of turning woodchips into pulp.
- ※3: Green bond structuring agent is a party that provides support for the issuance of green bonds, such as providing advices for establishing green bond framework and the acquisition of second opinion.
- ※4: The Financial Support Programme for Green Bond Issuance is a programme that subsidizes the expenses required by registered issuance supporters to support companies, municipalities and other bodies who seek to issue green bonds, such as in the form of granting external reviews and providing consultation on establishing green bond frameworks. An eligible green bond is one which will allocate all proceeds from the issuance of the bond exclusively to Green Projects, and which meets all of the following criteria at the time of issuance:
- (1) Projects must meet either one of the following criteria at the time of bond issuance:
- ① Projects contribute mainly to decarbonization in Japan (renewable energy, energy conservation, etc.)
    - Equal to or more than half of the proceeds, or equal to or more than half of the number of projects contribute to domestic decarbonization
  - ② Projects contribute greatly to decarbonization and local economy vitalization
    - Decarbonization: Projects which will receive less than a specified amount of subsidy per ton of CO<sub>2</sub> emissions reduced in Japan
    - Local economy vitalization: Projects which will contribute to the vitalization of the local economy in accordance with ordinances or plans set forth by the municipality; projects for which funding from municipalities can be expected
- (2) Green bond framework is confirmed by an external review agency before bond issuance to comply with the Green Bond Guidelines
- (3) Bonds are not “green wash bond”
- ※5: Of the total investments of approximately 21 billion yen, 9 billion yen was procured through the euroyen zero coupon convertible bonds due 2020 issued in September 2015.
- ※6: Fossil fuels to be used only during startup and shutdown of facility.