

Supplementary Materials on Consolidated Financial Results for the Three Months Ended June 30, 2017

Aug 9, 2017

Notes regarding figures and expressions:

1. Amounts are rounded off to the nearest 0.1 billion yen; totals may not sum due to rounding.
2. Fiscal year (FY) represents the 1-year period from Apr 1 to Mar 31 of the following year. (FY17 is the fiscal year from Apr 1, 2017 to Mar 31, 2018.)

Disclaimers regarding translation:

1. This document is an English translation of the original Japanese document dated Aug 9, 2017 and is only for reference purposes. In the event of any discrepancy between the original Japanese document and this translated document, the Japanese document shall prevail.
2. Translations of brand names and product names not yet launched in English-speaking regions are not official and are subject to change without notice.

Summary of consolidated financial results



(Billions of yen, %)

Business results	FY16 Q1		FY17 Q1		Variance	
	<i>Net sales %</i>		<i>Net sales %</i>		<i>Variance %</i>	
Net sales	113.6		124.9		11.3	9.9
Operating income	4.8	4.2	0.8	0.6	-4.0	-84.3
Ordinary income	3.3	2.9	0.2	0.2	-3.1	-93.0
Profit attributable to owners of parent	1.2	1.1	0.8	0.6	-0.4	-35.6
Depreciation	7.1		7.7		0.6	7.8
Capital expenditures	7.5		7.7		0.2	2.6
Exchange rate (average rate during term):	108.1yen/USD		111.1yen/USD		3.0yen/USD	
Dubai crude oil (average price during term):	43.3USD/barrel		49.7USD/barrel		6.4USD/barrel	

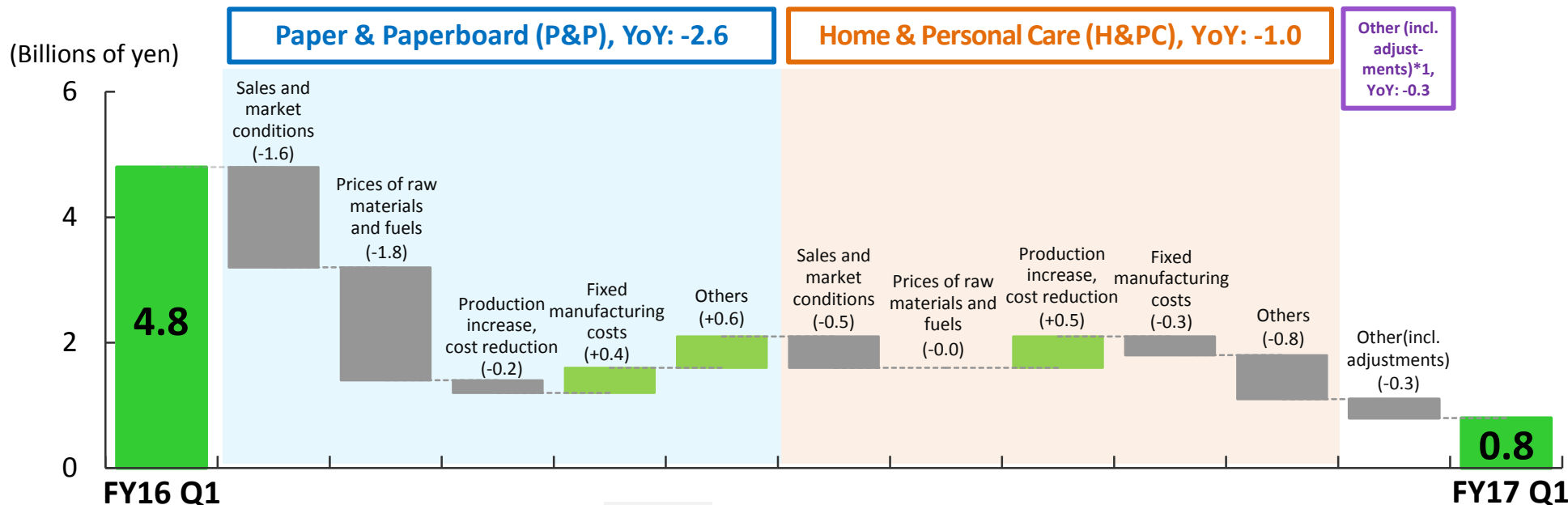
Financial data	FY16-end	FY17 Q1-end	Variance
Net interest-bearing debt	255.1	294.4	39.3
Equity ratio	26.8 %	26.2 %	-0.6
Net D/E ratio	1.4	1.7	0.3

Notes

As of the first quarter of FY17, due to the acquisition of stocks, Daio Paper Products Corporation and its three subsidiaries (Tokai Seishi Kogyo Co., Ltd., Daio Postal Chemical Corporation, and Daiwa Shiko Co., Ltd.), as well as Miura Printing Corporation are included in the scope of consolidation. Also, as of Apr 1, 2017, due to increased significance, Elleair Paper Co., Ltd. (non-consolidated), which succeeded the Household Paper Products business of Elleair Product Co., Ltd. (consolidated) following a company split, is included in the scope of consolidation. As a result, the number of consolidated subsidiaries became 36 (up from 30, at the end of FY16).

Increase/decrease of consolidated operating income

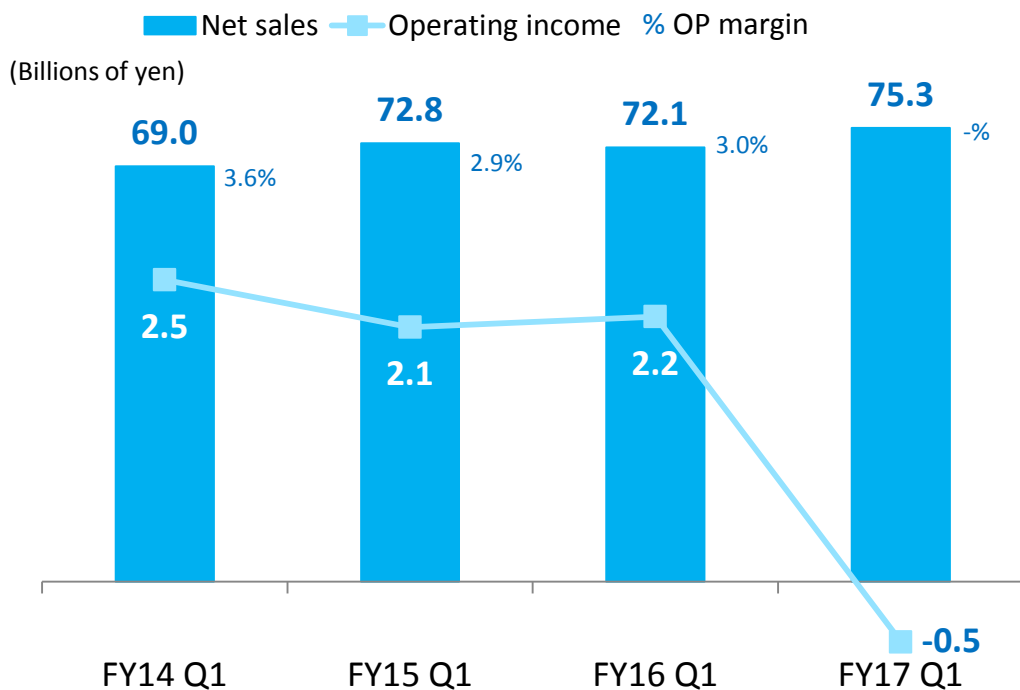
-4.0 billion yen (FY2016 Q1: 4.8 bn yen → FY2017 Q1: 0.8 bn yen)



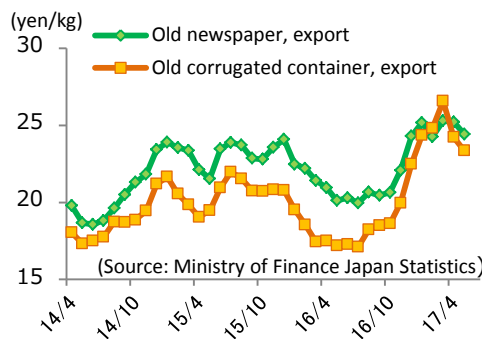
	P&P	H&PC	Other*1	Total	P&P Major Factors	H&PC Major Factors
Sales / market conditions	-1.6	-0.5	-	-2.1	Improved product mix +0.3, price -1.9	Sales volume +0.4, price -0.9
Prices of raw materials and fuels	-1.8	-0.0	-	-1.8	Recovered paper -1.7, heavy oil -0.2, woodchip +0.1	Pulp +0.1, SAP and others -0.1
Production increase, cost reduction	-0.2	0.5	-	0.3	Increased production and improved energy-saving +0.1, improved yield and raw materials composition -0.3	Increased production +0.6, improved yield and raw materials composition -0.1
Fixed manufacturing costs	0.4	-0.3	-	0.1	Maintenance costs +0.1, labor costs +0.1	Labor costs -0.1, depreciation -0.1, maintenance costs and others -0.1
Others	0.6	-0.8	-0.3	-0.6	Moving average +0.5, increased logistics costs from sales increase +0.1	Increased logistics costs from sales increase -0.2, increased sales promotion costs from overseas sales increase and others -1.2, M&A and foreign exchange gains and others +0.6
OP income YoY, total	-2.6	-1.0	-0.3	-4.0		
Increase, total	0.9	0.5	-	1.5		
Decrease, total	-3.6	-1.6	-0.3	-5.5		

*1 "Other" is the sum of "Other" category and "Adjustments". The "Other" category consists of business segments such as wood, forestry, machinery, logistics, electric power selling, golf club, parking facilities, and real estate leasing businesses. "Adjustments" refer to adjustment for elimination of intersegment transactions.

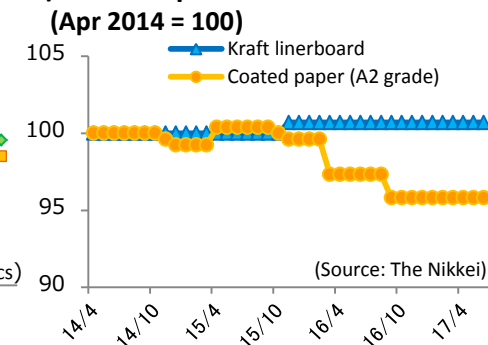
Business results by segment (Paper & Paperboard)



A) Prices of recovered paper



B) Prices of products

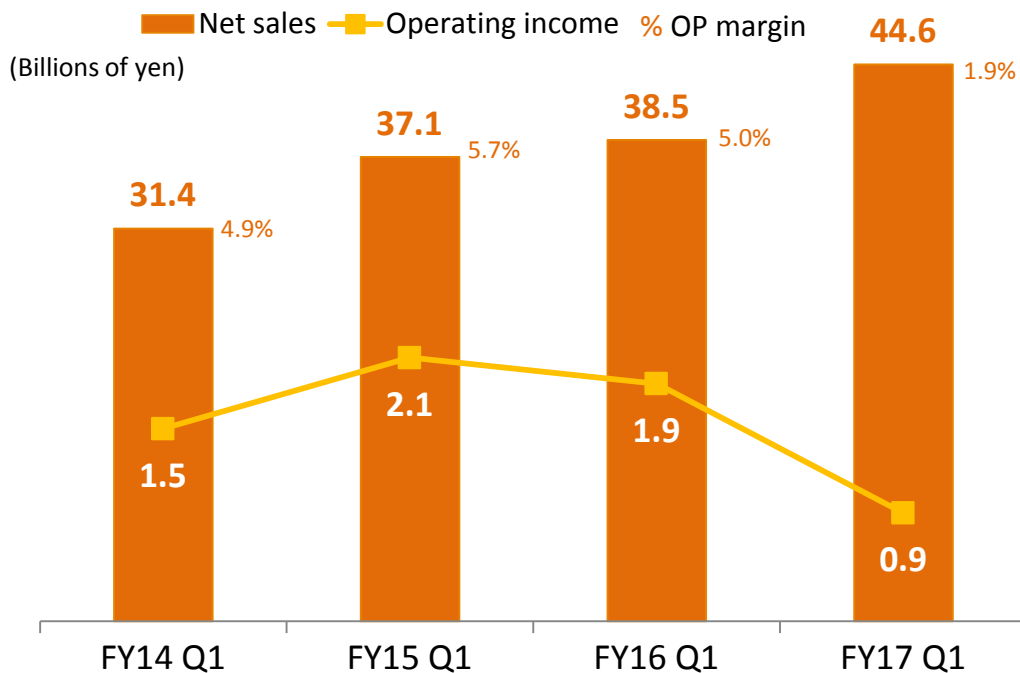


- ◆ Increased raw materials cost from rising recovered paper prices and decline in unit prices from deteriorating paper market conditions resulted in -0.5 billion yen operating loss in Q1.
- ◆ Shall continue to implement cost reduction measures, and work to revise prices of paper, containerboard, and corrugated container products upwards.

Variance		Major factors	
Net sales	+3.2 (+4.4%)	Sales and market conditions	-1.6
Operating income	-2.6 (-%)	Prices of raw materials/fuels	-1.8
		Production increase, cost reduction	-0.2
		Fixed manufacturing costs	+0.4
		Others	+0.6
		Total	-2.6

Main types	Year-on-year change		
	Vol.	Amt.	Major factors
Paper	—	—	- Decline in circulation of newspapers - Decline in prices from deteriorating domestic market conditions
Containerboard and corrugated container	+	+	+ Growth in e-commerce, processed food and other industries

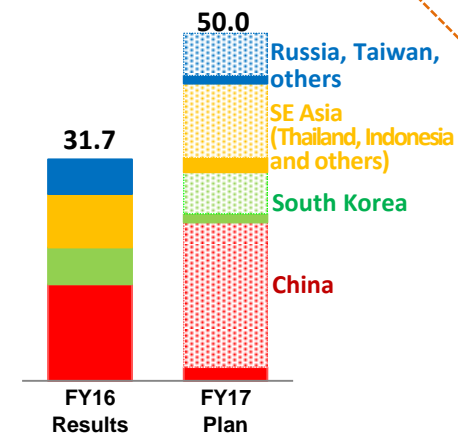
Business results by segment (Home & Personal Care)



◆ Overseas net sales

- Sales results after March (to be reflected in Q2 onwards) are showing recovery at a rate greatly exceeding that of the same period of the previous year. Hence, it is expected that sales and profit would be in line with forecasts.

Legend: Results (FY17 is Q1 results) (solid grey), FY17 Q2-Q4 forecast (dotted grey)



◆ H&PC domestic business

- Sales volume and amount for all categories increased year-on-year. (See table below for details.)

- However, mainly due to impact of a transitory rise in sales promotion costs of China business, operating income decreased 1.0 billion yen year-on-year.

*As Daio's China, Thailand, and Indonesia businesses follow the Jan-Dec accounting periods, their Jan-Mar results are reflected in the group's Q1 results.

Variance	
Net sales	+6.1 (+15.8%)
Operating income	-1.0 (-54.5%)

Major factors	
Sales and market conditions	-0.5
Prices of raw materials/fuels	-0.0
Production increase, cost reduction	+0.5
Fixed manufacturing costs	-0.3
Others	-0.8
Total	-1.0

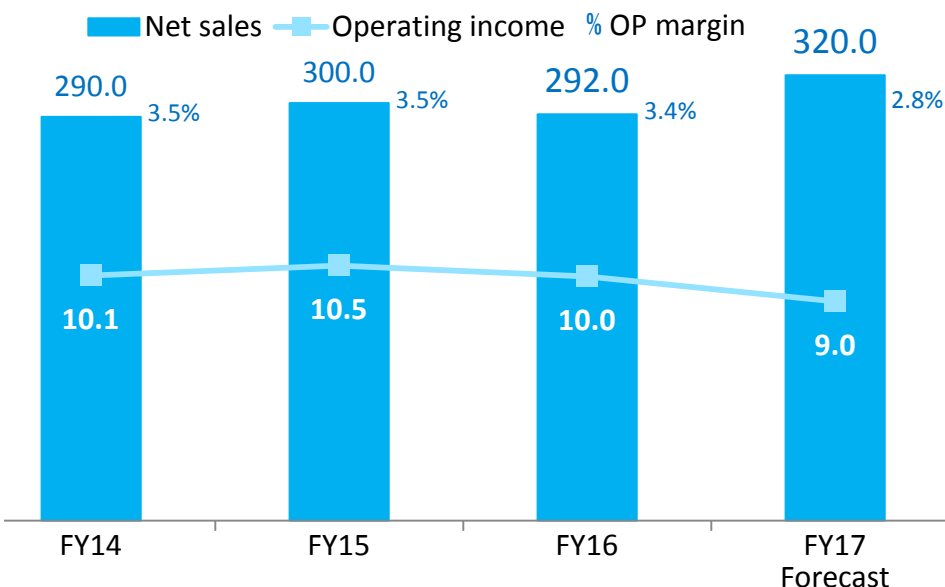
Year-on-year change in sales amount by category

Household paper	+	+ Expanded sales from acquiring Nisshinbo HD's Paper Products Business + Strong sales of value-added products
Baby diapers	+	+ Strengthened sales of Newborn size (tape-type) and S size (pants-type)
Overseas	+	- China: Decreased sales in reaction to the huge increase in sales in the previous quarter; however, sales have been recovering quickly since March. + SE Asia: Increased sales in Indonesia, where we greatly expanded distribution to the minimarket sector, as well as Thailand, Vietnam and Malaysia, where we increased distribution coverage and strengthened in-store sales activities + Increased sales of products of categories other than baby diapers (Adult diapers in China and S. Korea, wet wipes in Thailand and others)
Adult diapers	+	+ Steadily acquired new customers in institutional market + Acquired new users in consumer market through product launch of new product that provides a comfortable fit, just like underwear
Feminine care	+	+ Increased trial purchases through securing shelf space in conjunction with promotion of updated slim sanitary pads <i>elis Megami</i> + Expanded distribution of light incontinence products

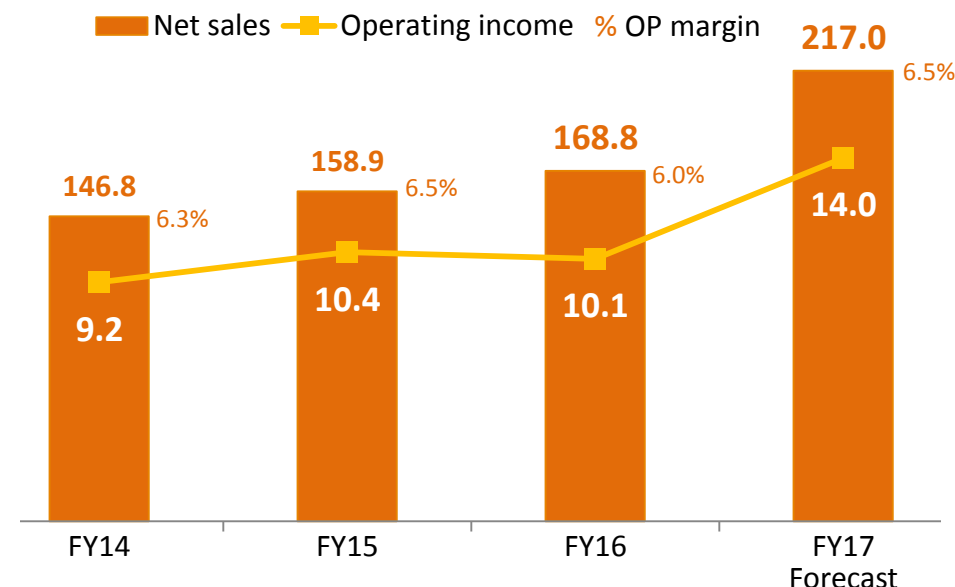
Business results forecast by segment

(Billions of yen, %)

Paper and Paperboard



Home & Personal Care (H&PC)



	Q1 results			H1 forecast			H2 forecast			Full-year forecast		
	Net sales	OP income	OP margin	Net sales	OP income	OP margin	Net sales	OP income	OP margin	Net sales	OP income	OP margin
Paper & Paperboard	75.3	-0.5	-%	157.0	2.0	1.3%	163.0	7.0	4.3%	320.0	9.0	2.8%
(Results of prev. corresponding period)	72.1	2.2	3.0%	143.9	5.3	3.7%	148.1	4.7	3.2%	292.0	10.0	3.4%
H&PC	44.6	0.9	1.9%	96.0	4.0	4.2%	121.0	10.0	8.3%	217.0	14.0	6.5%
(Results of prev. corresponding period)	38.5	1.9	5.0%	77.7	4.2	5.4%	91.1	5.9	6.5%	168.8	10.1	6.0%
Other (incl. adjustments)	5.0	0.4		7.0	1.0		6.0	1.0		13.0	2.0	
(Results of prev. corresponding period)	3.0	0.7		6.9	1.8		9.5	1.6		16.4	3.4	
Total	124.9	0.8	0.6%	260.0	7.0	2.7%	290.0	18.0	6.2%	550.0	25.0	4.5%
(Results of prev. corresponding period)	113.6	4.8	4.2%	228.5	11.2	4.9%	248.6	12.3	4.9%	477.1	23.5	4.9%

※ Contributions from M&A (full-year net sales 45.0 bn yen, operating income 2.7 bn yen) are included in the respective segments of Paper & Paperboard, H&PC and others.

Forward-looking statements such as projections and forecasts on business results included in this document are derived by Daio Paper Corporation (the “Company”) based on beliefs as well as assumptions made using information currently available to it at the time of the release (Aug 9, 2017), and are subject to contingencies, risks and uncertainties.

As such, actual future performance and results could differ materially from the statements included herein as a result of latent risks, factors not yet known to the Company or not currently considered material to the Company and its subsidiaries by the Company.