

**Summary of Consolidated Financial Results  
for the Fiscal Year Ended March 31, 2017 (unaudited)  
(Based on Japanese GAAP)**

May 11, 2017

Company name: Daio Paper Corporation  
 Stock exchange listing: Tokyo  
 Stock code: 3880 URL <http://www.daio-paper.co.jp>  
 Representative: President and Chief Executive Officer Masayoshi Sako  
 Inquiries: General Manager Accounting Department Masashi Yano TEL 03-6856-7513  
 Scheduled date of Ordinary General Meeting of Shareholders: June 29, 2017  
 Scheduled date of filing financial report: June 30, 2017  
 Scheduled date of the commencement of dividend payments: June 30, 2017  
 Availability of supplementary material on annual financial results: Yes  
 Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts are rounded off to the nearest million yen)

**1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016–March 31, 2017)**

**(1) Consolidated Operating Results**

(The percentages indicate the percentage increase or decrease compared to the same period of the previous fiscal year.)

Fiscal Year ended	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2017	477,140	0.6	23,535	(3.2)	21,347	0.4	12,136	(16.8)
March 31, 2016	474,077	5.3	24,323	11.6	21,259	(2.4)	14,594	10.5

Note: Comprehensive income

Fiscal year ended March 31, 2017	14,905 million yen	55.3%
Fiscal year ended March 31, 2016	9,599 million yen	(65.6)%

Fiscal Year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
March 31, 2017	83.28	72.74	7.1	3.2	4.9
March 31, 2016	100.15	92.94	9.2	3.2	5.1

**(2) Consolidated Financial Position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	657,747	191,079	26.8	1,211.33
As of March 31, 2016	656,310	174,820	24.9	1,119.24

Reference: Equity	As of March 31, 2017	176,525 million yen
	As of March 31, 2016	163,108 million yen

**(3) Consolidated Cash Flow**

Fiscal year ended	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2017	62,932	(31,394)	(22,037)	82,733
March 31, 2016	47,011	(26,073)	(17,475)	72,169

## 2. Dividends

	Annual Dividends per share					Total dividends	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1 <sup>st</sup> quarter end	2 <sup>nd</sup> quarter end	3 <sup>rd</sup> quarter end	End of fiscal year	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2016	—	4.00	—	6.50	10.50	1,538	10.5	1.0
March 31, 2017	—	5.00	—	5.50	10.50	1,538	12.6	0.9
Fiscal year ending March 31, 2018 (Forecast)	—	5.00	—	5.50	10.50		10.9	

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017–March 31, 2018)

(The percentages indicate the percentage increase or decrease compared to the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2017	260,000	13.8	7,000	(37.4)	8,500	4.6	4,000	11.2	27.45
Full fiscal year	550,000	15.3	25,000	6.2	25,500	19.5	14,000	15.4	96.07

## 4. Others

- [1] Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): YES  
 New One company (Company name: PT.ELLEAIR INTERNATIONAL MANUFACTURING INDONESIA)  
 Excluded – (Company name: )
- [2] Changes in accounting principles, changes in accounting estimates and restatements  
 1) Changes in accounting policies due to the revision of accounting standards: No  
 2) Changes in accounting policies other than 1) above: No  
 3) Changes in accounting estimates: No  
 4) Retrospective restatements: No
- [3] Number of issued shares (common shares)  
 (i) Number of issued shares (including treasury shares) as of:  
     March 31, 2017 149,348,785 shares  
     March 31, 2016 149,348,785 shares  
 (ii) Number of treasury shares as of:  
     March 31, 2017 3,619,350 shares  
     March 31, 2016 3,618,573 shares  
 (iii) Average number of shares during the period:  
     Fiscal year ended March 31, 2017 145,729,844 shares  
     Fiscal year ended March 31, 2016 145,732,212 shares

(Reference)

**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016–March 31, 2017)**

(1) Non-consolidated Operating Results

(The percentages indicate the percentage increase or decrease compared to the same period of the previous fiscal year.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2017	389,304	(1.3)	11,634	(20.1)	10,014	(21.4)	7,190	(41.9)
March 31, 2016	394,557	5.0	14,552	(1.5)	12,736	15.1	12,371	36.7

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2017	49.10	42.86
March 31, 2016	84.48	78.42

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2017	571,515	138,101	24.2	943.10
March 31, 2016	564,185	128,215	22.7	875.58

Reference: Equity  
As of March 31, 2017 138,101 million yen  
As of March 31, 2016 128,215 million yen

\*This report is not subject to audit procedures

\*Explanation of the proper use of financial results forecast and other notes

1. The earnings forecasts and other forward-looking statements herein are based on the information currently available to the Company and certain assumptions the Company considers reasonable. The actual results may differ significantly from these forecasts due to a wide range of factors.

2. The supplementary material on annual financial results will be posted on the Company's following website.

<http://www.daio-paper.co.jp/index.html>

# Consolidated Financial Statements

## (1) Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	80,915	89,201
Notes and accounts receivable - trade	95,683	92,698
Merchandise and finished goods	42,488	37,504
Work in process	4,893	4,594
Raw materials and supplies	21,788	21,489
Deferred tax assets	4,106	4,503
Other	7,283	7,060
Allowance for doubtful accounts	(2)	(1)
Total current assets	257,154	257,048
Non-current assets		
Property, plant and equipment		
Buildings and structures	193,962	196,762
Accumulated depreciation	(125,138)	(127,769)
Buildings and structures, net	68,824	68,993
Machinery, equipment and vehicles	805,170	815,254
Accumulated depreciation	(671,120)	(680,991)
Machinery, equipment and vehicles, net	134,050	134,263
Land	74,645	74,042
Construction in progress	9,199	12,050
Other	19,031	19,472
Accumulated depreciation	(9,376)	(9,636)
Other, net	9,655	9,836
Total property, plant and equipment	296,373	299,184
Intangible assets		
Goodwill	53,463	48,865
Other	3,651	4,213
Total intangible assets	57,114	53,078
Investments and other assets		
Investment securities	32,765	35,812
Long-term loans receivable	3,855	3,850
Deferred tax assets	921	531
Other	9,048	9,055
Allowance for doubtful accounts	(1,091)	(980)
Total investments and other assets	45,498	48,268
Total non-current assets	398,985	400,530
Deferred assets	171	169
Total assets	656,310	657,747

(Millions of Yen)

	As of March 31, 2016	As of March 31, 2017
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	49,123	48,446
Short-term loans payable	33,560	26,360
Current portion of long-term loans payable	79,941	72,706
Current portion of bonds	10,320	—
Accounts payable - other	23,970	25,265
Current portion of long-term accounts payable - facilities	2,526	2,621
Income taxes payable	5,190	5,210
Provision for bonuses	4,553	4,687
Provision for directors' bonuses	119	121
Other	9,959	10,872
Total current liabilities	219,261	196,288
Non-current liabilities		
Bonds payable	—	15,300
Convertible bond-type bonds with subscription rights to shares	30,135	30,105
Long-term loans payable	199,992	192,521
Long-term accounts payable - facilities	4,022	2,385
Net defined benefit liability	18,874	20,127
Provision for directors' retirement benefits	279	287
Provision for environmental measures	4	2
Provision for loss on business of subsidiaries and associates	225	174
Other	8,698	9,479
Total non-current liabilities	262,229	270,380
Total liabilities	481,490	466,668
<b>Net assets</b>		
Shareholders' equity		
Capital stock	39,707	39,707
Capital surplus	39,922	39,817
Retained earnings	83,772	94,067
Treasury shares	(2,907)	(2,909)
Total shareholders' equity	160,494	170,682
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,250	10,815
Foreign currency translation adjustment	(2,822)	(4,432)
Remeasurements of defined benefit plans	(814)	(540)
Total accumulated other comprehensive income	2,614	5,843
Non-controlling interests	11,712	14,554
Total net assets	174,820	191,079
Total liabilities and net assets	656,310	657,747

## (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

### Consolidated Statement of Income

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net sales	474,077	477,140
Cost of sales	359,933	358,005
Gross profit	114,144	119,135
Selling, general and administrative expenses	89,821	95,600
Operating income	24,323	23,535
Non-operating income		
Interest income	140	145
Dividend income	989	693
Purchase discounts	345	304
Insurance income	391	614
Subsidy income	608	1,183
Other	1,905	1,300
Total non-operating income	4,378	4,239
Non-operating expenses		
Interest expenses	4,697	3,730
Foreign exchange losses	799	1,205
Other	1,946	1,492
Total non-operating expenses	7,442	6,427
Ordinary income	21,259	21,347
Extraordinary income		
Gain on sales of non-current assets	212	363
Gain on sales of investment securities	3,729	32
Insurance income	197	192
Other	—	0
Total extraordinary income	4,138	587
Extraordinary losses		
Loss on sales and retirement of non-current assets	894	1,421
Loss on sales of investment securities	118	0
Loss on valuation of investment securities	2	163
Loss on disaster	150	229
Impairment loss	1,564	865
Retirement benefit expenses	289	972
Amortization of goodwill	346	—
Other	37	166
Total extraordinary losses	3,400	3,816
Profit before income taxes	21,997	18,118
Income taxes - current	5,594	7,607
Income taxes - deferred	1,510	(1,405)
Total income taxes	7,104	6,202
Profit	14,893	11,916
Profit (Loss) attributable to non-controlling interests	299	(220)
Profit attributable to owners of parent	14,594	12,136

## Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Profit	14,893	11,916
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,451)	4,637
Foreign currency translation adjustment	(1,122)	(1,922)
Remeasurements of defined benefit plans, net of tax	279	274
Total other comprehensive income	(5,294)	2,989
Comprehensive income	9,599	14,905
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,306	15,366
Comprehensive income attributable to non-controlling interests	293	(461)

### (3) Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	39,707	39,586	70,412	(2,896)	146,809
Changes of items during period					
Dividends of surplus			(1,234)		(1,234)
Profit attributable to owners of parent			14,594		14,594
Purchase of treasury shares				(11)	(11)
Change of scope of consolidation					—
Capital increase of consolidated subsidiaries		117			117
Sales of shares of consolidated subsidiaries		219			219
Net changes of items other than shareholders' equity					
Total changes of items during period	—	336	13,360	(11)	13,685
Balance at end of current period	39,707	39,922	83,772	(2,907)	160,494

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	10,603	(1,867)	(1,093)	7,643	10,043	164,495
Changes of items during period						
Dividends of surplus						(1,234)
Profit attributable to owners of parent						14,594
Purchase of treasury shares						(11)
Change of scope of consolidation						—
Capital increase of consolidated subsidiaries						117
Sales of shares of consolidated subsidiaries						219
Net changes of items other than shareholders' equity	(4,353)	(955)	279	(5,029)	1,669	(3,360)
Total changes of items during period	(4,353)	(955)	279	(5,029)	1,669	10,325
Balance at end of current period	6,250	(2,822)	(814)	2,614	11,712	174,820



**Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)**

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	39,707	39,922	83,772	(2,907)	160,494
Changes of items during period					
Dividends of surplus			(1,669)		(1,669)
Profit attributable to owners of parent			12,136		12,136
Purchase of treasury shares				(2)	(2)
Change of scope of consolidation		(105)	(172)		(277)
Capital increase of consolidated subsidiaries					—
Sales of shares of consolidated subsidiaries					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(105)	10,295	(2)	10,188
Balance at end of current period	39,707	39,817	94,067	(2,909)	170,682

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	6,250	(2,822)	(814)	2,614	11,712	174,820
Changes of items during period						
Dividends of surplus						(1,669)
Profit attributable to owners of parent						12,136
Purchase of treasury shares						(2)
Change of scope of consolidation						(277)
Capital increase of consolidated subsidiaries						—
Sales of shares of consolidated subsidiaries						—
Net changes of items other than shareholders' equity	4,565	(1,610)	274	3,229	2,842	6,071
Total changes of items during period	4,565	(1,610)	274	3,229	2,842	16,259
Balance at end of current period	10,815	(4,432)	(540)	5,843	14,554	191,079

#### (4) Consolidated Statement of Cash Flows

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	21,997	18,118
Depreciation	26,988	29,017
Impairment loss	1,564	865
Amortization of goodwill	4,782	4,158
Increase (decrease) in allowance for doubtful accounts	(137)	(112)
Increase (decrease) in provision for loss on business of subsidiaries and associates	(18)	(51)
Loss (gain) on sales of investment securities	(3,611)	(32)
Loss (gain) on valuation of investment securities	2	163
Increase (decrease) in net defined benefit liability	1,095	1,557
Interest and dividend income	(1,129)	(838)
Interest expenses	4,697	3,730
Foreign exchange losses (gains)	799	1,205
Subsidy income	(608)	(1,183)
Insurance income	(197)	(807)
Loss (gain) on sales of property, plant and equipment	(44)	(222)
Loss on retirement of property, plant and equipment	725	1,280
Decrease (increase) in notes and accounts receivable - trade	(4,795)	2,882
Decrease (increase) in inventories	(3,376)	5,393
Increase (decrease) in notes and accounts payable - trade	1,237	(555)
Increase/decrease in other assets/liabilities	(969)	3,149
Increase (decrease) in accrued consumption taxes	(2,238)	1,422
Other, net	(617)	106
Subtotal	46,147	69,245
Income taxes paid	(2,006)	(7,912)
Income taxes refund	1,807	12
Proceeds from subsidy income	525	646
Proceeds from insurance income	538	941
Net cash provided by (used in) operating activities	47,011	62,932
Cash flows from investing activities		
Decrease (increase) in time deposits	4,616	2,024
Purchase of property, plant and equipment	(33,958)	(34,694)
Proceeds from sales of property, plant and equipment	385	1,269
Purchase of investment securities	(76)	(172)
Proceeds from sales of investment securities	5,155	60
Purchase of shares of subsidiaries and associates	(2,565)	—
Proceeds from sales of shares of subsidiaries and associates	853	—
Collection of investments in capital of subsidiaries and associates	—	849
Payments of loans receivable	(6)	(7)
Collection of loans receivable	7	7
Interest and dividend income received	1,475	1,137
Other, net	(1,959)	(1,867)
Net cash provided by (used in) investing activities	(26,073)	(31,394)

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,800)	(7,200)
Proceeds from long-term loans payable	73,137	65,300
Repayments of long-term loans payable	(97,118)	(80,006)
Proceeds from issuance of convertible bonds with subscription rights to shares	30,150	—
Redemption of bonds	(15,020)	(10,320)
Proceeds from issuance of bonds	—	15,300
Proceeds from issuance of common stock assigned to non-controlling interests	809	1,320
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	1,328	—
Interest expenses paid	(5,200)	(4,189)
Cash dividends paid	(1,234)	(1,669)
Other, net	(527)	(573)
Net cash provided by (used in) financing activities	(17,475)	(22,037)
Effect of exchange rate change on cash and cash equivalents	(367)	(468)
Net increase (decrease) in cash and cash equivalents	3,096	9,033
Cash and cash equivalents at beginning of period	69,073	72,169
Increase in cash and cash equivalents from newly consolidated subsidiary	—	1,531
Cash and cash equivalents at end of period	72,169	82,733