

**Notice regarding company demerger upon transfer of paper product business
(simple absorption-type demerger) and transfer of shares in subsidiary**

At a meeting of its Board of Directors held February 10, 2017, Nisshinbo Holdings Inc. resolved to transfer the paper product business conducted primarily by subsidiary Nisshinbo Paper Products Inc. (hereinafter Nisshinbo Paper Products or “company subject to transfer”) to Daio Paper Corporation (hereinafter Daio Paper), and therefore provides the following notice of the details of this transaction.

1. Objectives of the Transaction

The Nisshinbo Group operates a range of businesses as an *Environmental and Energy Company* group that contributes to the safe and comfortable lifestyles of the public, offering solutions to issues faced by human society, including environmental damage and global warming. Executing a growth strategy based on solidarity amid diversity, the Group plans to focus its management resources on automotive and super smart society-related businesses.

The Group’s paper product business produces highly competitive products that are rated favorably in the market. However, the business remains relatively small, with annual sales of just ¥30.0 billion. With the mature market of the increasingly oligopolistic paper products industry, growth is likely to prove difficult.

Given these circumstances, Daio Paper approached Nisshinbo Holdings with an offer to take over its paper product business. The Group comprehensively considered its growth strategy, the future of the paper product business within the Group, and the reputation of Daio Paper, and proceeded with discussions and negotiations. As a result, it determined that transferring the business to Daio Paper, which has paper products as its core business and formidable competitive power in the domestic market, would contribute to development of the paper products group, increased satisfaction among customers and trading partners, and improved stability for employees involved in the relevant operations.

2. Overview of the company subject to transfer (as of March 31, 2016)

	Company subject to transfer
(1) Company name	Nisshinbo Paper Products Inc.
(2) Location	2-31-11 Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo
(3) Title and name of Representative	President Akihiro Yoshino
(4) Business details	Production and sale of household paper, specialty paper, processed paper products, etc.
(5) Capital	¥5.0 billion
(6) Date established	April 1, 2009
(7) Common shares issued	5,000 shares
(8) Accounting period	March 31
(9) Major shareholders and the ratio of shares held	Nisshinbo Holdings Inc. 100.00%
(10) Business results and financial status (FY ended in Mar. 2016)	
	Company subject to transfer (individual subsidiary)
Net assets	¥9,992 million
Total assets	¥14,719 million
Net assets per share	¥1,998,486
Net sales	¥26,082 million
Operating Income	¥1,020 million
Ordinary income	¥1,040 million
Profit attributable to owners of parent	¥632 million
Earnings per share	¥126,352

3. Number of shares to be transferred, transfer value, holding status before and after transfer

(1) Number of shares held before transfer	5,000 shares of common stock (Number of voting rights: 5,000) (Ratio of shares with voting rights: 100%)
(2) Number of shares to be transferred	5,000 shares of common stock (Number of voting rights: 5,000)
(3) Transfer value	Approximately ¥25.0 billion
(4) Number of shares held after transfer	0 shares of common stock (Number of voting rights: 0) (Ratio of shares with voting rights: 0%)

4. Schedule for transfer of shares

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| (1) Board of Directors approve share transfer contract (for company subject to transfer) | February 10, 2017 |
| (2) Conclusion of share transfer contract | February 10, 2017 (planned) |
| (3) Execution of share transfer | April 3, 2017 (planned) |

5. Outlook

Nisshinbo Holdings expects the execution of this transaction to result in the booking of extraordinary income in FY03/18. The impact of the transfer of the paper product business, (including the extraordinary income to be derived) on the Group's earnings is currently being scrutinized. Once the likely impact has been determined, that information will be disclosed in a timely fashion.