

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (unaudited) (Based on Japanese GAAP)

May 11, 2018

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
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 Scheduled date of Ordinary General Meeting of Shareholders: June 28, 2018
 Scheduled date of filing financial report: June 29, 2018
 Scheduled date of the commencement of dividend payments: June 29, 2018
 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, 2018 (April 1, 2017–March 31, 2018)

(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, 2018	531,311	11.4	11,062	(53.0)	12,779	(40.1)	3,971	(67.3)
March 31, 2017	477,140	0.6	23,535	(3.2)	21,347	0.4	12,136	(16.8)

Note: Comprehensive income

Fiscal year ended March 31, 2018	2,735 million yen	(81.7)%
Fiscal year ended March 31, 2017	14,905 million yen	55.3%

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, 2018	27.25	23.72	2.2	1.9	2.1
March 31, 2017	83.28	72.74	7.1	3.2	4.9

(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, 2018	686,141	193,065	25.9	1,221.65
As of March 31, 2017	657,747	191,079	26.8	1,211.33

Reference: Equity	As of March 31, 2018	178,030 million yen
	As of March 31, 2017	176,525 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, 2018	30,456	(50,194)	(3,076)	60,086
March 31, 2017	62,932	(31,394)	(22,037)	82,733

2. Dividends

	Annual Dividends per share					Total dividends	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1 st quarter end	2 nd quarter end	3 rd quarter end	End of fiscal year	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2017	—	5.00	—	5.50	10.50	1,538	12.6	0.9
March 31, 2018	—	5.00	—	5.50	10.50	1,538	38.5	0.9
Fiscal year ending March 31, 2019 (Forecast)	—	5.00	—	5.50	10.50		15.3	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018–March 31, 2019)

(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, 2019	260,000	2.9	6,500	142.5	5,500	4.8	4,500	8.1	30.88
Full fiscal year	550,000	3.5	18,000	62.7	15,000	17.4	10,000	151.9	68.62

4. Others

[1] Changes in significant subsidiaries during the period under review
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New

—

Eliminated

—

[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, 2018 | 149,348,785 shares |
| March 31, 2017 | 149,348,785 shares |
| (ii) Number of treasury shares as of: | |
| March 31, 2018 | 3,619,781 shares |
| March 31, 2017 | 3,619,350 shares |
| (iii) Average number of shares during the period: | |
| Fiscal year ended March 31, 2018 | 145,729,195 shares |
| Fiscal year ended March 31, 2017 | 145,729,844 shares |

(Reference)

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017–March 31, 2018)

(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, 2018	390,460	0.3	5,152	(55.7)	4,202	(58.0)	5,753	(20.0)
March 31, 2017	389,304	(1.3)	11,634	(20.1)	10,014	(21.4)	7,190	(41.9)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2018	39.29	34.27
March 31, 2017	49.10	42.86

(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, 2018	599,709	141,374	23.6	965.44
March 31, 2017	571,515	138,101	24.2	943.10

Reference: Equity
As of March 31, 2018 141,374 million yen
As of March 31, 2017 138,101 million yen

*This report is not required to be audited by certified public accountants or audit corporations.

*Regarding the appropriate 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, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	89,201	66,680
Notes and accounts receivable - trade	92,698	109,753
Merchandise and finished goods	37,504	40,929
Work in process	4,594	6,121
Raw materials and supplies	21,489	25,052
Deferred tax assets	4,503	3,843
Other	7,060	8,437
Allowance for doubtful accounts	(1)	(7)
Total current assets	257,048	260,808
Non-current assets		
Property, plant and equipment		
Buildings and structures	196,762	214,476
Accumulated depreciation	(127,769)	(140,181)
Buildings and structures, net	68,993	74,295
Machinery, equipment and vehicles	815,254	854,013
Accumulated depreciation	(680,991)	(722,513)
Machinery, equipment and vehicles, net	134,263	131,500
Land	74,042	79,987
Construction in progress	12,050	24,255
Other	19,472	21,470
Accumulated depreciation	(9,636)	(11,943)
Other, net	9,836	9,527
Total property, plant and equipment	299,184	319,564
Intangible assets		
Goodwill	48,865	47,443
Other	4,213	9,050
Total intangible assets	53,078	56,493
Investments and other assets		
Investment securities	35,812	33,466
Long-term loans receivable	3,850	3,804
Deferred tax assets	531	2,296
Other	9,055	10,478
Allowance for doubtful accounts	(980)	(993)
Total investments and other assets	48,268	49,051
Total non-current assets	400,530	425,108
Deferred assets	169	225
Total assets	657,747	686,141

(Millions of Yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	48,446	58,686
Short-term loans payable	26,360	24,734
Current portion of long-term loans payable	72,706	50,558
Accounts payable - other	25,265	37,151
Current portion of long-term accounts payable - facilities	2,621	1,374
Income taxes payable	5,210	2,090
Provision for bonuses	4,687	5,013
Provision for directors' bonuses	121	106
Other	10,872	12,511
Total current liabilities	196,288	192,223
Non-current liabilities		
Bonds payable	15,300	40,300
Convertible bond-type bonds with subscription rights to shares	30,105	30,075
Long-term loans payable	192,521	195,681
Long-term accounts payable - facilities	2,385	1,789
Net defined benefit liability	20,127	22,884
Provision for directors' retirement benefits	287	296
Provision for environmental measures	2	26
Provision for loss on business of subsidiaries and associates	174	121
Other	9,479	9,681
Total non-current liabilities	270,380	300,853
Total liabilities	466,668	493,076
Net assets		
Shareholders' equity		
Capital stock	39,707	39,707
Capital surplus	39,817	39,817
Retained earnings	94,067	96,513
Treasury shares	(2,909)	(2,909)
Total shareholders' equity	170,682	173,128
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,815	9,888
Foreign currency translation adjustment	(4,432)	(4,302)
Remeasurements of defined benefit plans	(540)	(684)
Total accumulated other comprehensive income	5,843	4,902
Non-controlling interests	14,554	15,035
Total net assets	191,079	193,065
Total liabilities and net assets	657,747	686,141

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

Consolidated Statement of Income

(Millions of Yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Net sales	477,140	531,311
Cost of sales	358,005	409,937
Gross profit	119,135	121,374
Selling, general and administrative expenses	95,600	110,312
Operating income	23,535	11,062
Non-operating income		
Interest income	145	264
Dividend income	693	703
Purchase discounts	304	321
Foreign exchange gains	—	100
Subsidy income	1,183	3,720
Other	1,914	1,792
Total non-operating income	4,239	6,900
Non-operating expenses		
Interest expenses	3,730	3,201
Foreign exchange losses	1,205	—
Other	1,492	1,982
Total non-operating expenses	6,427	5,183
Ordinary income	21,347	12,779
Extraordinary income		
Gain on sales of non-current assets	363	150
Gain on sales of investment securities	32	5,754
Gain on bargain purchase	—	1,034
Other	193	135
Total extraordinary income	587	7,073
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,421	598
Loss on sales of investment securities	0	155
Loss on valuation of investment securities	163	24
Loss on disaster	229	177
Impairment loss	865	6,848
Retirement benefit expenses	972	—
Early retirement expenses	—	894
Other	166	32
Total extraordinary losses	3,816	8,728
Profit before income taxes	18,118	11,124
Income taxes - current	7,607	5,488
Income taxes - deferred	(1,405)	1,835
Total income taxes	6,202	7,323
Profit	11,916	3,801
Loss attributable to non-controlling interests	(220)	(170)
Profit attributable to owners of parent	12,136	3,971

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Profit	11,916	3,801
Other comprehensive income		
Valuation difference on available-for-sale securities	4,637	(879)
Foreign currency translation adjustment	(1,922)	(41)
Remeasurements of defined benefit plans, net of tax	274	(146)
Total other comprehensive income	2,989	(1,066)
Comprehensive income	14,905	2,735
Comprehensive income attributable to		
Owners of parent	15,366	3,029
Non-controlling interests	(461)	(294)

(3) Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (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 in scope of consolidation		(105)	(172)		(277)
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 in scope of consolidation						(277)
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

Consolidated fiscal year under review (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	39,707	39,817	94,067	(2,909)	170,682
Changes of items during period					
Dividends of surplus			(1,524)		(1,524)
Profit attributable to owners of parent			3,971		3,971
Purchase of treasury shares				(0)	(0)
Change in scope of consolidation			(1)		(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	2,446	(0)	2,446
Balance at end of current period	39,707	39,817	96,513	(2,909)	173,128

	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	10,815	(4,432)	(540)	5,843	14,554	191,079
Changes of items during period						
Dividends of surplus						(1,524)
Profit attributable to owners of parent						3,971
Purchase of treasury shares						(0)
Change in scope of consolidation						(1)
Net changes of items other than shareholders' equity	(927)	130	(144)	(941)	481	(460)
Total changes of items during period	(927)	130	(144)	(941)	481	1,986
Balance at end of current period	9,888	(4,302)	(684)	4,902	15,035	193,065

(4) Consolidated Statement of Cash Flows

(Millions of Yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	18,118	11,124
Depreciation	29,017	31,171
Impairment loss	865	6,848
Amortization of goodwill	4,158	4,026
Gain on bargain purchase	—	(1,034)
Increase (decrease) in allowance for doubtful accounts	(112)	(38)
Increase (decrease) in provision for loss on business of subsidiaries and associates	(51)	(53)
Loss (gain) on sales of investment securities	(32)	(5,600)
Loss (gain) on valuation of investment securities	163	24
Increase (decrease) in net defined benefit liability	1,557	45
Interest and dividend income	(838)	(967)
Interest expenses	3,730	3,201
Foreign exchange losses (gains)	1,205	(100)
Subsidy income	(1,183)	(3,720)
Insurance income	(807)	(141)
Loss (gain) on sales of property, plant and equipment	(222)	(129)
Loss on retirement of property, plant and equipment	1,280	577
Decrease (increase) in notes and accounts receivable - trade	2,882	(8,012)
Decrease (increase) in inventories	5,393	(5,223)
Increase (decrease) in notes and accounts payable - trade	(555)	5,013
Increase/decrease in other assets/liabilities	3,149	3,660
Increase (decrease) in accrued consumption taxes	1,422	(786)
Other, net	106	(653)
Subtotal	69,245	39,233
Income taxes paid	(7,912)	(11,478)
Income taxes refund	12	(1,429)
Proceeds from subsidy income	646	3,924
Proceeds from insurance income	941	206
Net cash provided by (used in) operating activities	62,932	30,456
Cash flows from investing activities		
Decrease (increase) in time deposits	2,024	(114)
Purchase of property, plant and equipment	(34,694)	(31,019)
Proceeds from sales of property, plant and equipment	1,269	1,293
Purchase of investment securities	(172)	(166)
Proceeds from sales of investment securities	60	9,321
Collection of investments in capital of subsidiaries and associates	849	—
Payments of loans receivable	(7)	(14)
Collection of loans receivable	7	6
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(27,021)
Interest and dividend income received	1,137	1,291
Other, net	(1,867)	(3,771)
Net cash provided by (used in) investing activities	(31,394)	(50,194)

(Millions of Yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(7,200)	(1,826)
Proceeds from long-term loans payable	65,300	52,150
Repayments of long-term loans payable	(80,006)	(73,362)
Redemption of bonds	(10,320)	(30)
Proceeds from issuance of bonds	15,300	25,000
Proceeds from issuance of common stock assigned to non-controlling interests	1,320	776
Interest expenses paid	(4,189)	(3,432)
Cash dividends paid	(1,669)	(1,620)
Other, net	(573)	(732)
Net cash provided by (used in) financing activities	(22,037)	(3,076)
Effect of exchange rate change on cash and cash equivalents	(468)	165
Net increase (decrease) in cash and cash equivalents	9,033	(22,649)
Cash and cash equivalents at beginning of period	72,169	82,733
Increase in cash and cash equivalents from newly consolidated subsidiary	1,531	2
Cash and cash equivalents at end of period	82,733	60,086