

Daio Paper Corporation

FY2018/3 Financial Overview

May 31, 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. (FY19/3 is the fiscal year from Apr 1, 2018 to Mar 31, 2019.)

Disclaimers regarding translation:

1. This document is an English translation of the original Japanese document dated May 31, 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.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

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Summary of consolidated financial results

Business results	FY17/3		FY18/3		Variance	
	<i>Net sales %</i>		<i>Net sales %</i>		<i>%</i>	
Net sales	477.1		531.3		54.2	11.4
Operating income	23.5	4.9	11.1	2.1	-12.4	-53.0
Ordinary income	21.3	4.5	12.8	2.4	-8.5	-40.1
Profit attributable to owners of parent	12.1	2.5	4.0	0.7	-8.1	-67.3
Depreciation	29.0		31.2		2.2	7.4
Capital expenditure	32.5		39.5		7.0	21.8
Exchange rate : (average rate during term)	108.4 JPY/USD		110.9 JPY/USD		2.5 JPY/USD	
Dubai crude oil : (average price during term)	47 USD/barrel		56 USD/barrel		9 USD/barrel	

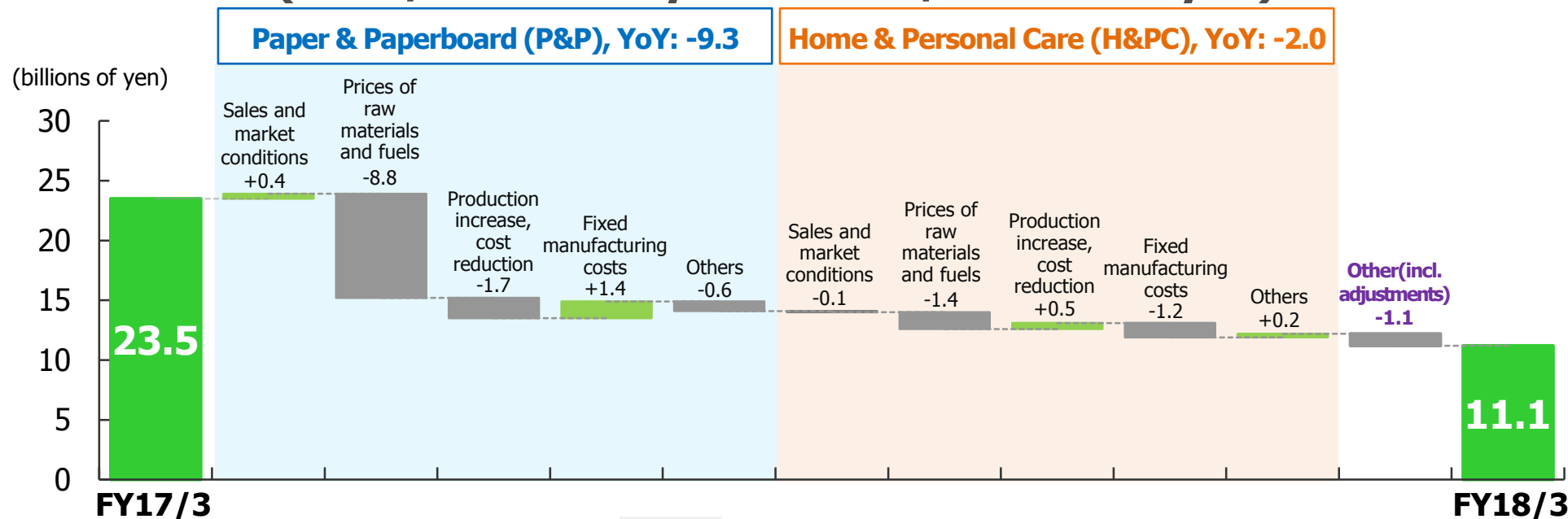
Financial data	17/3-end	18/3-end	Variance
Net interest-bearing debt	255.1	280.0	24.9
Equity ratio	26.8 %	25.9 %	-0.9
Net D/E ratio	1.4	1.6	0.2

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).

Operating Income, YoY: -12.4 bn yen

(FY17/3: 23.5 bn yen → FY18/3: 11.1 bn yen)



	P&P	H&PC	Other *	Total
Sales / market conditions	0.4	-0.1	-	0.3
Prices of raw materials and fuels	-8.8	-1.4	-	-10.2
Production increase, cost reduction	-1.7	0.5	-	-1.2
Fixed manufacturing costs	1.4	-1.2	-	0.2
Others	-0.6	0.2	-1.1	-1.5
OP income YoY, total	-9.3	-2.0	-1.1	-12.4
Increase, total	1.8	0.7	-	2.5
Decrease, total	-11.1	-2.7	-1.1	-14.9

	P&P Major Factors	H&PC Major Factors
Price	+0.4	Sales volume +1.6, price -1.7
Recovered paper -6.5, coal -2.0, heavy oil -0.8, woodchip -0.7, chemicals and others -0.3, moving average +1.6		SAP and others -0.9, chemicals and others -0.3
Decreased production -1.0, energy cost -0.4, yield and raw materials composition -0.3		Increased production +0.8, energy cost -0.4
Labor cost +0.5, depreciation +0.3		Labor cost -0.5, depreciation -0.4
Change in scope of consolidation +0.7, logistics cost +0.5, decline in earnings of corrugated container subsidiary -1.8, others		Change in scope of consolidation +0.5, overseas business -0.3, logistics cost (sales expansion) and others

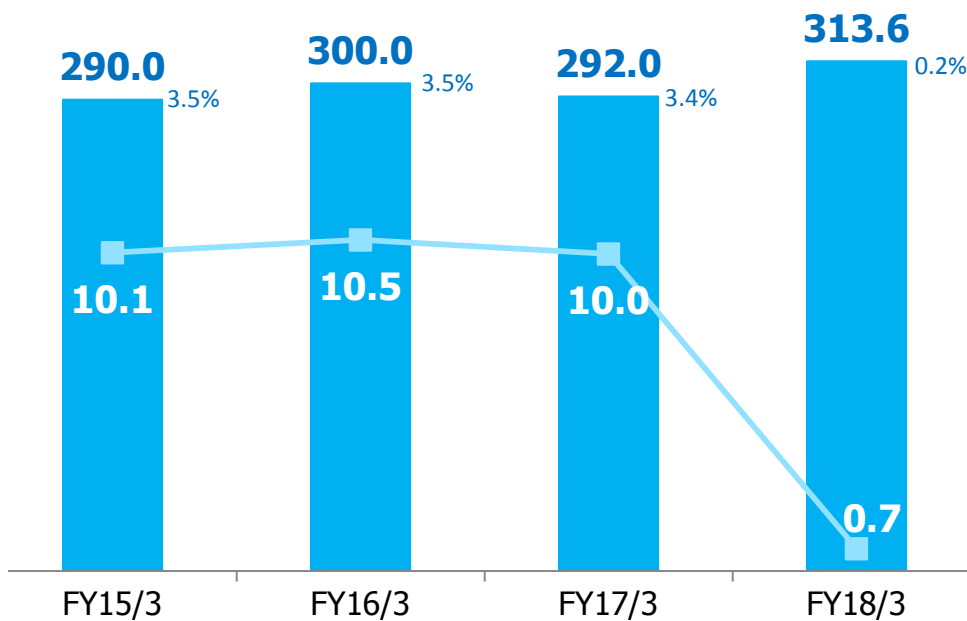
* "Other" is the sum of "Other" category and "Adjustments". The "Other" category consists of business segments such as wood, forestry, machinery, logistics, electric power selling, golf club, parking facilities, and real estate leasing businesses. "Adjustments" refer to adjustment for elimination of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

Consolidated financial results for FY2018/3

Business results by segment (Paper & Paperboard)

(billions of yen)

Net sales OP income % OP margin



Variance

Net sales	+21.6 +7.4%
OP income	-9.3 -93.0%

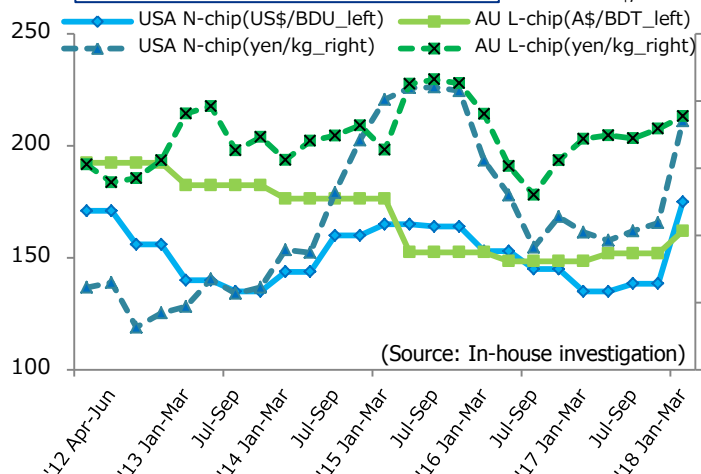
Major factors

Sales and market conditions	+0.4
Prices of raw materials/fuels	-8.8
Production increase, cost reduction	-1.7
Fixed manufacturing costs	+1.4
Others	-0.6
Total	-9.3

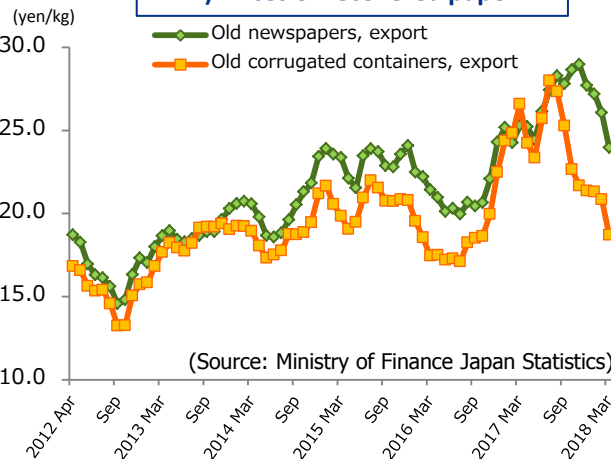
Main types	Year-on-year change		
	Vol.	Value	Major factors
Newsprint	-	-	- Decline in newspaper circulation and pages
Paper	-	-	+ Increase in sales volume and value of wrapping/functional materials as a result of strategy to shift from coated paper - Decrease in domestic demand due to decline of print and shift to digital media
Containerboard & corrugated container	+	+	+ Increase in demand in fields of e-commerce and processed food and beverage

A) Prices of imported woodchips

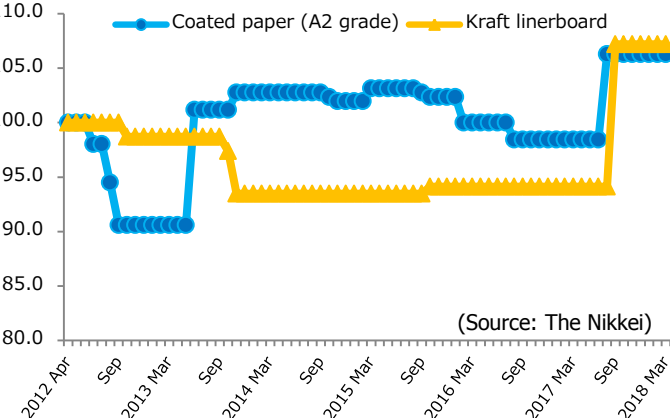
※From Apr 2015, AU L-chip is imported at rate of US\$/BDT instead of A\$/BDT.



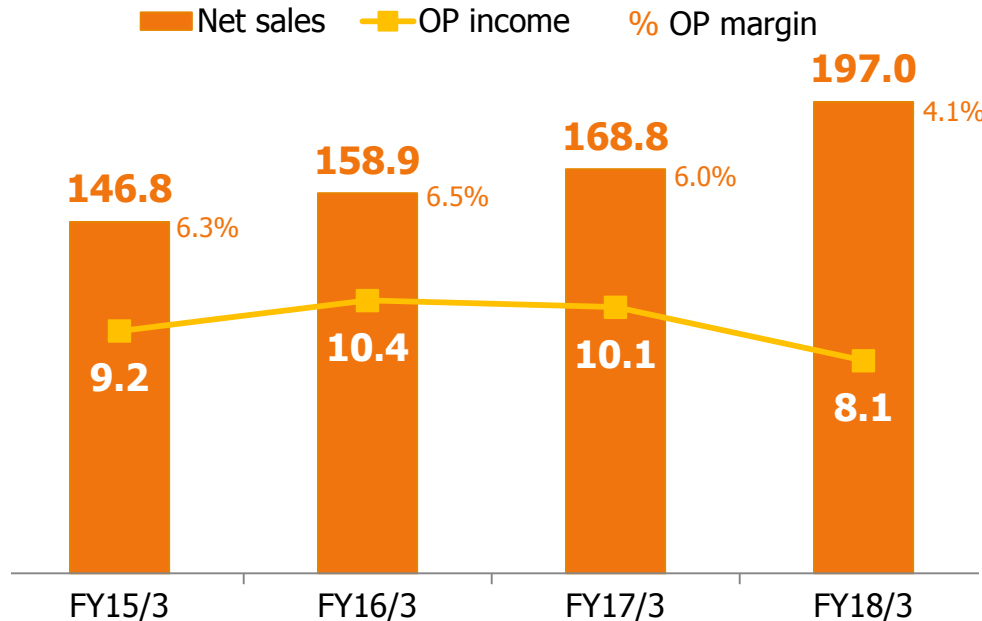
B) Prices of recovered paper



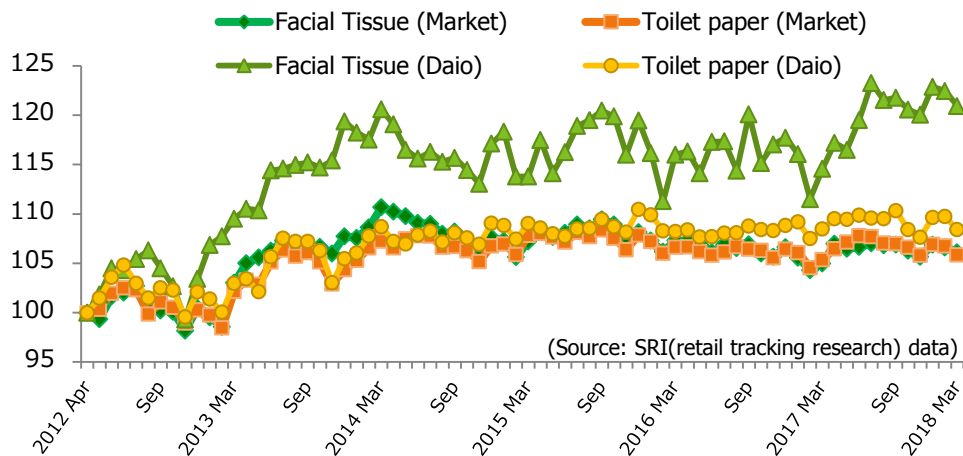
C) Prices of major products (Apr 2012=100)



(billions of yen)



A) Prices of major products (Apr 2012 = 100)



Variance

Net sales	+28.2 +16.7%
OP income	-2.0 -20.0%

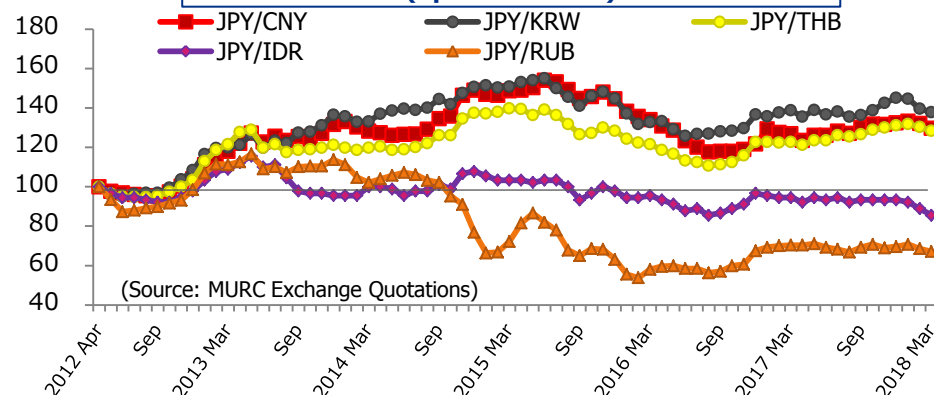
Major factors

Sales and market conditions	-0.1
Prices of raw materials/fuels	-1.4
Production increase, cost reduction	+0.5
Fixed manufacturing costs	-1.2
Others	+0.2
Total	-2.0

Year-on-year change in sales value by category

Category	Change	Reasons
Domestic	Household paper	+ Sales increase from acquisition of Nisshinbo HD's Paper Products business + Sales shift to value-added products
	Baby care	- Price revision to match quality improvements from product update - Shrinking market due to low birth rate
	Adult care	+ Sales increase of nighttime use incontinence pad (retail route) + Increase in acquisition of new clients (institutional route)
	Feminine care	→ Suppressed sales of products with low profitability
Overseas	Baby care	+ China: Added <i>Guangyu</i> series (higher grade than super premium <i>Angel</i> series) to lineup; increased distribution of pants diaper (higher unit price) + Thailand: Increased distribution of pants diapers; increased sales in each neighboring country + Indonesia: Strengthened in-store promotion; started E-commerce sales
	Others	+ Advanced multi-category expansion (product diversification) in each country

B) Monthly exchange rates (Monthly average TTM) (Apr 2012 = 100)



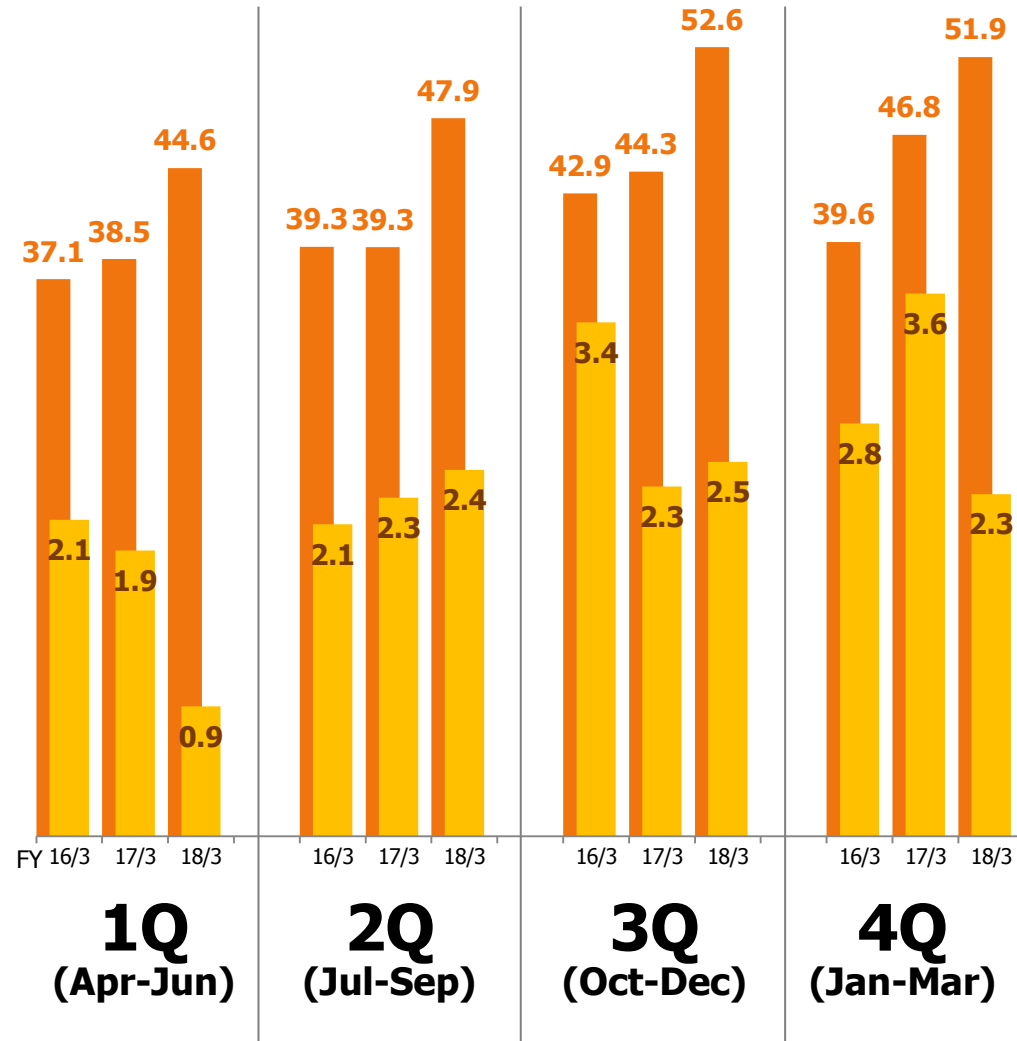
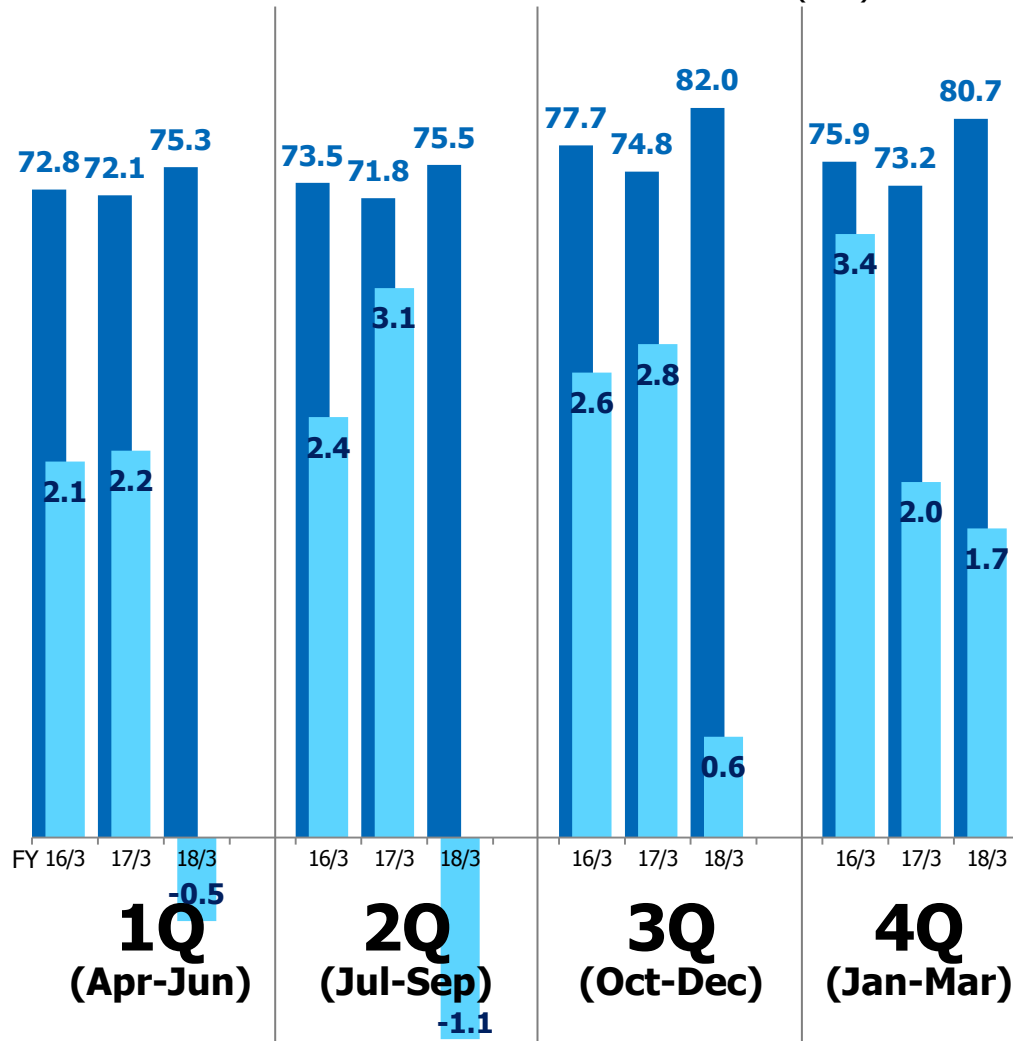
(billions of yen)

Paper & Paperboard

Home & Personal Care

■ Net sales ■ OP income (loss)

■ Net sales ■ OP income



■ Improve financial strength, and suppress financing costs by diversifying financing methods.

(billions of yen)	FY15/3 Results	FY16/3 Results	FY17/3 Results	FY18/3 Results	Goal
Net interest-bearing debt	292.5	281.5	255.1	280.0	250.0
Equity ratio	23.7%	24.9%	26.8%	25.9%	28%
Net D/E ratio	1.9	1.7	1.4	1.6	1.5
Operating CF	44.7	47.0	62.9	30.5*	
Investment CF	-28.6	-26.1	-31.4	-50.2	
Free CF	16.1	20.9	31.5	-19.7	

*An increase in trade payables and others due to the acquisition of Nisshinbo HD's Paper Products business and Miura Printing Corporation resulted in a one-time decrease in operating CF.

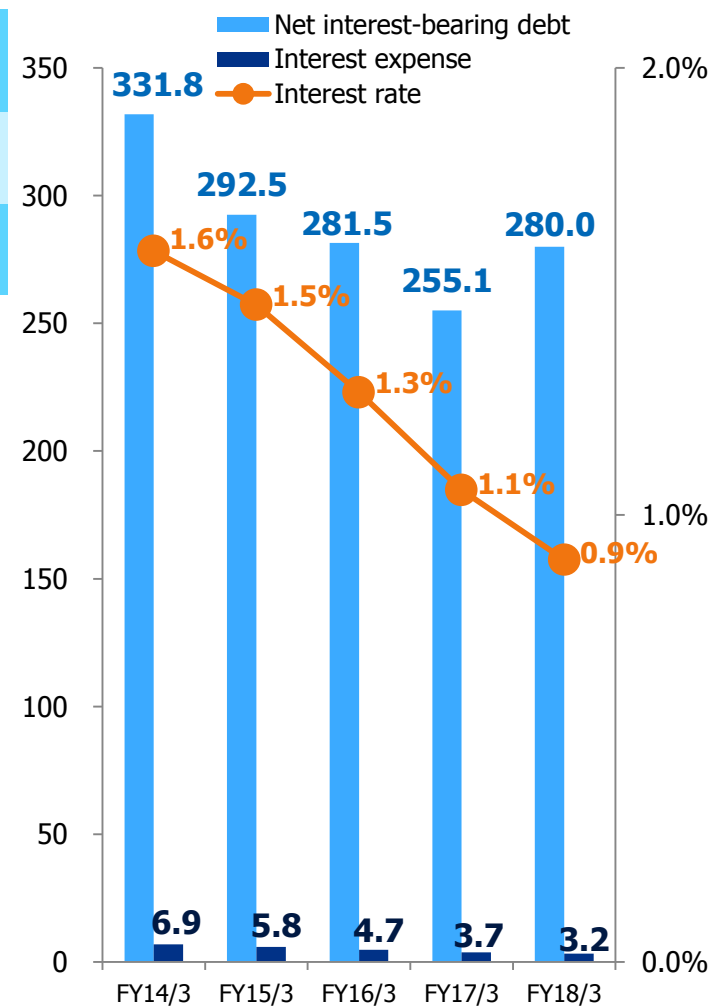
Credit rating

		Aug 2016	Sep 2017
R&I	BBB-(Stable)	BBB(Stable)	BBB(Positive) BBB+(Stable)
JCR	BBB (Stable)	BBB(Positive)	BBB+(Stable) BBB+(Stable)

Progress of diversifying financing methods

- Jul 2015 Registered issuance limit of CP
- Sep 2015 Issued CB (30 bn yen)
- Sep 2016 Submitted straight bond shelf registration
- Mar 2017 Issued straight bond (15 bn yen)
- Dec 2017 Issued straight bond (25 bn yen)

<Trend of net interest-bearing debt, interest expenses, and interest rate>



Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2019

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Summary of consolidated financial forecast

(billions of yen)

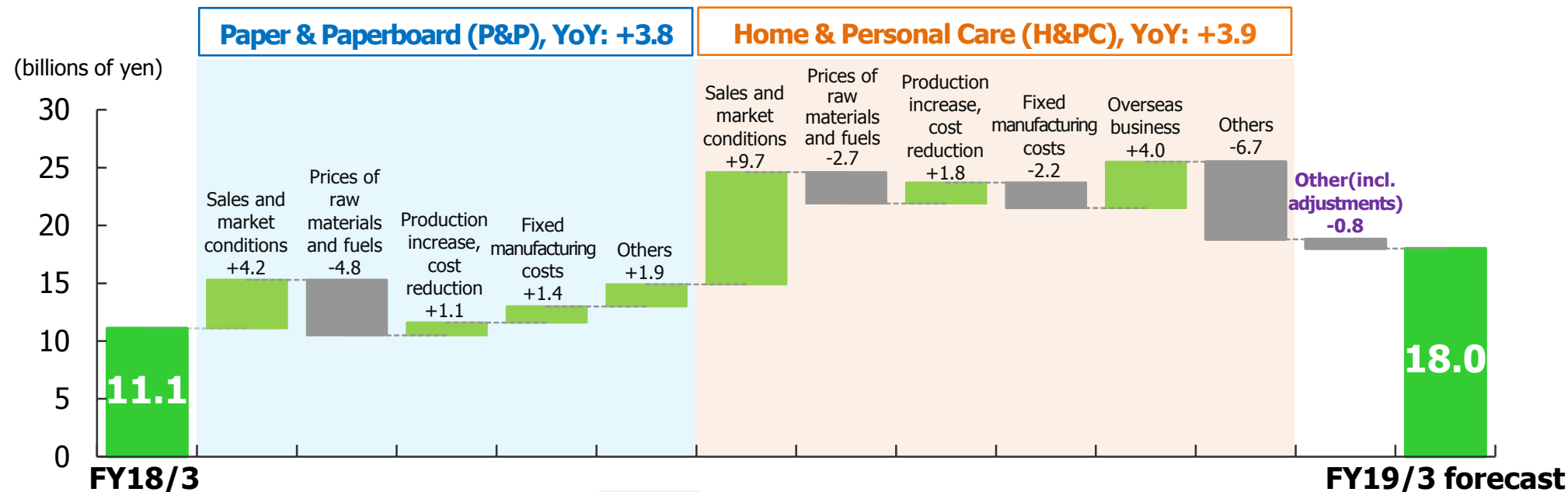
Business results (forecasts)	FY18/3		FY19/3		Variance	
	<i>Net sales %</i>		<i>Net sales %</i>		<i>%</i>	
Net sales	531.3		550.0		18.7	3.5
Operating income	11.1	2.1	18.0	3.3	6.9	62.7
Ordinary income	12.8	2.4	15.0	2.7	2.2	17.4
Profit attributable to owners of parent	4.0	0.7	10.0	1.8	6.0	151.9
Depreciation	31.2		34.0		2.8	9.1
Capital expenditure	39.5		74.8		35.3	89.4
Net D/E ratio	1.6		1.9		0.3	
Exchange rate : (average rate during term)	110.9	JPY/USD	110.0	JPY/USD	-0.9	JPY/USD
Dubai crude oil : (average price during term)	56	USD/barrel	67	USD/barrel	11	USD/barrel

Notes

As announced on May 15, 2018, the resolution to implement an absorption-type merger as regards the wholly-owned consolidated subsidiary, Elleair Paper, was approved by the Board of Directors on Apr 26, 2018. For details, please see the press release (only in Japanese) on Daio Paper's website.

Operating Income, YoY: +6.9 bn yen

(FY18/3 : 11.1 bn yen → FY19/3 forecast: 18.0 bn yen)



	P&P	H&PC	Other *	Total	P&P Major Factors	H&PC Major Factors
Sales / market conditions	4.2	9.7	-	13.9	Product mix +0.6, price +3.6	Volume +6.4, price +3.3
Prices of raw materials and fuels	-4.8	-2.7	-	-7.5	Coal -3.0, woodchip -1.5, recovered paper +0.4, others -0.7	Pulp -1.5, SAP and others -0.6, chemicals and others -0.5
Production increase, cost reduction	1.1	1.8	-	2.9	Yield and raw materials composition +1.0, energy-saving +0.1	Production increase +2.0
Fixed manufacturing costs	1.4	-2.2	-	-0.8	Maintenance +1.5, depreciation -0.1	Labor cost -0.8, depreciation -0.8
Overseas business	-	4.0	-	4.0	-	Overseas subsidiaries' sales expansion +4.0
Others	1.9	-6.7	-0.8	-5.6	Improvement in earnings of corrugated container subsidiary +1.4, logistics cost +0.5	Logistics cost (sales expansion) -4.8, moving average -1.0, personnel increase (sales expansion) -0.7
OP income YoY, total	3.8	3.9	-0.8	6.9	* "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	8.6	15.5	-	24.1		
Decrease, total	-4.8	-11.6	-0.8	-17.2		

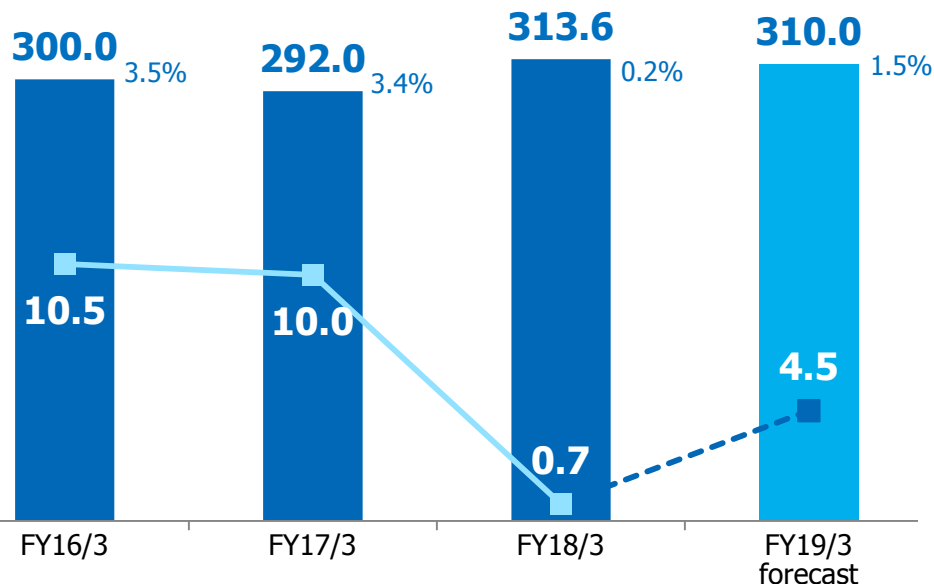
Consolidated financial forecast for FY2019/3

Business results forecasts by segment

(billions of yen)

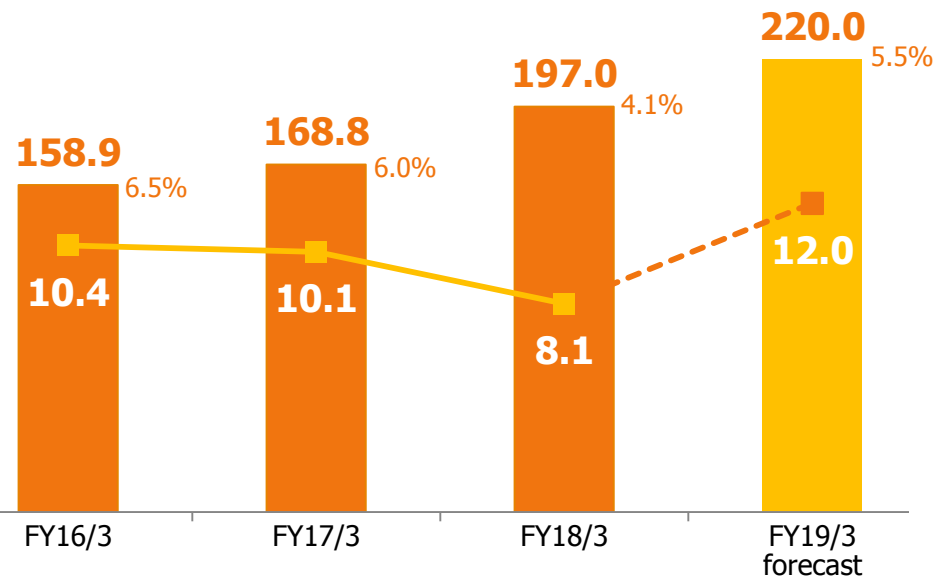
Paper & Paperboard

■ Net sales ■ OP income % OP margin



H&PC

■ Net sales ■ OP income % OP margin



H1 forecast

	Net sales	OP income (loss)	OP margin
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Paper & Paperboard

(Results of prev. corresponding period)

150.0	3.0	2.0%
150.9	-1.6	-

H&PC

(Results of prev. corresponding period)

100.0	3.5	3.5%
92.4	3.3	3.6%

Other (incl. adjustments)

(Results of prev. corresponding period)

10.0	0.0	0.0%
9.5	1.0	10.5%

Total

(Results of prev. corresponding period)

260.0	6.5	2.5%
252.8	2.7	1.1%

H2 forecast

	Net sales	OP income	OP margin
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160.0	1.5	0.9%
162.7	2.3	1.4%

120.0	8.5	7.1%
104.6	4.8	4.6%

10.0	1.5	15.0%
11.3	1.3	11.3%

290.0	11.5	4.0%
278.5	8.4	3.0%

Full year forecast

	Net sales	OP income	OP margin
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310.0	4.5	1.5%
313.6	0.7	0.2%

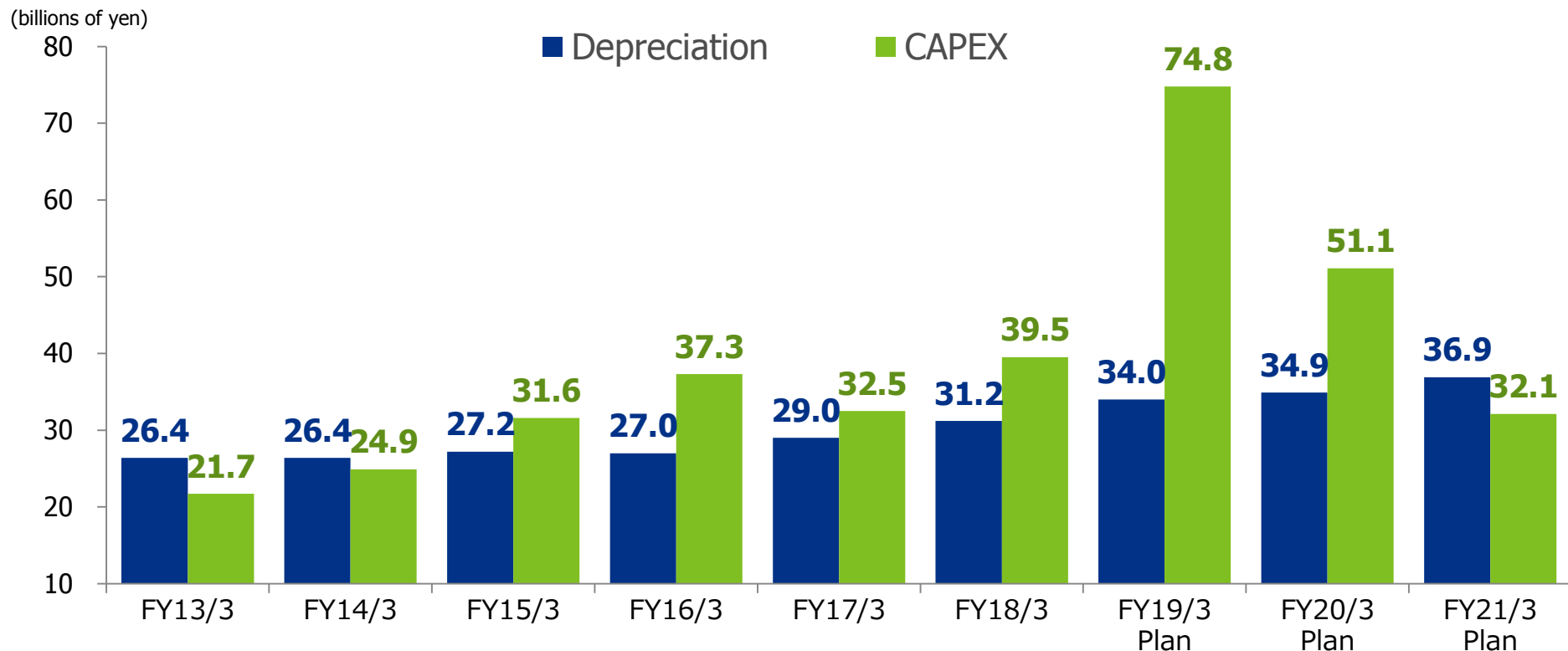
220.0	12.0	5.5%
197.0	8.1	4.1%

20.0	1.5	7.5%
20.8	2.3	10.9%

550.0	18.0	3.3%
531.3	11.1	2.1%

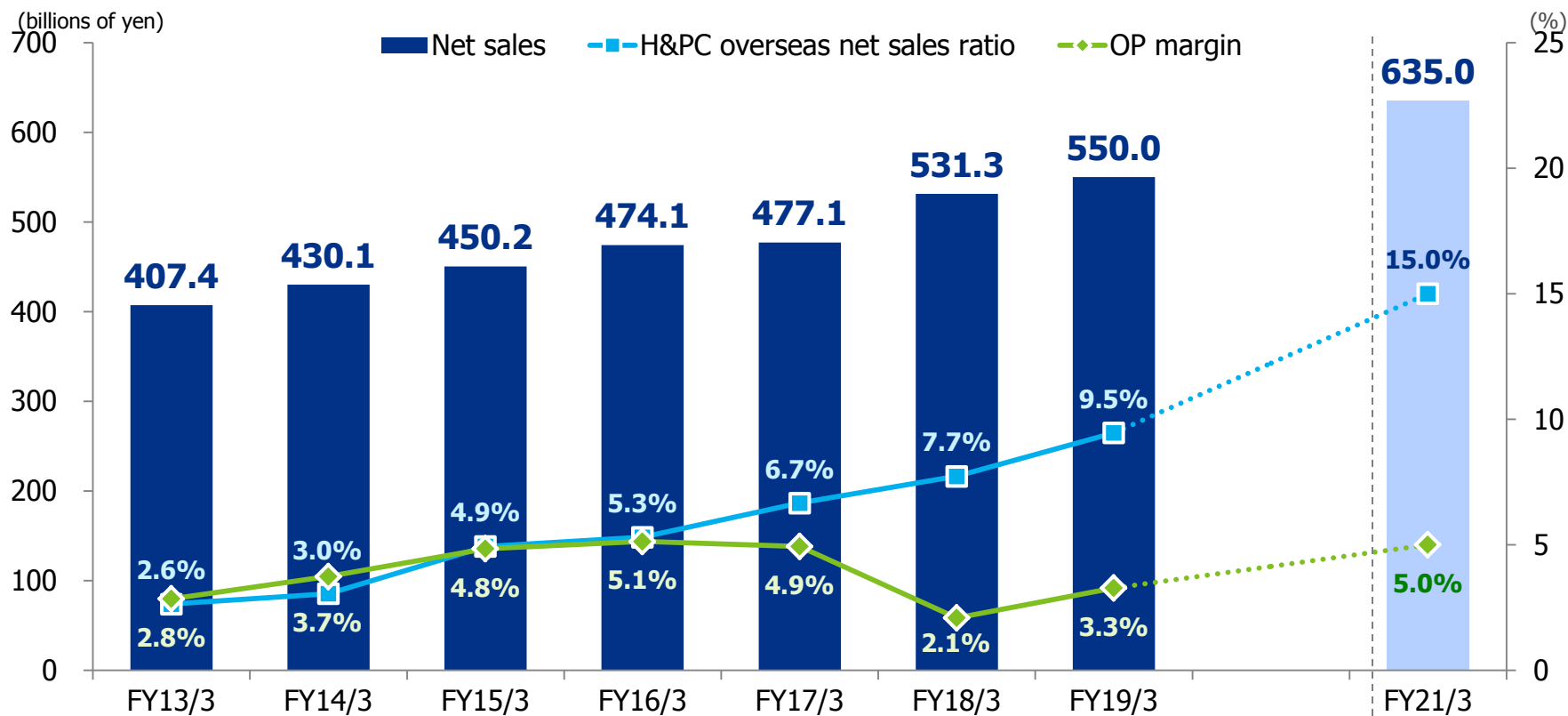
Consolidated financial forecast for FY2019/3

Capital expenditure, depreciation



	1st Medium-term Business Plan			2nd Medium-term Business Plan			3rd Medium-term Business Plan		
	FY13/3	FY14/3	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3 Plan	FY20/3 Plan	FY21/3 Plan
Depreciation	26.4	26.4	27.2	27.0	29.0	31.2	34.0	34.9	36.9
3-year cumulative		80.0			87.2			105.8	
CAPEX	21.7	24.9	31.6	37.3	32.5	39.5	74.8	51.1	32.1
3-year cumulative		78.3			109.3			158.0	

Net sales, overseas net sales ratio, operating income (margin)



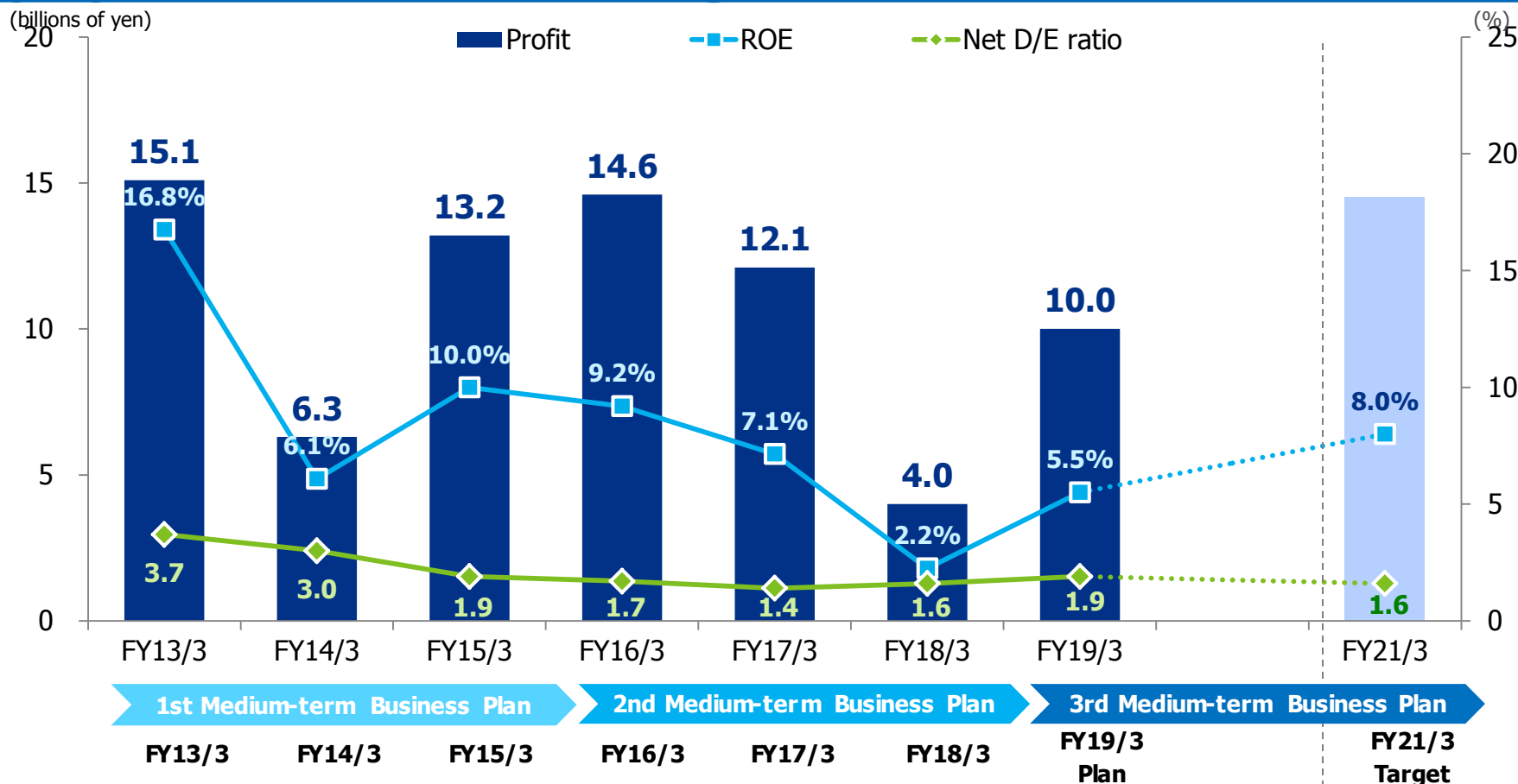
1st Medium-term Business Plan

2nd Medium-term Business Plan

3rd Medium-term Business Plan

	FY13/3	FY14/3	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3 Plan	FY21/3 Target
Net sales	407.4	430.1	450.2	474.1	477.1	531.3	550.0	635.0
(H&PC overseas sales)	10.7	13.1	22.2	25.1	31.8	41.1	52.0	100.0
H&PC overseas net sales ratio	2.6%	3.0%	4.9%	5.3%	6.7%	7.7%	9.5%	15.0%
OP income	11.6	16.0	21.8	24.3	23.5	11.1	18.0	32.0
OP margin	2.8%	3.7%	4.8%	5.1%	4.9%	2.1%	3.3%	5.0%

Profit, equity, ROE, net interest-bearing debt, net D/E ratio

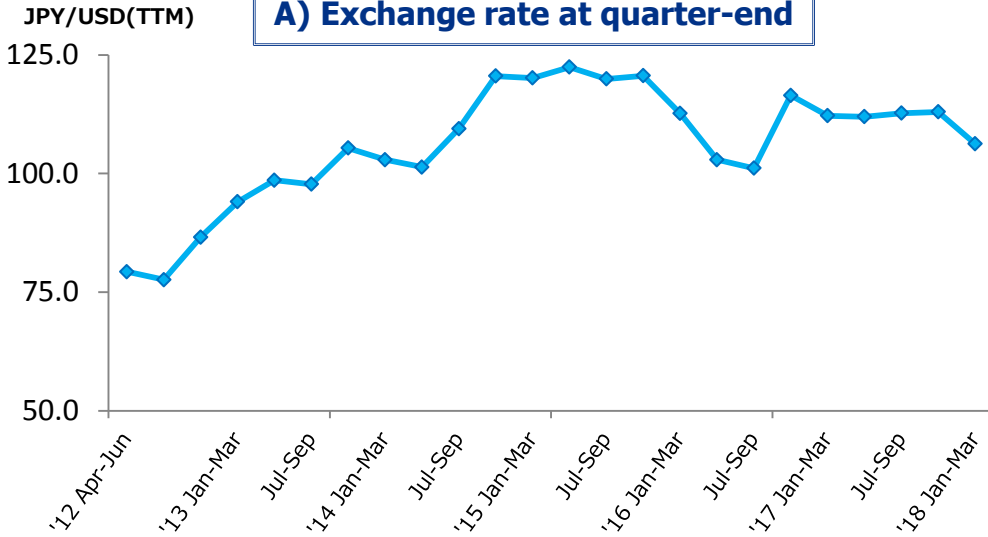


	FY13/3	FY14/3	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3 Plan	FY21/3 Target
Profit attributable to owners of parent	15.1	6.3	13.2	14.6	12.1	4.0	10.0	-
Equity	97.1	109.8	154.5	163.1	176.5	178.0	-	-
ROE	16.8%	6.1%	10.0%	9.2%	7.1%	2.2%	5.5%	8.0%
Net interest-bearing debt	363.5	331.8	292.5	281.5	255.1	280.0	350.0	350.0
Net D/E ratio	3.7	3.0	1.9	1.7	1.4	1.6	1.9	1.6

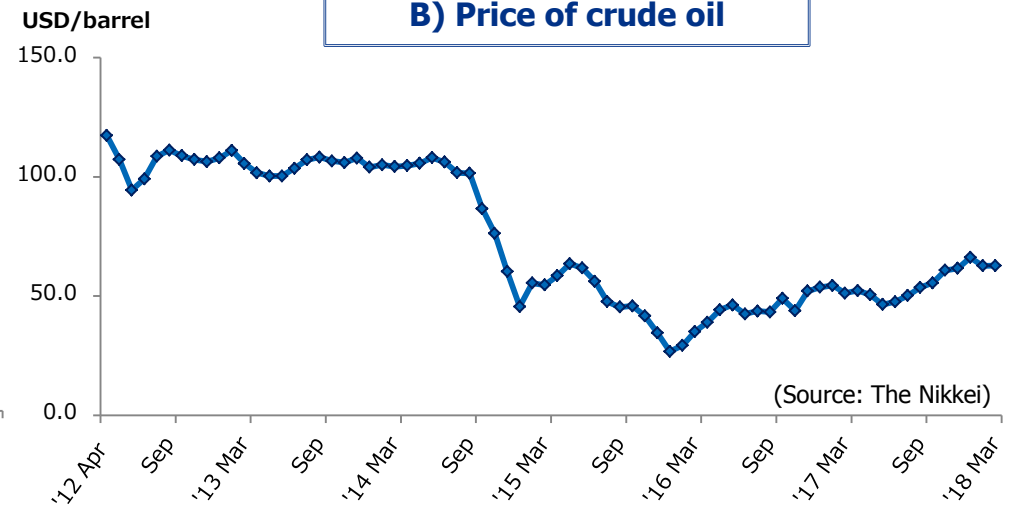
Reference

Reference material 1 Changes in external environment

A) Exchange rate at quarter-end

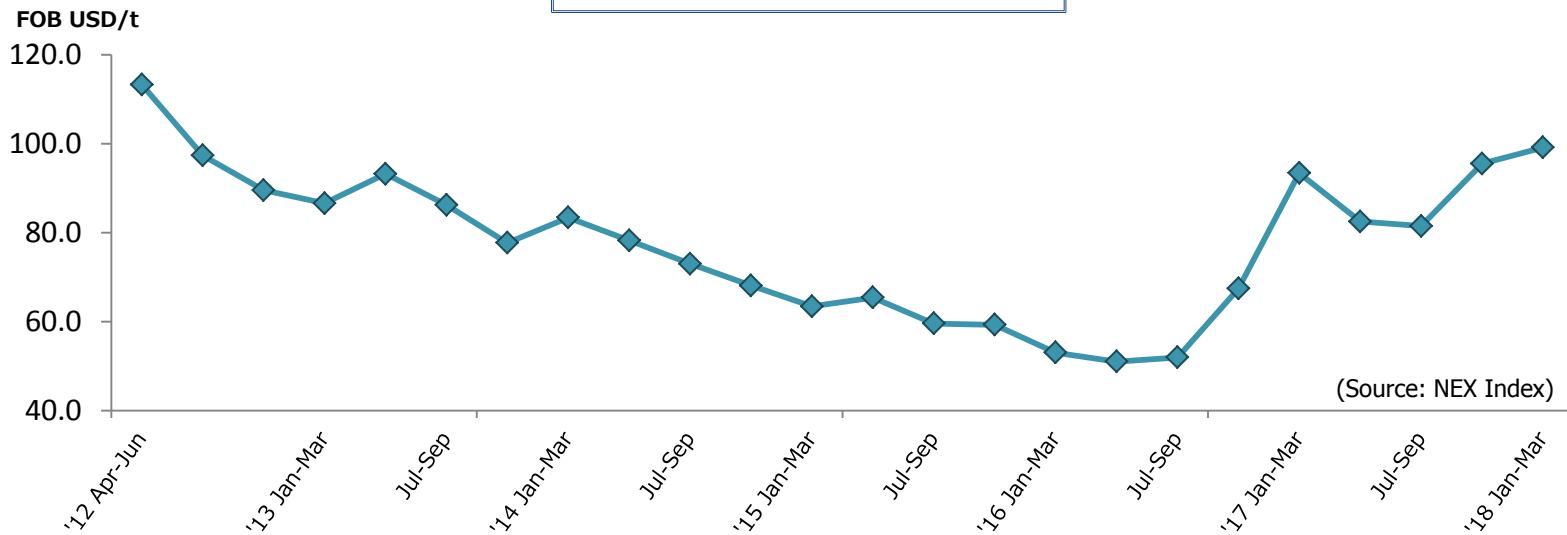


B) Price of crude oil



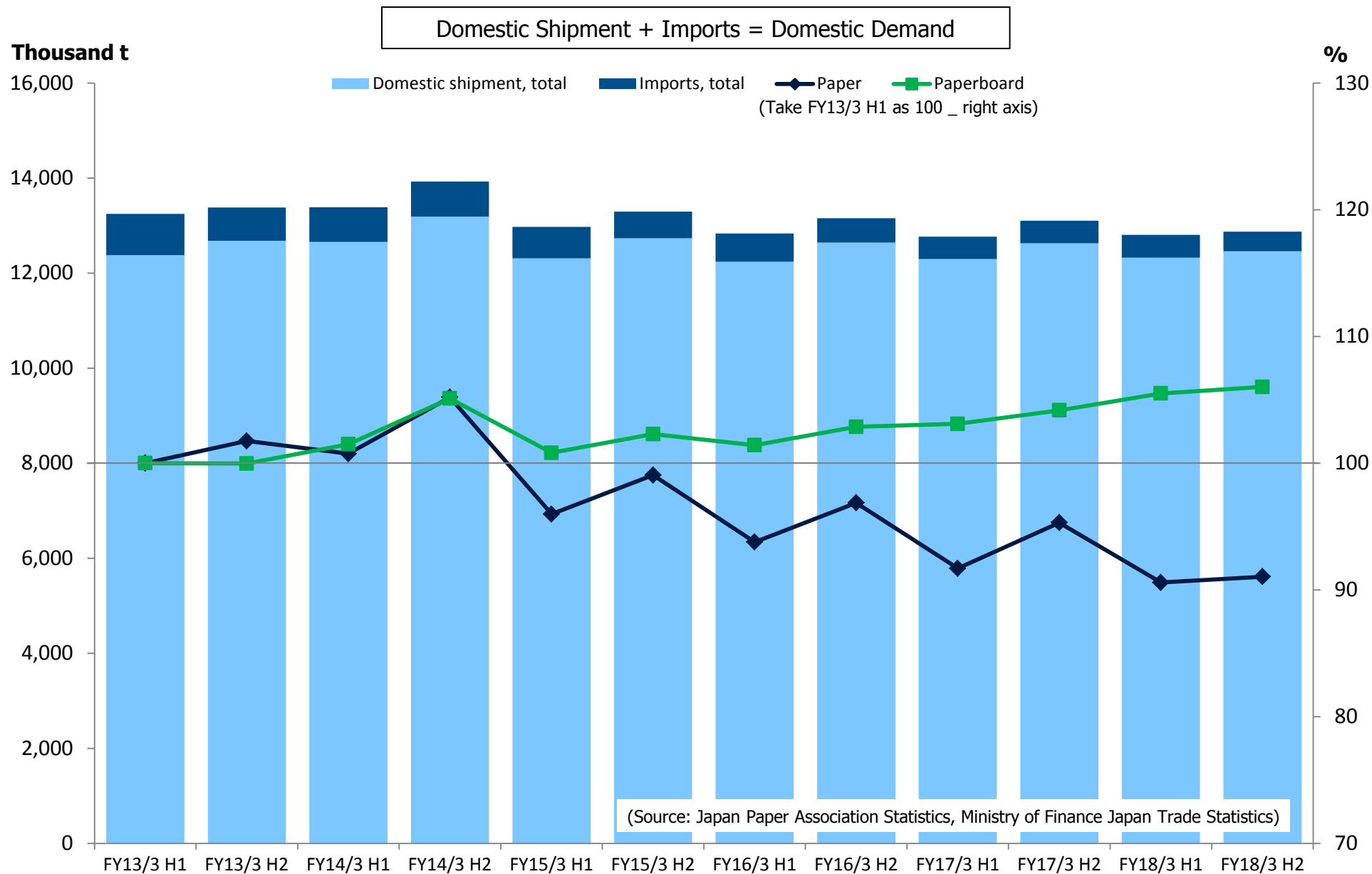
(Source: The Nikkei)

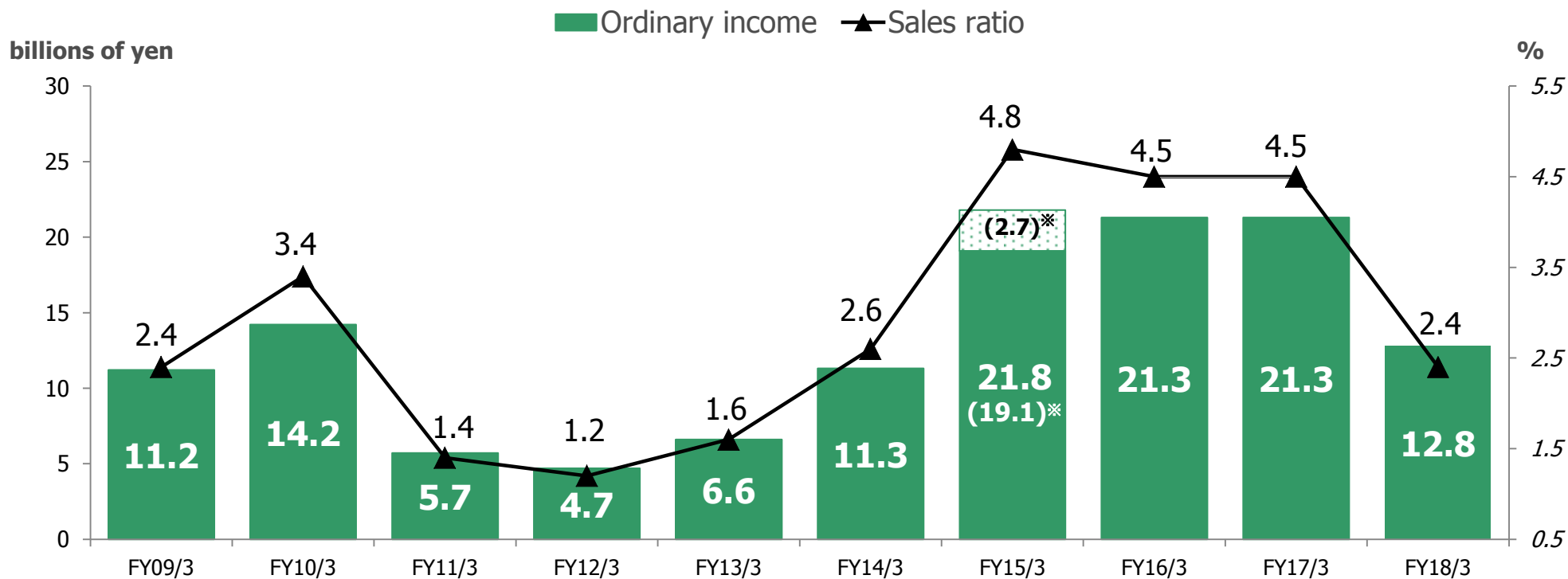
C) Price of coal



(Source: NEX Index)

Reference material 2 Domestic demand for paper and paperboard





*Subsidy income from Fukushima Pref. of approx. 2.7 billion yen is included in ordinary income (21.8 billion yen) of FY15/3.

1st Medium-term Business Plan

2nd Medium-term Business Plan

FY09/3 FY10/3 FY11/3 FY12/3 FY13/3 FY14/3 FY15/3 FY16/3 FY17/3 FY18/3

Consolidated ordinary income

11.2 14.2 5.7 4.7 6.6 11.3 21.8 21.3 21.3 12.8

Sales ratio

2.4 3.4 1.4 1.2 1.6 2.6 4.8 4.5 4.5 2.4

3-year cumulative

24.7 bn yen (2.0%)

39.7 bn yen (3.2%)

55.3 bn yen (3.7%)

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 (May 31, 2018), 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.