

Supplementary Materials on Consolidated Financial Results for the Nine Months Ended December 31, 2017

Feb 9, 2018

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. (FY18/3 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 Feb 9, 2018 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	FY17/3 Q1-Q3		FY18/3 Q1-Q3		Variance	
	Net sales %		Net sales %		%	
Net sales	351.7		392.7		41.0	11.7
Operating income	17.0	4.8	6.3	1.6	-10.7	-62.9
Ordinary income	13.9	4.0	8.7	2.2	-5.2	-37.2
Profit attributable to owners of parent	7.0	2.0	4.8	1.2	-2.2	-31.3
Depreciation	21.5		23.2		1.7	7.9
Capital expenditures	21.8		17.3		-4.5	-20.6
Exchange rate (average rate during term):	106.6yen/USD		111.7yen/USD		5.1yen/USD	
Dubai crude oil (average price during term)	44.7USD/barrel		53.1USD/barrel		8.4USD/barrel	

Financial data	17/3-end	17/12-end	Variance
Net interest-bearing debt	255.1	298.2	43.1
Equity ratio	26.8 %	26.2 %	-0.6
Net D/E ratio	1.4	1.6	0.2

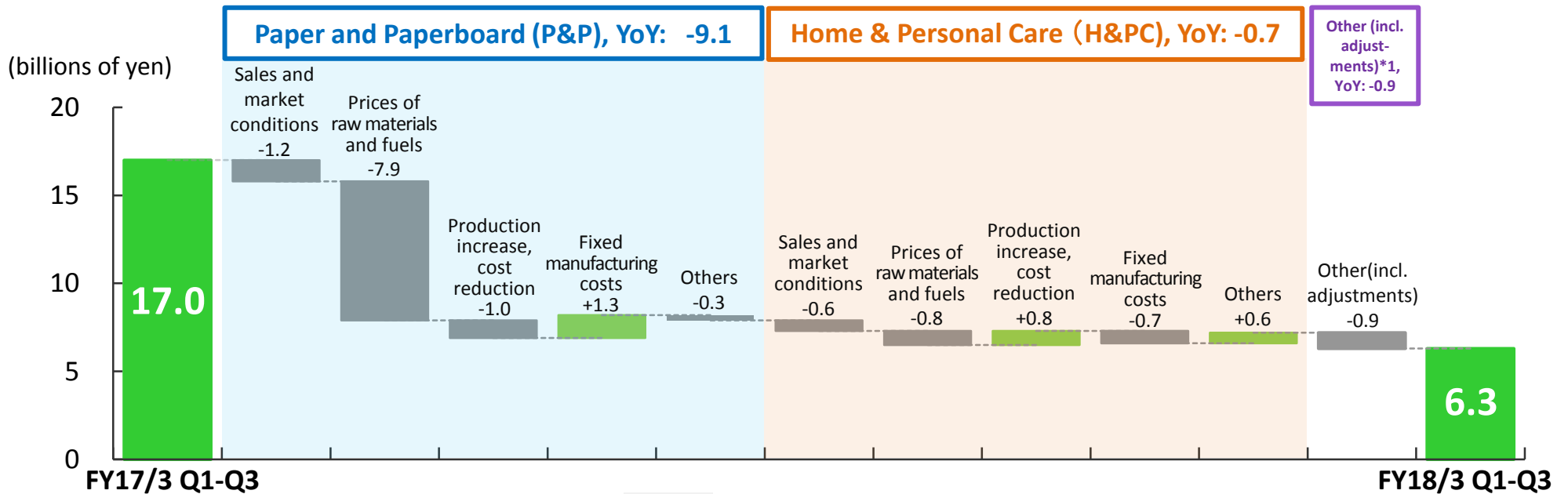
Notes

As of the first quarter of FY18/3, 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 FY17/3).

Increase/decrease of consolidated operating income

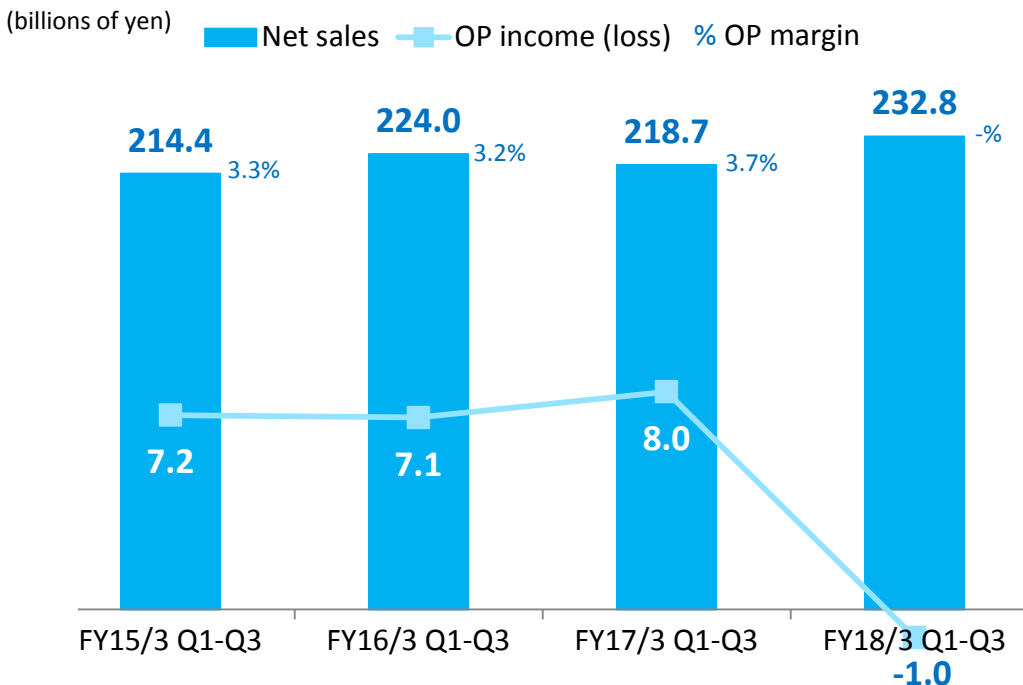


-10.7 bn yen (FY17/3 Q1-Q3: 17.0 bn yen → FY18/3 Q1-Q3: 6.3bn yen)

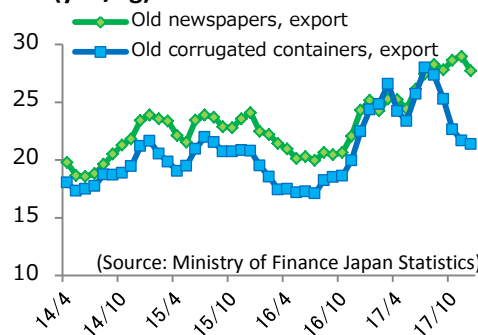


	P&P	H&PC	Other*1	Total		
					P&P Major Factors	H&PC Major Factors
Sales / market conditions	-1.2	-0.6	-	-1.8	Improved product mix +0.2, price -1.4	Sales volume +1.0, price -1.6
Prices of raw materials and fuels	-7.9	-0.8	-	-8.7	Recovered paper -6.6, coal -1.4, woodchip -0.6, heavy oil -0.5, chemicals and others -0.4, moving average +1.6	Pulp +0.2, SAP and others -0.6, chemicals and others -0.2
Production increase, cost reduction	-1.0	0.8	-	-0.2	Yield and raw materials composition -0.6, energy cost -0.1	Increased production +1.0, energy cost -0.2
Fixed manufacturing costs	1.3	-0.7	-	0.6	Maintenance cost +0.4, labor cost +0.3, depreciation +0.2	Labor cost -0.3, depreciation -0.2, maintenance cost -0.1
Others	-0.3	0.6	-0.9	-0.6	Change in scope of consolidation +0.5, decrease in logistics cost +0.3, deteriorating profitability of corrugated container subsidiaries -1.2	Change in scope of consolidation +0.3, overseas business -0.3, others
OP income YoY, total	-9.1	-0.7	-0.9	-10.7	*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.	
Increase, total	1.3	1.4	-	2.7		
Decrease, total	-10.4	-2.1	-0.9	-13.4		

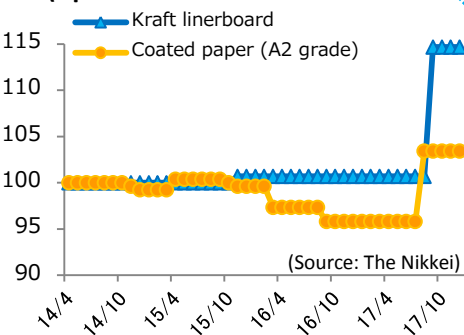
Business results by segment (Paper & Paperboard)



A) Prices of recovered paper (yen/kg)



B) Prices of major products (Apr 2014=100)



◆ Segment profit

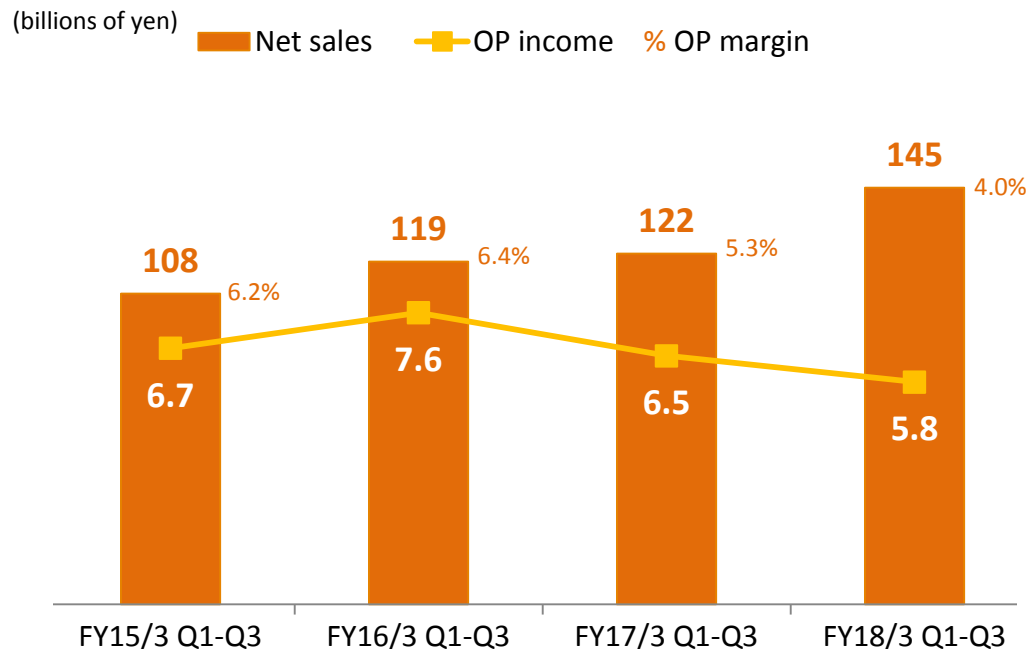
The P&P segment is back in profit for Q3 (Oct to Dec) due to the price revision of printing paper and containerboard. However, due to a rise in cost of raw materials such as recovered paper and fuel, and a delay in the reflection of the price revision of printing paper, cumulative Q3 segment profit was lower than that of the previous year.

Variance	
Net sales	+14.1 +6.4%
Operating income	-9.1 -112.9%

Major factors	
Sales and market conditions	-1.2
Prices of raw materials/fuels	-7.9
Production increase, cost reduction	-1.0
Fixed manufacturing costs	1.3
Others	-0.3
Total	-9.1

Main types	Year-on-year change		
	Vol.	Amt.	Major factors
Newsprint	—	—	— Decline in newspaper circulation and pages
Paper	→	+	+ Change in scope of consolidation — Decline in domestic demand
Containerboard and corrugated container	+	+	+ Increase in demand in fields of e-commerce and processed food, mainly beverage + Containerboard price revision

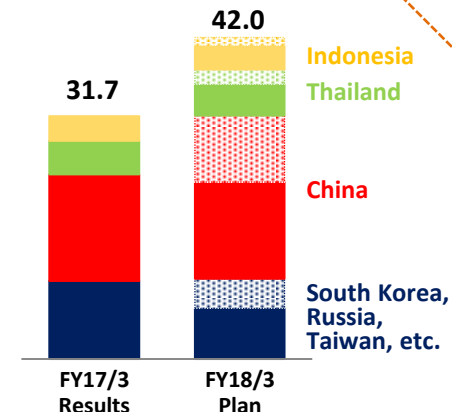
Business results by segment (H&PC)



◆ H&PC Overseas

Business expansion and product diversification is progressing smoothly. Sales of baby diapers in China, Thailand and Indonesia increased, and we expanded sales and product lines of other categories such as feminine care products and wet wipes.

■ Results (FY18/3 = Q1-Q3)
 ■ FY18/3 Q4 Plan



◆ Segment profit

While both domestic and overseas sales saw steady growth, due to the impact of a transitory rise in sales promotion costs recorded in Q1 (Apr to Jun), cumulative Q3 segment profit was lower than that of the previous year. However, both Q2 (Jul to Sep) and Q3 (Oct to Dec) segment profit were higher than that of the previous year.

Variance	
Net sales	+22.9 +18.8%
Operating income	-0.7 -10.6%

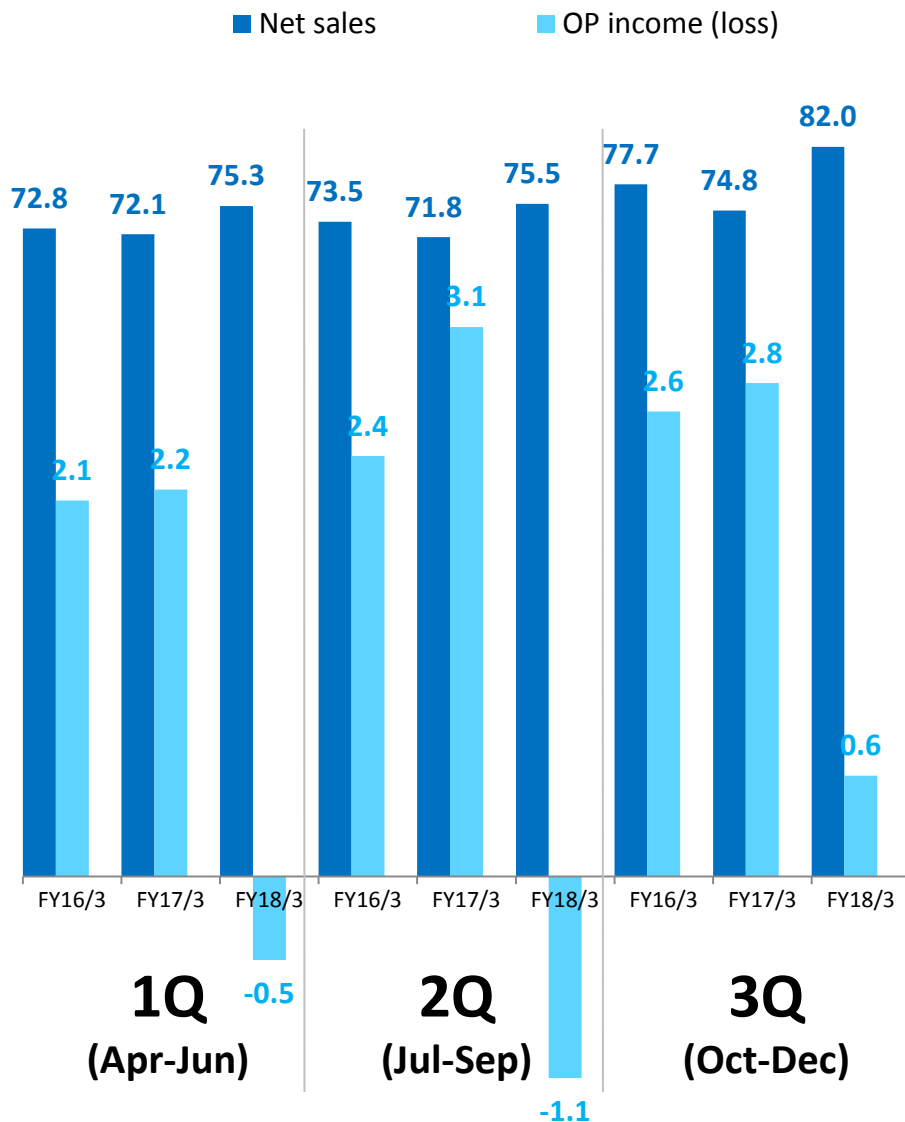
Major factors	
Sales and market conditions	-0.6
Prices of raw materials/fuels	-0.8
Production increase, cost reduction	0.8
Fixed manufacturing costs	-0.7
Others	0.6
Total	-0.7

Year-on-year change in sales amount by category		
Household paper	+	+ Sales increase from acquisition of Paper Product business from Nisshinbo HD + Sales shift to value-added products in each category
Baby diapers	+	+ Sales growth due to product update with focus on "Speed Breathable Sheet"
Adult diapers	+	+ Secured new institutional customers + Sales increase of nighttime use incontinence pad series; sales increase of incontinence care products due to product differentiation with surface sheet made from natural materials
Feminine care	+	+ Increased in-store exposure from product update of slim sanitary pads + Increased distribution of light incontinence liner
Wet wipes etc.	+	+ Strong sales of newly launched floor wipes series and updated toilet cleaning wipes with CNF-content
Overseas	+	+ Baby care: Sales growth of high price-point products in China, sales growth in Thailand and neighboring countries, sales growth of pants-type in Indonesia + Feminine care: Started shipment of locally produced sanitary pads in Thailand; strengthened sales promotion activities and <i>elis</i> brand recognition in South Korea. + Wet wipes: Launched <i>Angel</i> series brand baby wipes in China, expanded product line-up in Thailand to meet various consumer needs

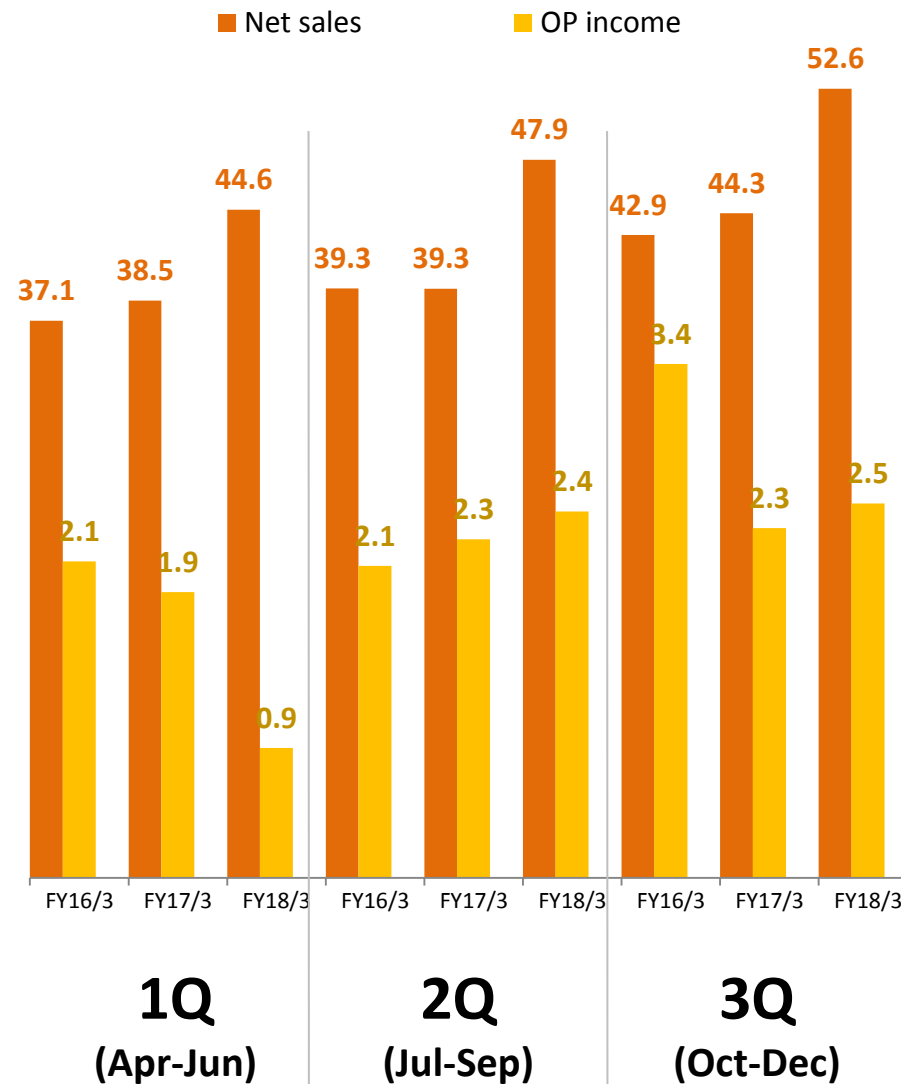
Business results by segment (Quarterly trend)

(billions of yen)

Paper and Paperboard



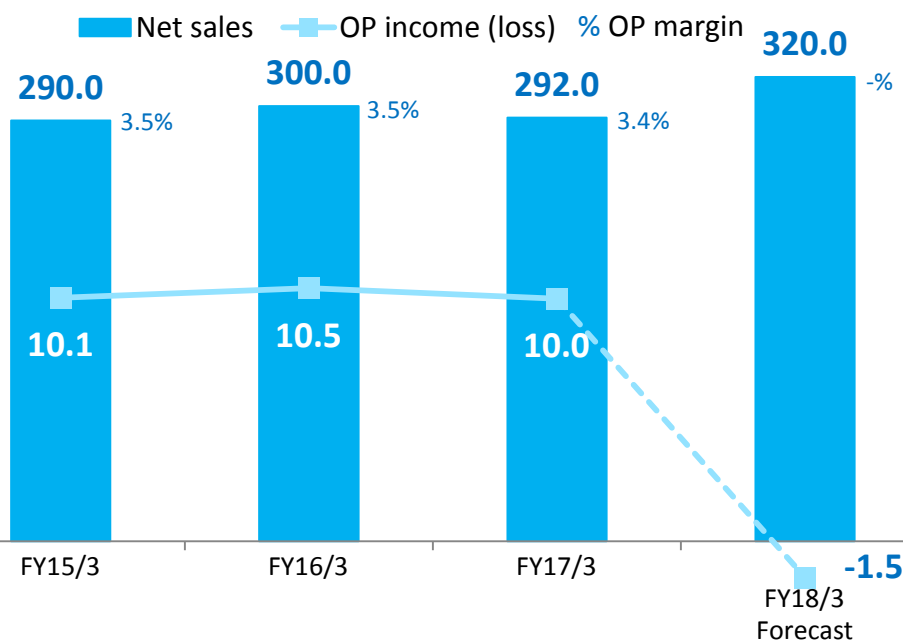
H&PC



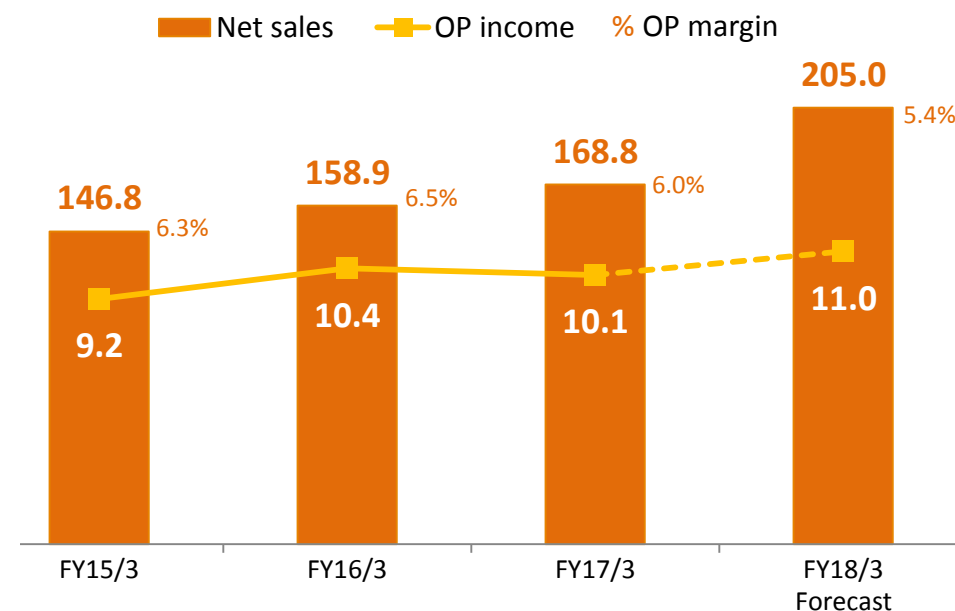
Business results forecast by segment

(billions of yen)

Paper and Paperboard



H&PC



Q1-Q3 results

	Net sales	OP income (loss)	OP margin
Paper & Paperboard	232.8	-1.0	-
(Results of prev. corresponding period)	218.7	8.0	3.7%
H&PC	145.0	5.8	4.0%
(Results of prev. corresponding period)	122.1	6.5	5.3%
Other (incl. adjustments)	14.9	1.5	
(Results of prev. corresponding period)	10.9	2.5	
Total	392.7	6.3	1.6%
(Results of prev. corresponding period)	351.7	17.0	4.8%

Full-year forecast

	Net sales	OP income (loss)	OP margin
Paper & Paperboard	320.0	-1.5	-
(Results of prev. corresponding period)	292.0	10.0	3.4%
H&PC	205.0	11.0	5.4%
(Results of prev. corresponding period)	168.8	10.1	6.0%
Other (incl. adjustments)	15.0	1.5	
(Results of prev. corresponding period)	16.4	3.4	
Total	540.0	11.0	2.0%
(Results of prev. corresponding period)	477.1	23.5	4.9%

※ Contributions from M&A 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 (Feb 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.