

Financial and Non-Financial Highlights

Daio Paper Corporation and its Consolidated Subsidiaries
As of and for the fiscal years ended March 31

Financial Data

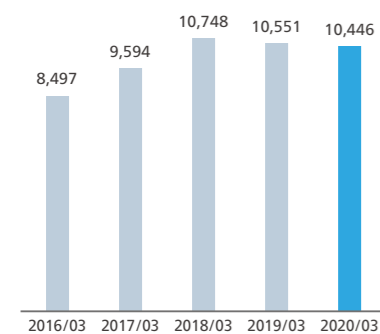
(Millions of Yen)

Fiscal year	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
For the Fiscal Year:											
Net sales	423,105	410,159	408,985	407,362	430,054	450,239	474,077	477,140	531,311	533,890	546,433
Selling, general and administrative expenses	69,831	69,406	64,261	70,445	79,892	84,206	89,821	95,600	110,312	104,255	109,677
Operating profit	23,165	13,377	10,483	11,577	16,049	21,796	24,323	23,535	11,062	12,122	30,629
Ordinary profit	14,248	5,665	4,748	6,637	11,257	21,784	21,259	21,347	12,779	9,842	28,112
Profit (loss) attributable to owners of parent	2,381	(18,234)	(5,321)	15,109	6,293	13,209	14,594	12,136	3,971	4,697	19,199
Comprehensive income (loss)	—	(16,506)	(3,247)	22,075	11,826	27,943	9,599	14,905	2,735	1,583	13,477
EBITDA	56,965	47,548	42,622	43,637	47,180	59,139	57,726	58,251	51,177	49,869	66,716
Capital expenditures	18,678	22,057	18,200	21,726	24,948	31,587	37,310	32,453	39,523	59,590	61,934
Depreciation and amortization	32,993	32,850	29,584	26,409	26,403	27,203	26,988	29,017	31,171	33,331	31,843
Research and development cost	2,217	2,079	1,399	2,149	2,836	2,683	2,791	2,902	3,280	2,809	3,043
Net cash provided by operating activities	73,995	41,153	23,775	50,805	58,091	44,740	47,011	62,932	28,285	40,287	68,013
Net cash used in investing activities	(21,531)	(25,496)	(32,171)	(41,455)	(26,826)	(28,581)	(26,073)	(31,394)	(51,485)	(62,110)	(47,870)
Net cash provided by (used in) financing activities	(17,987)	(20,747)	(7,379)	(13,441)	(37,242)	(29,429)	(17,475)	(22,037)	386	65,898	(14,050)
Free cash flow	52,464	15,657	(8,395)	9,350	31,265	16,160	20,938	31,538	(23,200)	(21,823)	20,143
At Fiscal Year-End:											
Total assets	703,549	672,386	596,425	659,112	646,112	652,745	656,310	657,747	686,141	745,866	763,060
Net assets	132,689	115,191	97,313	107,969	119,252	164,495	174,820	191,079	193,065	199,339	209,536
Current assets	293,910	290,159	269,483	246,258	243,871	252,490	257,154	257,048	256,965	299,650	299,019
Net interest-bearing debts	336,500	329,296	308,948	363,533	331,825	292,466	281,456	255,077	279,994	301,906	285,426
Cash and cash equivalents	129,497	124,251	86,332	82,457	79,046	69,073	72,169	82,733	60,086	103,407	109,385
Number of shares issued (shares)	129,018,785	129,018,785	129,018,785	129,018,785	129,018,785	149,348,785	149,348,785	149,348,785	149,348,785	153,713,191	154,531,953
Per Share Data (Yen):											
Basic earnings per share	19.22	(147.27)	(43.13)	126.51	51.52	93.48	100.15	83.28	27.25	31.70	127.91
Net assets per share	857.38	691.96	680.29	821.21	875.39	1,059.78	1,119.24	1,211.33	1,221.65	1,236.58	1,319.57
Cash dividends per share	8.50	8.50	8.50	8.50	8.50	8.50	10.50	10.50	10.50	10.50	13.50
Financial Ratios:											
ROE (%)	2.3	(19.0)	(6.3)	16.8	6.1	10.0	9.2	7.1	2.2	2.6	10.0
ROA (%)	0.3	(2.7)	(0.9)	2.3	1.0	2.0	2.2	1.8	0.6	0.6	2.5
Equity ratio (%)	15.1	12.7	14.0	14.7	17.0	23.7	24.9	26.8	25.9	24.9	26.1
Net debt to equity ratio (times)	3.2	3.8	3.7	3.7	3.0	1.9	1.7	1.4	1.6	1.6	1.4

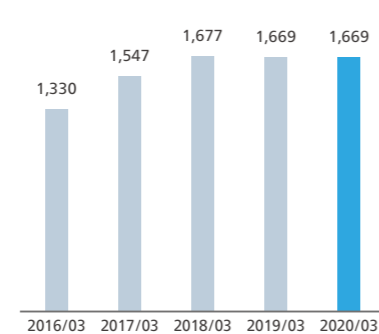
Notes: 1. Amounts are rounded down to the nearest million yen through the fiscal year ended March 31, 2011, and rounded off to the nearest million yen from the fiscal year ended March 31, 2012.
2. Whereas corporate expenses were included in "Adjustments" through the fiscal year ended March 31, 2014, corporate expenses are allocated to each business segment from the fiscal year ended March 31, 2015, in order to more accurately grasp the results of each business segment.
3. Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income" has been adopted.
4. EBITDA = Ordinary profit + interest expenses + depreciation and amortization + amortization of goodwill + amortization of negative goodwill + equity in earnings of affiliate

5. Effective from the fiscal year ended March 31, 2019, the "Partial Amendments to Accounting Standard for Tax Effect Accounting" has been adopted, and all the deferred tax assets are presented under "investments and other assets" of non-current assets. Consolidated financial statements for the fiscal year ended March 31, 2018 are restated in accordance with the presentation method after the amendments.
6. Effective from the fiscal year ended March 31, 2019, interest and dividend income received and interest expenses paid are presented under "Cash flows from operating activities." Consolidated financial statements for the fiscal year ended March 31, 2018 are restated to reflect the change in the classification.

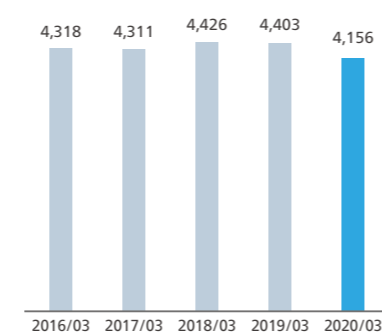
Employees (Consolidated)
(Persons)



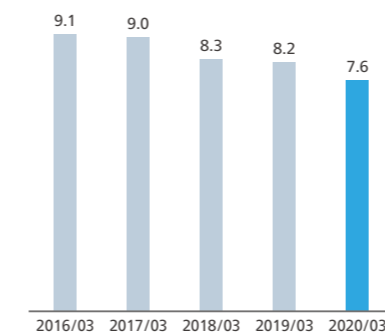
Foreign Employees
(Persons)



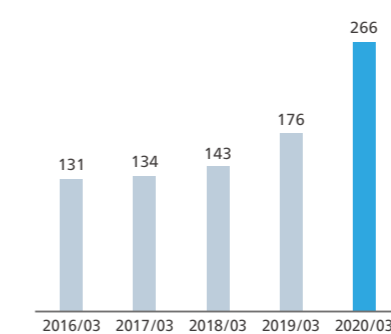
Greenhouse Gas (GHG) Emissions
(1,000 t)



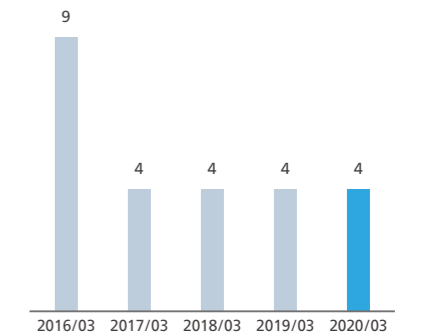
GHG Emissions per Unit of Net Sales
(t/million yen)



Hard-to-Recycle Recovered Paper Usage
(1,000 t)



Final Disposal Amount of Industrial Waste
(1,000 t)



Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows

The overview of the financial condition, operating results and cash flows (the "operating results, etc.") of the Daio Paper Group (Daio Paper Corporation and its consolidated subsidiaries) for the fiscal year under review (the "fiscal year ended March 31, 2020"), and the impression, analysis and review of the Daio Paper Group's operating results, etc. from the viewpoint of the management are as follows.

Please note that forward-looking statements included in the following are based on the judgment of the Company as of the date of submission of the annual securities report (June 26, 2020). The outlook for the fiscal year ending March 31, 2021 involves uncertainties or risks and may differ from actual results in the future.

1. Overview

The Japanese economy showed a moderate recovery trend in the fiscal year ended March 31, 2020 thanks to improvement in the employment and personal income environment and firm domestic demand, including personal consumption and public investment. Nevertheless, Japan's future economic outlook is uncertain because of a slump in consumer confidence due to the consumption tax rate hike in October 2019, a series of natural disasters as well as the impact from the COVID-19 pandemic.

In these circumstances, the Daio Paper Group has been working to achieve its management targets for the fiscal year ending March 31, 2021 under the Third Medium-Term Business Plan "Move on: Reform and Soar Above," announced on May 31, 2018, through reforms with a view to establishing a resilient corporate structure capable of coping with rapid changes in the external environment. It is also mounting a united Groupwide effort to implement growth strategies in order to accomplish its long-term vision.

In the Paper and Paperboard Business, domestic demand for graphic paper such as paper for newspapers, advertising and other publications declined further, affected by the consumption tax rate hike in Japan and the COVID-19 pandemic. For some time, the Company has been pursuing a structural shift from graphic paper to packaging paper, such as containerboard, for which domestic and overseas demand is relatively strong. In the fiscal year ended March 31, 2020, as a measure aimed at this structural shift, we rebuilt the N7 paper machine at Mishima Mill to produce containerboard, making full use of Mishima Mill's ability to flexibly change its product mix. The machine commenced operation in April 2020. As a result of reducing the number of paper machines to match the market conditions and working to increase the use of hard-to-recycle recovered paper by leveraging our recovered paper processing technologies, both net sales and operating profit in the Paper and Paperboard Business increased from the previous fiscal year.

In the Home and Personal Care (H&PC) Business, the Company faced a significantly changing demand structure, brought about by the consumption tax rate hike in October 2019 as well as large-scale natural disasters in Japan, and the COVID-19 pandemic. Based on these

circumstances, the Company focused efforts on strengthening its production and logistics systems, primarily for household paper and wet wipes. In addition, at the beginning of the period, the early implementation of profit improvement measures was an issue as the Company continued to face sharp increases in raw material prices and logistics costs, which have been persisting since the previous fiscal year. As the leading household paper manufacturer in Japan, the Company worked to revise prices, and the results came into effect from the second quarter. Due to these efforts, both net sales and operating profit in the H&PC Business increased from the previous fiscal year.

As a result of the above, both consolidated net sales and consolidated operating profit increased from the previous fiscal year while the Company achieved record high profit attributable to owners of parent.

2. Analysis of Operating Results

Consolidated results for the fiscal year ended March 31, 2020 are as follows.

(1) Net Sales

Net sales increased by ¥12,543 million, or 2.3%, from the previous fiscal year, to ¥546,433 million, mainly reflecting such factors as efforts on stabilizing supply by strengthening production and logistics systems, primarily for household paper products and wet wipes, as well as the shift toward high value-added household paper products and the effect of price revisions in the H&PC Business.

(2) Operating Profit

Operating profit rose by ¥18,507 million, or 152.7%, from the previous fiscal year to ¥30,629 million, mainly reflecting efforts to maintain market conditions by reducing the number of paper production machines as well as efforts to increase usage of hard-to-recycle recovered paper by leveraging recovered paper processing technologies in the Paper and Paperboard Business, despite the impact of rises in raw material prices and logistics costs. As a result, operating margin increased by 3.3 percentage points from the previous fiscal year to 5.6%.

(3) Ordinary Profit

Ordinary profit increased by ¥18,270 million, or 185.6%, from the previous fiscal year to ¥28,112 million, mainly owing to the increase in operating profit.

(4) Extraordinary Income and Losses

Extraordinary income increased by ¥5,168 million from the previous fiscal year to ¥7,568 million, mainly owing to an increase in gain on sales of investment securities. Extraordinary losses decreased by ¥843 million from the previous fiscal year to ¥4,429 million, mainly owing to a decrease in impairment loss.

(5) Profit Attributable to Owners of Parent

Profit attributable to owners of parent increased by ¥14,502 million, or 308.8%, from the previous fiscal year to ¥19,199 million. As a result, basic earnings per share increased by ¥96.21 to ¥127.91.

3. Analysis of Financial Condition

Total assets as of March 31, 2020 increased by ¥17,194 million from the previous fiscal year end, to ¥763,060 million, primarily reflecting an increase in non-current assets as a result of the installation of a power generation facility fueled by black liquor and the rebuilding of the N7 paper machine at Mishima Mill to produce containerboard.

Total liabilities rose by ¥6,997 million from the previous fiscal year end to ¥553,524 million, mainly owing to the increase in income taxes payable due to higher profit before income taxes.

Total net assets increased by ¥10,197 million from the previous fiscal year end to ¥209,536 million, mainly owing to an increase in retained earnings.

As a result, the equity ratio as of March 31, 2020 was 26.1%, a 1.2 percentage point increase from the previous fiscal year end.

4. Analysis of Cash Flows

Net cash provided by operating activities totaled ¥68,013 million, having increased ¥27,726 million year on year. The main components are profit before income taxes amounting to ¥31,251 million, depreciation and amortization amounting to ¥31,843 million, and a ¥5,448 million increase in notes and accounts receivable—trade. Net cash used in investing activities amounted to ¥47,870 million, having decreased ¥14,240 million year on year. The main components are cash outflows of ¥49,096 million in payments for the purchase of property, plant and equipment and ¥6,723 million in payment for the purchase of intangible assets and cash inflow of ¥8,142 million in proceeds from sales of investment securities. Free cash flow, which is derived by subtracting the net cash used in investing activities from the net cash provided by operating activities, increased by ¥20,143 million. Net cash used in financing activities amounted to ¥14,050 million, having increased ¥79,948 year on year. The main components are proceeds from long-term loans payable amounting to ¥45,110 million, ¥49,879 million in repayments of long-term loans payable and net decrease in short-term loans payable amounting to ¥3,769 million.

As a result, cash and cash equivalents as of March 31, 2020 amounted to ¥109,385 million, up ¥5,978 million from the previous fiscal year end.

5. Dividend Policy

The Company places top priority on the return of profit to shareholders and sets a basic policy to continue to pay stable dividends, while taking into consideration factors such as the status of business and the sufficiency of retained earnings. It is also the Company's basic policy to pay dividends twice a year, an interim dividend and a year-end dividend. The decision-making bodies for the distribution of retained earnings are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

For the fiscal year ended March 31, 2020, the Company paid an

annual dividend of ¥13.50 per share, which includes an interim dividend of ¥5.00, in line with the policy described previously.

Retained earnings are used effectively to further strengthen its corporate foundation, such as for upfront investments in growth areas, capital expenditures to enhance future corporate competitiveness, and the improvement of the Company's financial position.

6. Outlook for the Fiscal Year Ending March 31, 2021

Amid increasing uncertainty in the international situation, brought about by factors such as the trade friction between the U.S. and China, the COVID-19 pandemic has had a negative impact on the entire global economy. The uncertain outlook for the Japanese economy is also expected to continue. Moreover, business conditions for the pulp and paper industry are expected to remain difficult because of declining demand for paper and other factors.

In these circumstances, in the Paper and Paperboard Business, the Daio Paper Group will continue with structural reforms to adapt to changes in the demand structure, exemplified by the rebuilding of the N7 paper machine at Mishima Mill to produce containerboard and the expansion of sales of paper as a plastic alternative and packaging paper, which see mounting demand due to the plastic-free movement. The Group will also increase its profitability by implementing further structural reform to shift to production of higher value-added paper products, making full use of the pulp with a competitive edge that the Mishima Mill produces. In addition, we will boost our competitive advantage by promoting effective use of hard-to-recycle recovered paper through the utilization of industry-leading recovered paper processing technology.

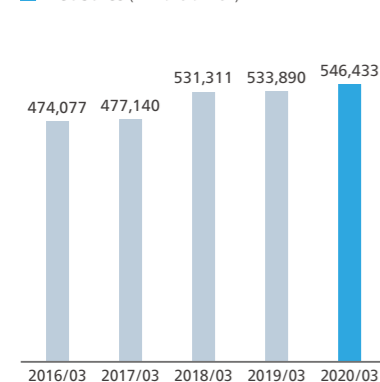
In the domestic operations of the H&PC Business, the Group will build a stable supply structure that can cope with the expansion in demand for high value-added products by installing an additional state-of-the-art sanitary paper production facility at the Kawano Mill in the fiscal year ending March 31, 2022. In the overseas operations, we will pursue our multi-category business expansion strategy by increasing sales of adult diapers, feminine care products and wet wipes in addition to our mainstay baby diapers, by increasing the number of new production bases. In February 2020, Daio Paper announced the acquisition of new production bases: Santher S.A. in Brazil and Özen A.S. in Turkey. At present, profit at both companies are stronger than initially expected, given increased awareness of hygiene due to the COVID-19 pandemic.

7. Risks Associated with Business, etc.

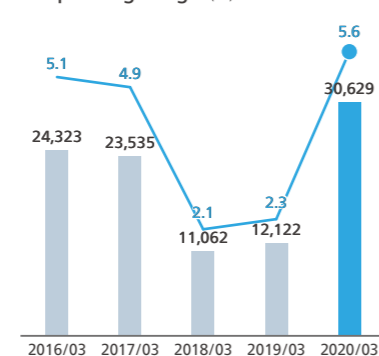
Among matters relating to the status of business and the status of accounting, etc. described in the financial statements, etc., the following matters may have significant impacts on the decision-making of investors.

Please note that forward-looking statements included in the

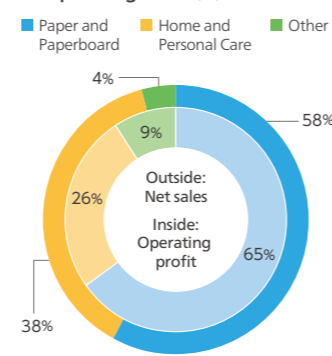
■ Net Sales (Millions of Yen)



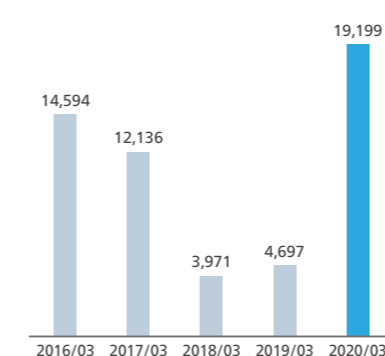
■ Operating Profit (Millions of Yen)
● Operating Margin (%)



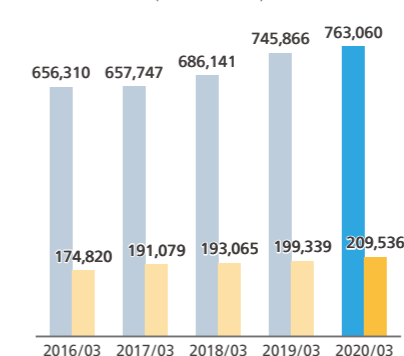
■ Composition of Net Sales and Operating Profit (%)



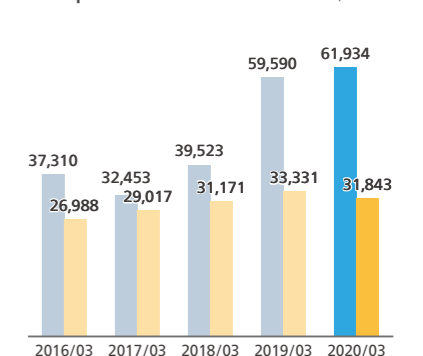
■ Profit Attributable to Owners of Parent (Millions of Yen)



■ Total Assets (Millions of Yen)
■ Net Assets (Millions of Yen)



■ Capital Expenditures (Millions of Yen)
■ Depreciation and Amortization (Millions of Yen)



Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows

following are based on the judgment of the Company as of the date of submission of the annual securities report.

(1) Impacts of Changes in Demand and Market Conditions

The Daio Paper Group is engaged in the Paper and Paperboard Business, H&PC Business, and other businesses. A significant decline in demand for our mainstay products (paper and containerboard products, and household paper products), or a downturn in market conditions for such products may affect the Group's financial position and operating results.

(2) Impacts of Changes in Raw Material and Fuel Prices and Fluctuations in Foreign Exchange Rates

The Daio Paper Group purchases raw materials and fuels, such as woodchips, recovered paper, chemicals, heavy oil and coal, both domestically and from overseas. Therefore, changes in the prices of raw materials and fuels, as well as fluctuations in foreign exchange rates for procurements of raw materials and fuels paid for in foreign currencies, may affect the Group's financial position and operating results. In order to reduce the impact of fluctuations in foreign exchange rates on operating results, the Group uses forward exchange contracts to hedge certain transactions.

Fluctuations in foreign exchange rates may also affect the Group's overseas sales activities.

(3) Impacts of Overseas Businesses

The Daio Paper Group is making efforts, led by the H&PC Overseas Business Group, to develop business mainly in China, South Korea, Southeast Asia, Russia, Turkey, Brazil and other countries as one of its growth strategies. Overseas business expansion activities may be exposed to risks from fluctuations in foreign exchange rates, and changes in the economic environment due to regulations implemented by the government of each country, deterioration in diplomatic relations and public sentiment or political instability, etc., which may affect the Group's financial position and operating results.

(4) Impact of Interest Rate Changes

The Daio Paper Group has been working on reducing interest-bearing debts. However, if there is a significant increase in interest rates, it may affect the Group's financial position and operating results. In order to reduce the impact of interest rate changes on operating results, the Daio Paper Group raises funds mainly through long-term borrowing with fixed interest rates to minimize the risk of short-term interest rate increases.

(5) Impacts of Price Changes of Investment Securities

Available-for-sale securities with market value are stated by the market value method based on the market price on the closing date, etc. Depending on the share prices of investment securities on the closing date, their price changes may affect the Group's financial position and operating results. The Daio Paper Group has been reducing strategic cross-shareholdings. It also aims to reduce the total amount of shareholdings to reduce the potential impact of price fluctuations.

(6) Impacts of Disaster

In the event of a disaster in areas where the Group's production and logistics bases are located, the Group's financial position and operating results may be affected due to damage to production facilities, disruption and delay in operation, incurrance of restoration costs, suspension of logistics functions, loss of products and merchandise, etc.

(7) Impacts of Lawsuits and Laws and Regulations

The Daio Paper Group works to comply with various laws and regulations, environmental regulations (including those on CO₂ emissions related to preventing global warming), social norms, etc., and is making efforts to strengthen its compliance framework. However, the Group is exposed to the risk of lawsuits, etc. regarding such laws and regulations in its domestic and overseas business activities. Changes in legal regulations and the results of such lawsuits, etc. may affect the Group's financial position and operating results.

(8) Impacts of Loan Agreements with Financial Covenants

The Company has signed syndicated term loan agreements, and those agreements contain financial covenants that set financial standards it is required to maintain, such as the amount of net assets reported in the consolidated balance sheet at the end of each fiscal year and ordinary profit/loss reported in the consolidated statement of income of each fiscal year. If the Company fails to comply with the financial covenants, it will be required to repay borrowings, which may affect the Company's financial position and operating results.

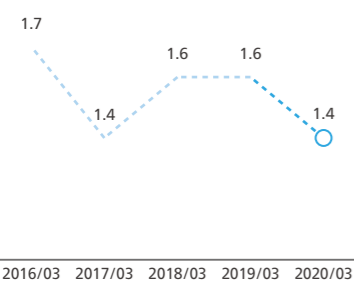
(9) Impacts of Impairment Accounting on Non-Current Assets

The Daio Paper Group owns non-current assets such as property, plant and equipment and goodwill. We apply impairment accounting to these non-current assets and verify if the carrying amount of assets can be recovered through future cash flows generated from the assets, and we apply the appropriate accounting treatment for assets that require the recognition of an impairment loss. If there is a decrease in estimated future cash flows due to changes in the future business environment, we will be required to recognize an additional impairment loss, which may affect the Group's financial position and operating results.

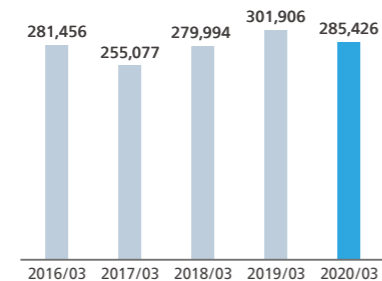
(10) Impact of the COVID-19 Pandemic

With the safety of customers, suppliers and employees as its priority, each division in the Daio Paper Group has taken action to prevent further transmission of the disease, which includes thorough infection control measures in accordance with the guidelines of the World Health Organization (WHO) and the public health administration in each country, employee health management, introduction of remote work and restrictions on business trips and meetings. A continuation of the pandemic going forward will lead to a reduction in sales volume due to deterioration in the global economy, hikes in raw material prices and difficulties in securing raw materials, decline in logistics functions, etc. which may affect the Group's financial position and operating results.

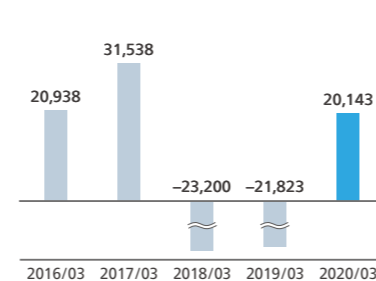
○ Net Debt to Equity Ratio (Times)



■ Net Interest-Bearing Debts (Millions of Yen)



■ Free Cash Flow (Millions of Yen)



Consolidated Financial Statements

Consolidated Balance Sheet

Daio Paper Corporation and its Consolidated Subsidiaries
As of and for the fiscal years ended March 31

	(Millions of Yen)	
	2019	2020
Assets		
Current assets		
Cash and deposits	106,548	113,054
Notes and accounts receivable—trade	96,915	92,742
Electronically recorded monetary claims—operating	12,174	10,982
Merchandise and finished goods	41,557	42,667
Work in process	6,337	6,767
Raw materials and supplies	28,801	27,864
Other	7,380	4,945
Allowance for doubtful accounts	(62)	(2)
Total current assets	299,650	299,019
Non-current assets		
Property, plant and equipment		
Buildings and structures	226,249	227,571
Accumulated depreciation	(144,536)	(148,743)
Buildings and structures, net	81,713	78,828
Machinery, equipment and vehicles	874,571	887,255
Accumulated depreciation	(738,986)	(747,628)
Machinery, equipment and vehicles, net	135,585	139,627
Land	80,468	81,890
Construction in progress	29,750	49,900
Other	22,453	25,040
Accumulated depreciation	(12,263)	(13,161)
Other, net	10,190	11,879
Total property, plant and equipment	337,706	362,124
Intangible assets		
Goodwill	43,553	39,941
Other	11,685	16,936
Total intangible assets	55,238	56,877
Investments and other assets		
Investment securities	32,861	23,182
Long-term loans receivable	3,840	3,824
Deferred tax assets	5,420	8,126
Retirement benefit asset	—	845
Other	11,930	9,922
Allowance for doubtful accounts	(1,031)	(1,040)
Total investments and other assets	53,020	44,859
Total non-current assets	445,964	463,860
Deferred assets	252	181
Total assets	745,866	763,060

	(Millions of Yen)	
	2019	2020
Liabilities		
Current liabilities		
Notes and accounts payable—trade	58,774	53,135
Short-term borrowings	19,222	15,453
Current portion of bonds with share acquisition rights	—	22,541
Current portion of long-term borrowings	49,839	53,724
Accounts payable—other	29,312	39,216
Current portion of long-term accounts payable—facilities	811	538
Income taxes payable	2,250	10,947
Provision for bonuses	4,893	5,217
Provision for bonuses for directors (and other officers)	98	129
Other	12,618	14,534
Total current liabilities	177,817	215,434
Non-current liabilities		
Bonds payable	60,300	60,300
Convertible bonds with share acquisition rights	23,745	—
Long-term borrowings	250,755	242,101
Long-term accounts payable—facilities	1,094	568
Retirement benefit liability	22,060	23,255
Provision for retirement benefits for directors (and other officers)	311	194
Provision for share-based remuneration	—	47
Provision for environmental measures	27	25
Provision for loss on business of subsidiaries and associates	68	32
Other	10,350	11,568
Total non-current liabilities	368,710	338,090
Total liabilities	546,527	553,524
Net assets		
Shareholders' equity		
Share capital	42,859	43,449
Capital surplus	42,968	44,095
Retained earnings	99,189	116,818
Treasury shares	(2,910)	(3,065)
Total shareholders' equity	182,106	201,297
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,051	2,799
Deferred gains or losses on hedges	(20)	10
Foreign currency translation adjustment	(6,089)	(5,443)
Remeasurements of defined benefit plans	554	470
Total accumulated other comprehensive income	3,496	(2,164)
Non-controlling interests	13,737	10,403
Total net assets	199,339	209,536
Total liabilities and net assets	745,866	763,060

Consolidated Financial Statements

Consolidated Statement of Income

Daio Paper Corporation and its Consolidated Subsidiaries
Years ended March 31, 2019 and 2020

	(Millions of Yen)	
	2019	2020
Net sales	533,890	546,433
Cost of sales	417,513	406,127
Gross profit	116,377	140,306
Selling, general and administrative expenses	104,255	109,677
Operating profit	12,122	30,629
Non-operating income		
Interest income	195	166
Dividend income	578	592
Rental income from non-current assets	361	393
Insurance claim income	214	436
Subsidy income	568	411
Ship lease income	—	418
Other	1,417	1,523
Total non-operating income	3,333	3,939
Non-operating expenses		
Interest expenses	3,113	3,202
Foreign exchange losses	377	1,028
Other	2,123	2,226
Total non-operating expenses	5,613	6,456
Ordinary profit	9,842	28,112
Extraordinary income		
Gain on exchange from business combination	1,438	—
Gain on sales of investment securities	71	6,778
Other	891	790
Total extraordinary income	2,400	7,568
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,070	1,499
Loss on disaster	998	463
Impairment loss	3,019	1,742
Other	185	725
Total extraordinary losses	5,272	4,429
Profit before income taxes	6,970	31,251
Income taxes—current	5,159	12,633
Refund of income taxes	(454)	(344)
Income taxes—deferred	(1,069)	(224)
Total income taxes	3,636	12,065
Profit	3,334	19,186
Loss attributable to non-controlling interests	(1,363)	(13)
Profit attributable to owners of parent	4,697	19,199

Consolidated Statement of Comprehensive Income

Daio Paper Corporation and its Consolidated Subsidiaries
Years ended March 31, 2019 and 2020

	(Millions of Yen)	
	2019	2020
Profit	3,334	19,186
Other comprehensive income:		
Valuation difference on available-for-sale securities	(855)	(6,341)
Deferred gains or losses on hedges	(20)	30
Foreign currency translation adjustment	(2,116)	685
Remeasurements of defined benefit plans, net of tax	1,240	(83)
Total other comprehensive income	(1,751)	(5,709)
Comprehensive income	1,583	13,477
Comprehensive income attributable to:		
Owners of parent	3,291	13,539
Non-controlling interests	(1,708)	(62)

Consolidated Statement of Cash Flows

Daio Paper Corporation and its Consolidated Subsidiaries
Years ended March 31, 2019 and 2020

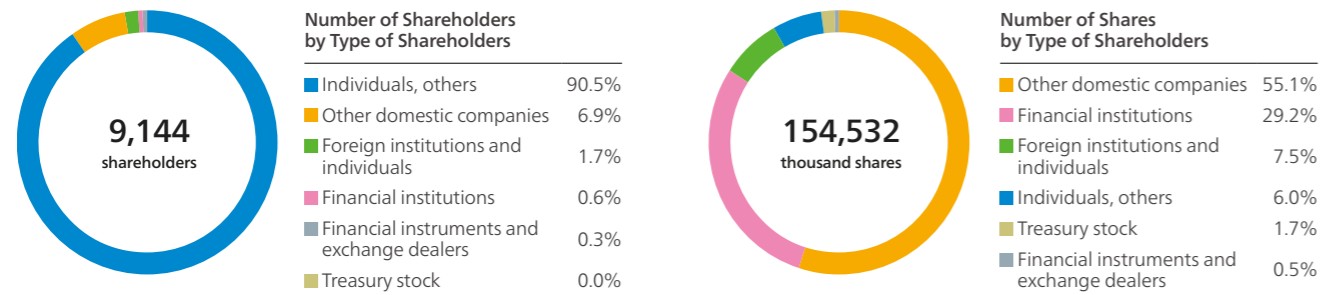
	(Millions of Yen)	
	2019	2020
Cash flows from operating activities		
Profit before income taxes	6,970	31,251
Depreciation	33,331	31,843
Impairment loss	3,019	1,742
Amortization of goodwill	3,583	3,559
Gain on exchange from business combination	(1,438)	—
Increase (decrease) in allowance for doubtful accounts	93	(51)
Loss (gain) on sales of investment securities	(44)	(6,778)
Increase (decrease) in retirement benefit liability	1,028	220
Interest and dividend income	(773)	(757)
Interest expenses	3,113	3,202
Foreign exchange losses (gains)	377	776
Subsidy income	(568)	(411)
Insurance claim income	(926)	(604)
Loss (gain) on sales of property, plant and equipment	13	23
Loss on retirement of property, plant and equipment	1,045	1,464
Decrease (increase) in notes and accounts receivable—trade	330	5,448
Decrease (increase) in inventories	(4,880)	3
Increase (decrease) in notes and accounts payable—trade	335	(5,653)
Increase (decrease) in other assets/liabilities	(19)	5,235
Increase (decrease) in accrued consumption taxes	(283)	2,193
Other, net	(1)	(57)
Subtotal	44,305	72,648
Interest and dividends received	1,072	940
Interest paid	(3,335)	(3,638)
Proceeds from subsidy income	970	918
Proceeds from insurance income	872	579
Income taxes paid	(4,726)	(4,134)
Income taxes refunded	1,129	700
Net cash provided by (used in) operating activities	40,287	68,013
Cash flows from investing activities		
Net decrease (increase) in time deposits	3,333	(544)
Purchase of property, plant and equipment	(64,380)	(49,096)
Proceeds from sales of property, plant and equipment	2,434	514
Purchase of investment securities	(228)	(209)
Proceeds from sales of investment securities	324	8,142
Purchase of intangible assets	(3,560)	(6,723)
Loans receivable granted	(644)	(474)
Collection of loans receivable	575	474
Payments of leasehold deposits	(596)	(20)
Proceeds from exchange of subsidiary shares resulting in change in scope of consolidation	1,581	—
Other, net	(949)	66
Net cash provided by (used in) investing activities	(62,110)	(47,870)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6,616)	(3,769)
Proceeds from long-term borrowings	105,000	45,110
Repayments of long-term borrowings	(50,646)	(49,879)
Proceeds from issuance of bonds	19,909	—
Proceeds from issuance of common shares assigned to non-controlling interests	410	—
Cash dividends paid	(1,545)	(1,570)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(2,888)
Other, net	(614)	(1,054)
Net cash provided by (used in) financing activities	65,898	(14,050)
Effect of exchange rate change on cash and cash equivalents	(731)	(115)
Net increase (decrease) in cash and cash equivalents	43,344	5,978
Cash and cash equivalents at beginning of period	60,086	103,407
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(23)	—
Cash and cash equivalents at end of period	103,407	109,385

Investor Information

Status of Shares (As of March 31, 2020)

Authorized Shares	300,000,000 shares
Number of Shares Issued	154,531,953 shares
Number of Shareholders	9,144

Shareholder Distribution

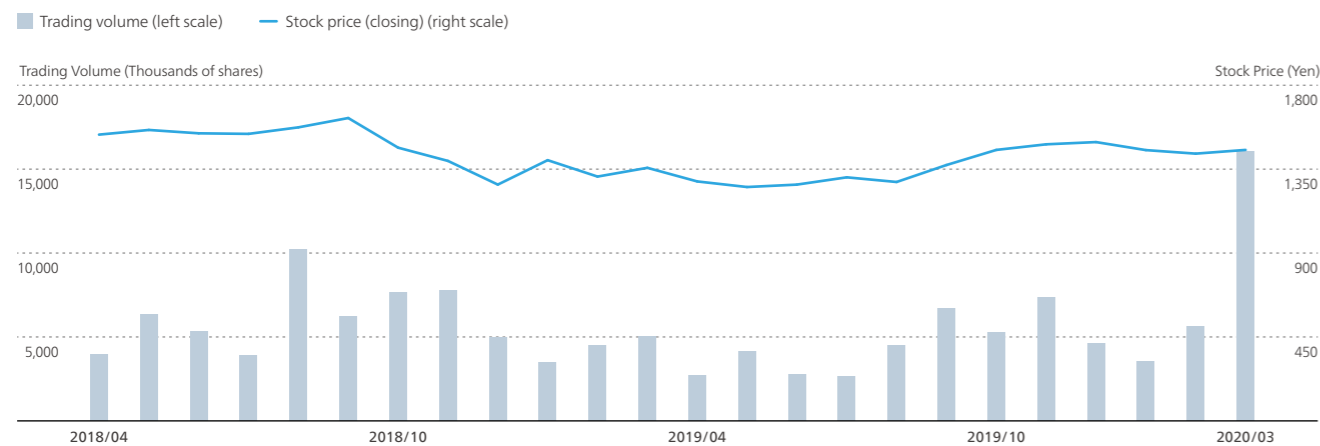


Major Shareholders

Name	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Hokuetsu Corporation	36,447	24.0
Daio Kaiun Co., Ltd.	7,112	4.7
The Iyo Bank, Ltd.	7,072	4.7
The Ehime Bank, Ltd.	6,920	4.6
Ehime Paper Manufacturing Co. Ltd.	5,331	3.5
Kami Shoji Co. Ltd.	4,700	3.1
Japan Trustee Services Bank, Ltd. (Trust Account)	4,136	2.7
The Norinchukin Bank	4,110	2.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,027	2.7
Tokushu Tokai Paper Co., Ltd.	3,871	2.5

Notes: 1. The shares held by Japan Trustee Services Bank, Ltd. (Trust Account) and The Master Trust Bank of Japan, Ltd. (Trust Account) are related to trust service.
2. Shareholding ratio does not include treasury stock (excluding the shares held by trust bank as Board Benefit Trust).

Stock Price and Trading Volume



Corporate Data / Network

Corporate Information (As of March 31, 2020)

Established	May 5, 1943
Capital	¥43.4 billion
Number of Employees	2,619 (Unconsolidated), 10,446 (Consolidated)
Offices	Tokyo Headquarters: 10-2, Fujimi 2-chome, Chiyoda Ward, Tokyo Tel: +81-3-6856-7500 Shikoku Headquarters: 628, Mishimakamiya-cho, Shikokuchuo City, Ehime Prefecture Tel: +81-896-23-9001
Mills	Mishima Mill (Ehime Prefecture), Kani Mill (Gifu Prefecture)
Branches	Osaka Branch, Nagoya Branch, Kyushu Branch (Fukuoka City)
Website	https://www.daio-paper.co.jp/en/
Main Products	Newsprint, coated paper, woodfree paper, printing paper for publication, PPC paper, carbonless paper, adhesive printing paper, wrapping paper, functional specialty paper, paperboard, various types of pulp, household paper (facial tissue, toilet tissue, paper towels), disposable baby and adult diapers, sanitary napkins, masks, etc.

Production Bases (As of September 30, 2020)

- 1 Mishima Mill
Shikokuchuo City, Ehime Prefecture
- 2 Kani Mill
Kani City, Gifu Prefecture

Business Bases of the Group Companies (Headquarters Location)

- | Paper Manufacturing | Printing | Paper Converting |
|--|---|---|
| 1 Iwaki Daio Paper Corporation
Iwaki City, Fukushima Prefecture | 11 Daio Printing Corporation
Toshima Ward, Tokyo | 20 Daio Mill Support Co., Ltd.
Shikokuchuo City, Ehime Prefecture |
| 2 Dainichi Paper Corporation
Fuji City, Shizuoka Prefecture | 12 Miura Printing Corporation
Sumida Ward, Tokyo | 21 Daio Mill Support Tokai Corporation
Kawabe-cho, Kamo Distict, Gifu Prefecture |
| 3 Otsu Paper Board Co., Ltd.
Otsu City, Shiga Prefecture | 13 Daio Postal Chemical Corporation
Toshima Ward, Tokyo | 22 Elleair Texel Corporation
Kani City, Gifu Prefecture |
| 4 Harima Paper Tech. Corporation
Kakogawa City, Hyogo Prefecture | 14 Daiwa Shiko Co., Ltd.
Chuo Ward, Tokyo | Engineering |
| 5 Taisei Paper Corporation
Tsuyama City, Okayama Prefecture | 15 Senmeisha Corporation
Sumida Ward, Tokyo | 23 Daio Engineering Co., Ltd.
Shikokuchuo City, Ehime Prefecture |
| 6 Marubishi Paper Tec. Corporation
Shikokuchuo City, Ehime Prefecture | Corrugated Container | Transportation |
| H&PC Manufacturing | 16 Daio Package Corporation
Chiyoda Ward, Tokyo | 24 Daio Logistics Co., Ltd.
Shikokuchuo City, Ehime Prefecture |
| 7 Elleair Paper Co., Ltd.
Fujinomiya City, Shizuoka Prefecture | Distribution | 25 KG LOGISTICS LTD.
Chiba City, Chiba Prefecture |
| 8 Akabira Paper Corporation
Akabira City, Hokkaido | 17 Tokyo Pulp & Paper International Co., Ltd.
Chuo Ward, Tokyo | Other Businesses |
| 9 Elleair Product Co., Ltd.
Shikokuchuo City, Ehime Prefecture | 18 Daio Pulp & Paper Co., Ltd.
Chuo Ward, Tokyo | 26 Elleair Resorts Golf Club Co., Ltd.
Matsuyama City, Ehime Prefecture |
| 10 Daio Paper Products Corporation
Fuji City, Shizuoka Prefecture | 19 Elleair Business Support Co., Ltd.
Toshima Ward, Tokyo | |

Overseas Business Bases

- 27 Forestal Anchile LTDA. (Chile)
- 28 Elleair International Korea Co., Ltd. (South Korea)
- 29 Elleair International (Thailand) Co., Ltd. (Thailand)
- 30 Elleair International China (Nantong) Co., Ltd. (China)
- 31 PT. Elleair International Trading Indonesia (Indonesia)
- 32 PT. Elleair International Manufacturing Indonesia (Indonesia)
- 33 Oregon Chip Terminal INC. (U.S.A.)
- 34 Elleair International Turkey Kişisel Bakım Ürünleri Üretim A.Ş. (Turkey)
- 35 Santher - Fábrica de Papel Santa Therezinha S.A. (Brazil)

