

Financial and Non-Financial Highlights

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

Financial Data

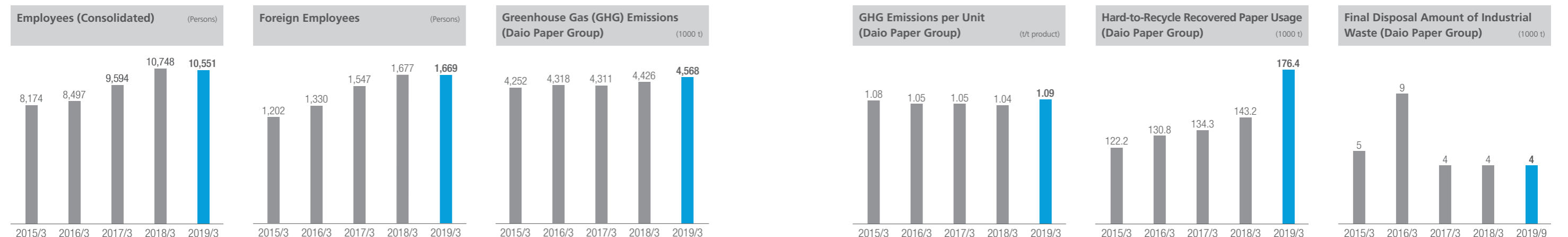
(Millions of Yen)

Fiscal year	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
For the Fiscal Year:											
Net sales	465,804	423,105	410,159	408,985	407,362	430,054	450,239	474,077	477,140	531,311	533,890
Selling, general and administrative expenses	76,027	69,831	69,406	64,261	70,445	79,892	84,206	89,821	95,600	110,312	104,255
Operating profit	18,608	23,165	13,377	10,483	11,577	16,049	21,796	24,323	23,535	11,062	12,122
Ordinary profit	11,199	14,248	5,665	4,748	6,637	11,257	21,784	21,259	21,347	12,779	9,842
Profit (loss) attributable to owners of parent	356	2,381	(18,234)	(5,321)	15,109	6,293	13,209	14,594	12,136	3,971	4,697
Comprehensive income (loss)	—	—	(16,506)	(3,247)	22,075	11,826	27,943	9,599	14,905	2,735	1,583
EBITDA	53,561	56,965	47,548	42,622	43,637	47,180	59,139	57,726	58,251	51,177	49,869
Capital expenditures	37,738	18,678	22,057	18,200	21,726	24,948	31,587	37,310	32,453	39,523	59,590
Depreciation and amortization	32,348	32,993	32,850	29,584	26,409	26,403	27,203	26,988	29,017	31,171	33,331
Research and development cost	2,534	2,217	2,079	1,399	2,149	2,836	2,683	2,791	2,902	3,280	2,809
Net cash provided by operating activities	49,482	73,995	41,153	23,775	50,805	58,091	44,740	47,011	62,932	28,285	40,287
Net cash used in investing activities	(37,899)	(21,531)	(25,496)	(32,171)	(41,455)	(26,826)	(28,581)	(26,073)	(31,394)	(51,485)	(62,110)
Net cash provided by (used in) financing activities	8,058	(17,987)	(20,747)	(7,379)	(13,441)	(37,242)	(29,429)	(17,475)	(22,037)	386	65,898
Free cash flow	11,583	52,464	15,657	(8,395)	9,350	31,265	16,160	20,938	31,538	(23,200)	(21,823)
At Fiscal Year-End:											
Total assets	705,602	703,549	672,386	596,425	659,112	646,112	652,745	656,310	657,747	686,141	745,866
Net assets	126,161	132,689	115,191	97,313	107,969	119,252	164,495	174,820	191,079	193,065	199,339
Current assets	280,678	293,910	290,159	269,483	246,258	243,871	252,490	257,154	257,048	256,965	299,650
Net interest-bearing debts	382,469	336,500	329,296	308,948	363,533	331,825	292,466	281,456	255,077	279,994	301,906
Cash and cash equivalents	95,021	129,497	124,251	86,332	82,457	79,046	69,073	72,169	82,733	60,086	103,407
Number of shares issued (shares)	129,018,785	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
Per Share Data (Yen):											
Basic earnings per share	2.85	19.22	(147.27)	(43.13)	126.51	51.52	93.48	100.15	83.28	27.25	31.70
Net assets per share	843.36	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
Cash dividends per share	8.50	8.50	8.50	8.50	8.50	8.50	8.50	10.50	10.50	10.50	10.50
Financial Ratios:											
ROE (%)	0.3	2.3	(19.0)	(6.3)	16.8	6.1	10.0	9.2	7.1	2.2	2.6
ROA (%)	0.1	0.3	(2.7)	(0.9)	2.3	1.0	2.0	2.2	1.8	0.6	0.6
Equity ratio (%)	14.8	15.1	12.7	14.0	14.7	17.0	23.7	24.9	26.8	25.9	24.9
Net debt to equity ratio (times)	3.7	3.2	3.8	3.7	3.7	3.0	1.9	1.7	1.4	1.6	1.6

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 affiliates
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.

Non-Financial Data



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 (hereinafter, "operating results, etc.") of the Daio Paper Group (Daio Paper Corporation and its consolidated subsidiaries) for the fiscal year under review (hereinafter referred to as the "fiscal year ended March 31, 2019"), 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 28, 2019). The outlook for the fiscal year ending March 31, 2020 involves uncertainties or risks and may differ from actual results in the future.

1. Overview

The global economy as a whole trended toward slower growth in the fiscal year ended March 31, 2019. Although the U.S. economy was generally strong, economic growth slowed in China and Europe. Intensifying trade friction between the U.S. and China, the persisting Brexit issue, and other factors have contributed to an increasing sense of uncertainty concerning future economic outlook. The Japanese economy showed a moderate recovery trend thanks to further improvement in the employment and personal income environment, despite weakness in some export and production sectors. Nevertheless, Japan's future economic outlook remains uncertain because of the protracted trade friction between the U.S. and China and uncertainty in China, Europe, and other overseas economies.

The business environment surrounding the Daio Paper Group remains challenging, with domestic demand for paper continuing to decline and raw material prices and logistics costs rising.

In the Paper and Paperboard Business, amid a further decline in domestic demand for graphic paper such as paper for newspapers

and other publications, the Group promoted a shift in the types of product sold toward uncoated paper, communication paper, and packaging paper and implemented price revisions for containerboard, corrugated sheets and containers, printing paper, and other products. On the production front, we shut down Mishima Mill N16 machine in April 2018 and reduced paper production capacity in response to changes in the demand structure. We also pursued optimization of the product mix, taking advantage of Mishima Mill's ability to flexibly change its product mix according to market needs. Profits exceeded the prior-year level thanks to cost-reduction measures such as utilization of hard-to-recycle recovered paper.

In the domestic operations of the H&PC Business, although sales of household paper products increased thanks to the start of production at Kawano Mill and Gyoda Factory, the declining birthrate in Japan has led to a decrease in the sales volume of baby diapers. On the cost side, the results were affected by rises in both raw materials prices and logistics costs. In the results for overseas operations, although profit improvement progressed as a result of favorable sales of mainstay baby diapers in China and ASEAN countries, centering on Thailand, and progress with multi-category business expansion through product diversification in each country, segment profit in the H&PC Business declined year on year.

The first year of the Third Medium-Term Business Plan, which covers the three-year period from FY2018 to FY2020, has ended. The Daio Paper Group will continue to pursue reform with a view to establishing a resilient corporate structure capable of coping with rapid changes in the external environment while mounting a united groupwide effort to implement growth strategies in order to accomplish its long-term vision.

sheets and containers, printing paper, and other products in the Paper and Paperboard Business, despite the impact of accounting for certain previously expensed items as a reduction in net sales accompanying the application of IFRS 15 "Revenue from Contracts with Customers" to the overseas operations of the H&PC Business.

(2) Operating Profit
Operating profit rose ¥1,060 million, or 9.6%, from the previous fiscal year, to ¥12,122 million, reflecting such factors as price

revisions for containerboard, corrugated sheets and containers, printing paper, and other products in the Paper and Paperboard Business, despite the impact of rises in both raw materials prices and logistics costs. As a result, the operating profit margin increased 0.2 percentage points to 2.3%.

(3) Ordinary Profit
Ordinary profit decreased ¥2,937 million, or 23.0%, from the previous fiscal year, to ¥9,842 million, mainly owing to a decrease in subsidy income.

(4) Extraordinary Income and Losses
Extraordinary income decreased ¥4,673 million from the previous fiscal year to ¥2,400 million, mainly owing to a decrease in a gain on sales of investment securities. Extraordinary losses decreased ¥3,456 million from the previous fiscal year to ¥5,272 million mainly owing to a decrease in impairment loss.

(5) Profit Attributable to Owners of Parent
Profit attributable to owners of parent increased ¥726 million, or 18.3%, from the previous fiscal year, to ¥4,697 million. As a result, basic earnings per share increased ¥4.45, to ¥31.70.

3. Analysis of Financial Condition

Total assets for the fiscal year ended March 31, 2019 increased ¥59,725 million from the previous fiscal year-end, to ¥745,866 million. This increase primarily reflected an increase in cash and deposits and an increase in non-current assets as a result of the installation of a new household paper production facility at the Kawano Mill.

Total liabilities rose ¥53,451 million, to ¥546,527 million. The major component of this increase was an increase in interest-bearing debts resulting from capital investment.

Total net assets increased ¥6,274 million, to ¥199,339 million. The increase was mainly due to increases in capital stock and capital surplus as a result of the exercise of the rights for the euro yen-denominated convertible bond-type bonds with share acquisition rights due 2020 and an increase in retained earnings, despite a decrease in foreign currency translation adjustment due to fluctuations of currency exchange rates and a decrease in valuation difference on available-for-sale securities reflecting the decline of fair values of shares held by the Company.

Consequently, the equity ratio at March 31, 2019 was 24.9%, a 1.0 percentage point year-on-year decrease.

4. Analysis of Cash Flows

Cash and cash equivalents for the fiscal year ended March 31, 2019 amounted to ¥103,407 million, up ¥43,321 million from the previous fiscal year.

Net cash provided by operating activities totaled ¥40,287 million, having increased ¥12,002 million year on year. The main factors are profit before income taxes amounting to ¥6,970 million, depreciation and amortization amounting to ¥33,331 million, and a ¥4,880 million increase in inventories.

Net cash used in investing activities amounted to ¥62,110 million, having increased ¥10,625 million year on year, due mainly to a cash outflow of ¥64,380 million in payments for purchase of property, plant and equipment.

Net cash provided by financing activities totaled ¥65,898 million, having increased ¥65,512 million year on year. The main factors are proceeds from long-term loans payable, etc. amounting to ¥105,000 million and ¥50,646 million in repayments of long-term loans payable, etc.

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.

The Company's basic policy is 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, 2019, the Company paid an annual dividend of ¥10.50 per share, which includes an interim dividend of ¥5.00, in line with the policy described above.

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

6. Outlook for the Fiscal Year Ending March 31, 2020

Business conditions for the pulp and paper industry are expected to remain difficult because of declining demand for paper and persistently high raw materials prices, among other factors. In these circumstances, in the Paper and Paperboard Business, the Daio Paper Group will shift the production mix toward more profitable products by implementing radical groupwide structural reform and boost competitive advantage by promoting the 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 strengthen its stable supply structure for high-value-added products using the state-of-the-art household paper production facility that went into operation at the Kawano Mill in October 2018 and maximize synergistic effects by proceeding with product mix optimization with the paper products business acquired from Nisshinbo Holdings Inc. in April 2017. In the overseas operations, we will pursue sales expansion for mainstay baby diapers as well as for adult diapers, feminine care products, and wet wipes, mainly in the areas where we have production bases and local offices. Furthermore, we will convert household paper parent rolls

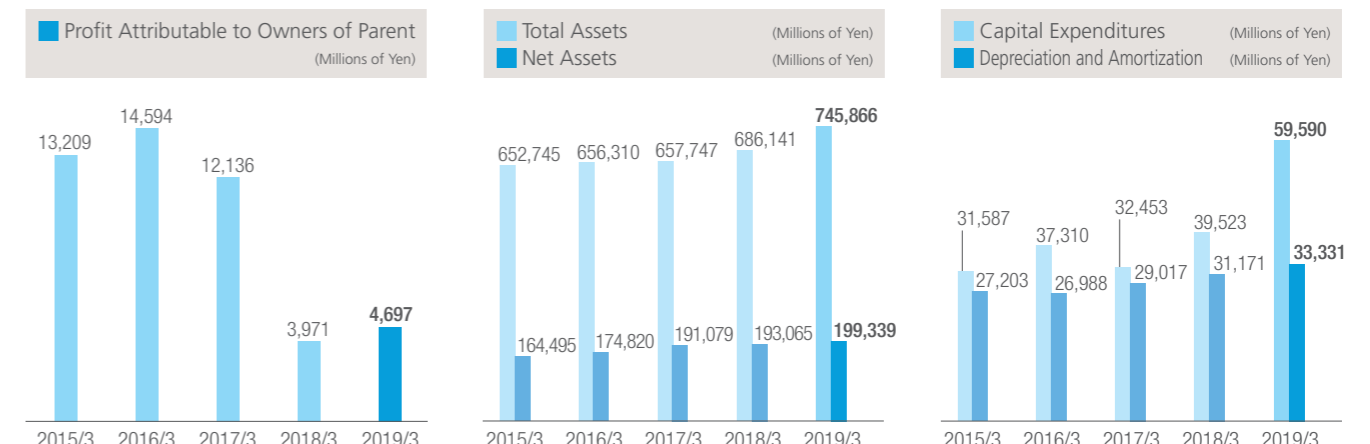
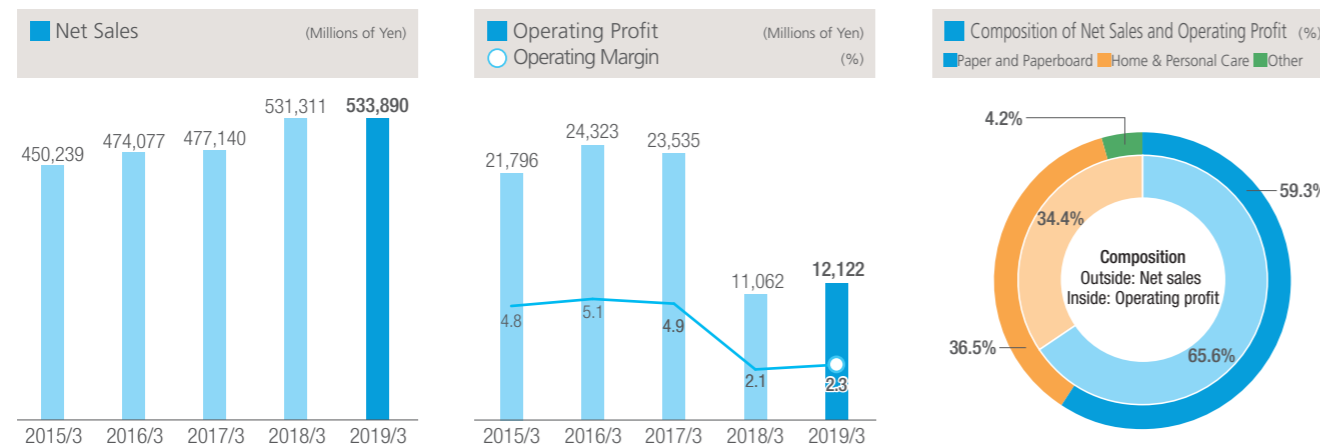
Third Medium-Term Business Plan	(FY2018 results)	(FY2019 forecast)	(FY2020 plan)
Net sales	¥533.9 billion	¥560.0 billion	¥615.0 billion
Operating profit (Operating margin)	¥12.1 billion (2.3%)	¥30.0 billion (5.4%)	¥32.0 billion (5.2%)
H&PC overseas business net sales ratio	6.5%	6.3%	11.0%
ROE	2.6%	9.0%	8.0%
Net debt to equity ratio	1.6x	1.6x	Less than 1.6x

2. Analysis of Operating Results

Consolidated results for the fiscal year ended March 31, 2019 are as follows.

(1) Net Sales

Net sales increased by ¥2,579 million, or 0.5%, from the previous fiscal year, to ¥533,890 million, reflecting such factors as implementation of price revisions for containerboard, corrugated



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

produced at the Kawano Mill at our subsidiary in China, begin sales of household paper products to mass merchandizers and shops specializing in goods for babies and infants in China, and accelerate multi-category business expansion overseas.

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 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, Home and Personal Care (H&PC) Business, and other businesses. A significant decline in demand for our mainstay products (paper and paperboard 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 Overseas Business Group of the Home and Personal Care Unit, to develop business mainly in China, South Korea, Russia, and Southeast Asia 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 local governments 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.

(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.

(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 of operations, incurrence of restoration costs, suspension of logistics functions, and loss of products and merchandise, etc.

(7) Impacts of Lawsuits

The Daio Paper Group is making efforts to strengthen its compliance framework by complying with various laws and regulations, environmental regulations, and social norms, etc. However, the Company is exposed to the risk of lawsuits, etc. regarding such laws and regulations in its domestic and overseas business activities. Depending on the results, such lawsuits, etc. may affect the Group's financial position and operating results.

(8) Impacts of Loan Agreements with Financial Covenants

Daio Paper has signed syndicated term loan agreements, and those agreements contain financial covenants that set financial standards the Company 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 Daio Paper fails to comply with the financial covenants, the Company 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

Daio Paper owns non-current assets such as property, plant and equipment and goodwill. The Company applies impairment accounting to these non-current assets and verifies if the carrying amount of assets can be recovered through future cash flows generated from the assets, and the Company applies 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, the Company will be required to recognize an additional impairment loss, which may affect the Group's financial position and operating results.

Consolidated Financial Statements

Consolidated Balance Sheet

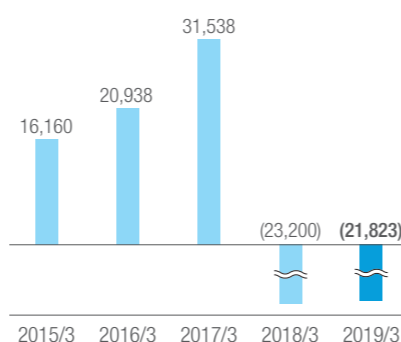
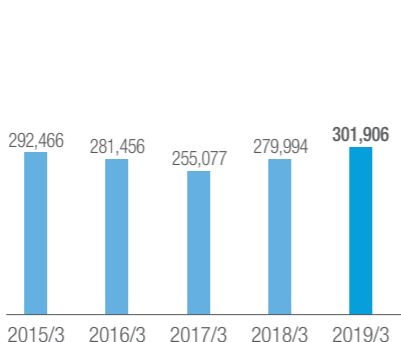
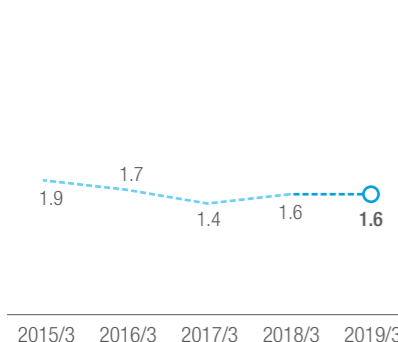
Daio Paper Corporation and its Consolidated Subsidiaries
March 31, 2018 and 2019

	Millions of Yen		Millions of Yen	
	2018	2019	2018	2019
Assets:				
Current assets:				
Cash and deposits	66,680	106,548		
Notes and accounts receivable—trade	98,334	96,915		
Electronically recorded monetary claims—operating	11,419	12,174		
Merchandise and finished goods	40,929	41,557		
Work in process	6,121	6,337		
Raw materials and supplies	25,052	28,801		
Other	8,437	7,380		
Allowance for doubtful accounts	(7)	(62)		
Total current assets	256,965	299,650		
Non-current assets:				
Property, plant and equipment:				
Buildings and structures	214,476	226,249		
Accumulated depreciation	(140,181)	(144,536)		
Buildings and structures, net	74,295	81,713		
Machinery, equipment and vehicles	854,013	874,571		
Accumulated depreciation	(722,513)	(738,986)		
Machinery, equipment and vehicles, net	131,500	135,585		
Land	79,987	80,468		
Construction in progress	24,255	29,750		
Other	21,470	22,453		
Accumulated depreciation	(11,943)	(12,263)		
Other, net	9,527	10,190		
Total property, plant and equipment	319,564	337,706		
Intangible assets:				
Goodwill	47,443	43,553		
Other	9,050	11,685		
Total intangible assets	56,493	55,238		
Investments and other assets:				
Investment securities	33,466	32,861		
Long-term loans receivable	3,804	3,840		
Deferred tax assets	6,139	5,420		
Other	10,478	11,930		
Allowance for doubtful accounts	(993)	(1,031)		
Total investments and other assets	52,894	53,020		
Total non-current assets	428,951	445,964		
Deferred assets	225	252		
Total assets	686,141	745,866		
Liabilities:				
Current liabilities				
Notes and accounts payable—trade	58,686	58,774		
Short-term loans payable	24,734	19,222		
Current portion of long-term loans payable	50,558	49,839		
Accounts payable—other	37,151	29,312		
Current portion of long-term accounts payable—facilities	1,374	811		
Income taxes payable	2,090	2,250		
Provision for bonuses	5,013	4,893		
Provision for directors' bonuses	106	98		
Other	12,440	12,618		
Total current liabilities	192,152	177,817		
Non-current liabilities:				
Bonds payable	40,300	60,300		
Convertible bond-type bonds with share acquisition rights	30,075	23,745		
Long-term loans payable	195,681	250,755		
Long-term accounts payable—facilities	1,789	1,094		
Net defined benefit liability	22,884	22,060		
Provision for directors' retirement benefits	296	311		
Provision for environmental measures	26	27		
Provision for loss on business of subsidiaries and associates	121	68		
Other	9,752	10,350		
Total non-current liabilities	300,924	368,710		
Total liabilities	493,076	546,527		
Net assets:				
Shareholders' equity				
Capital stock	39,707	42,859		
Capital surplus	39,817	42,968		
Retained earnings	96,513	99,189		
Treasury shares	(2,909)	(2,910)		
Total shareholders' equity	173,128	182,106		
Accumulated other comprehensive income:				
Valuation difference on available-for-sale securities	9,888	9,051		
Deferred gains or losses on hedges	—	(20)		
Foreign currency translation adjustment	(4,302)	(6,089)		
Remeasurements of defined benefit plans	(684)	554		
Total accumulated other comprehensive income	4,902	3,496		
Non-controlling interests	15,035	13,737		
Total net assets	193,065	199,339		
Total liabilities and net assets	686,141	745,866		

○ Net Debt to Equity Ratio (Times)

■ Net Interest-bearing Debts (Millions of Yen)

■ Free Cash Flow (Millions of Yen)



Consolidated Financial Statements

Consolidated Statement of Income

Daio Paper Corporation and its Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

	2018	2019
Net sales	531,311	533,890
Cost of sales	409,937	417,513
Gross profit	121,374	116,377
Selling, general and administrative expenses	110,312	104,255
Operating profit	11,062	12,122
Non-operating income:		
Interest income	264	195
Dividend income	703	578
Foreign exchange gains	100	—
Rent income on non-current assets	316	361
Subsidy income	3,720	568
Other	1,797	1,631
Total non-operating income	6,900	3,333
Non-operating expenses:		
Interest expenses	3,201	3,113
Other	1,982	2,500
Total non-operating expenses	5,183	5,613
Ordinary profit	12,779	9,842
Extraordinary income:		
Gain on exchange from business combination	—	1,438
Gain on sales of non-current assets	150	12
Gain on sales of investment securities	5,754	71
Insurance income	123	712
Gain on bargain purchase (negative goodwill)	1,034	—
Other	12	167
Total extraordinary income	7,073	2,400
Extraordinary losses:		
Loss on sales and retirement of non-current assets	598	1,070
Loss on sales of investment securities	155	27
Loss on valuation of investment securities	24	—
Loss on disaster	177	998
Impairment loss	6,848	3,019
Early retirement expenses	894	—
Other	32	158
Total extraordinary losses	8,728	5,272
Profit before income taxes	11,124	6,970
Income taxes		
Income taxes—current	5,488	5,159
Refund of income taxes	—	(454)
Income taxes—deferred	1,835	(1,069)
Total income taxes	7,323	3,636
Profit	3,801	3,334
Loss attributable to non-controlling interests	(170)	(1,363)
Profit attributable to owners of parent	3,971	4,697

Consolidated Statement of Comprehensive Income

Daio Paper Corporation and its Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

	2018	2019
Profit	3,801	3,334
Other comprehensive income:		
Valuation difference on available-for-sale securities	(879)	(855)
Deferred gains or losses on hedges	—	(20)
Foreign currency translation adjustment	(41)	(2,116)
Remeasurements of defined benefit plans, net of tax	(146)	1,240
Total other comprehensive income	(1,066)	(1,751)
Comprehensive income	2,735	1,583
Comprehensive income attributable to:		
Owners of parent	3,029	3,291
Non-controlling interests	(294)	(1,708)

Consolidated Statement of Cash Flows

Daio Paper Corporation and its Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

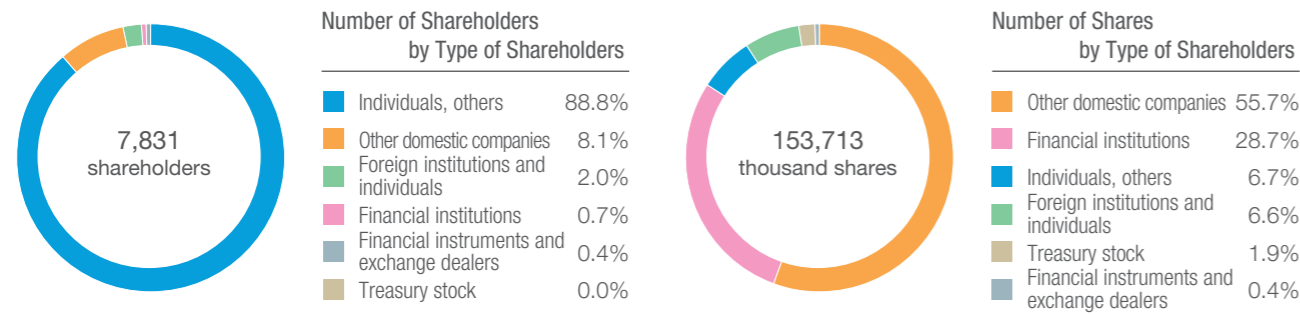
	2018	2019
Cash flows from operating activities:		
Profit before income taxes	11,124	6,970
Depreciation	31,171	33,331
Impairment loss	6,848	3,019
Early retirement expenses	894	—
Amortization of goodwill	4,026	3,583
Gain on bargain purchase (negative goodwill)	(1,034)	—
Gain on exchange from business combination	—	(1,438)
Increase (decrease) in allowance for doubtful accounts	(38)	93
Loss (gain) on sales of investment securities	(5,600)	(44)
Increase (decrease) in net defined benefit liability	45	1,028
Interest and dividend income	(967)	(773)
Interest expenses	3,201	3,113
Foreign exchange losses (gains)	(100)	377
Subsidy income	(3,720)	(568)
Insurance income	(141)	(926)
Loss (gain) on sales of property, plant and equipment	(129)	13
Loss on retirement of property, plant and equipment	577	1,045
Decrease (increase) in notes and accounts receivable—trade	(8,012)	330
Decrease (increase) in inventories	(5,223)	(4,880)
Increase (decrease) in notes and accounts payable—trade	5,013	335
Increase (decrease) in other assets/liabilities	3,660	(19)
Increase (decrease) in accrued consumption taxes	(786)	(283)
Other, net	(688)	(1)
Subtotal	40,121	44,305
Interest and dividend income received	1,291	1,072
Interest expenses paid	(3,462)	(3,335)
Payments for early retirement expenses	(888)	—
Proceeds from subsidy income	3,924	970
Proceeds from insurance income	206	872
Income taxes paid	(12,907)	(4,726)
Income taxes refund	—	1,129
Net cash provided by (used in) operating activities	28,285	40,287
Cash flows from investing activities:		
Net decrease (increase) in time deposits	(114)	3,333
Purchase of property, plant and equipment	(31,019)	(64,380)
Proceeds from sales of property, plant and equipment	1,293	2,434
Purchase of investment securities	(166)	(228)
Proceeds from sales of investment securities	9,321	324
Purchase of intangible assets	(2,806)	(3,560)
Loans receivable granted	(14)	(644)
Collection of loans receivable	6	575
Payments of lease deposits	(56)	(596)
Purchase of shares of subsidiaries resulting in change of scope of consolidation	(27,021)	—
Proceeds from exchanges of shares of subsidiaries resulting from change in scope of consolidation	—	1,581
Other, net	(909)	(949)
Net cash provided by (used in) investing activities	(51,485)	(62,110)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(1,826)	(6,616)
Proceeds from long-term loans payable	52,150	105,000
Repayments of long-term loans payable	(73,362)	(50,646)
Proceeds from issuance of bonds	24,890	19,909
Proceeds from issuance of common shares assigned to non-controlling interests	776	410
Cash dividends paid	(1,620)	(1,545)
Other, net	(622)	(614)
Net cash provided by (used in) financing activities	386	65,898
Effect of exchange rate change on cash and cash equivalents	165	(731)
Net increase (decrease) in cash and cash equivalents	(22,649)	43,344
Cash and cash equivalents at beginning of period	82,733	60,086
Increase in cash and cash equivalents from newly consolidated subsidiary	2	—
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	(23)
Cash and cash equivalents at end of period	60,086	103,407

Investor Information

Status of Shares (As of March 31, 2019)

Authorized Shares	300,000,000 shares
Number of Shares Issued	153,713,191 shares
Number of Shareholders	7,831

Shareholder Distribution

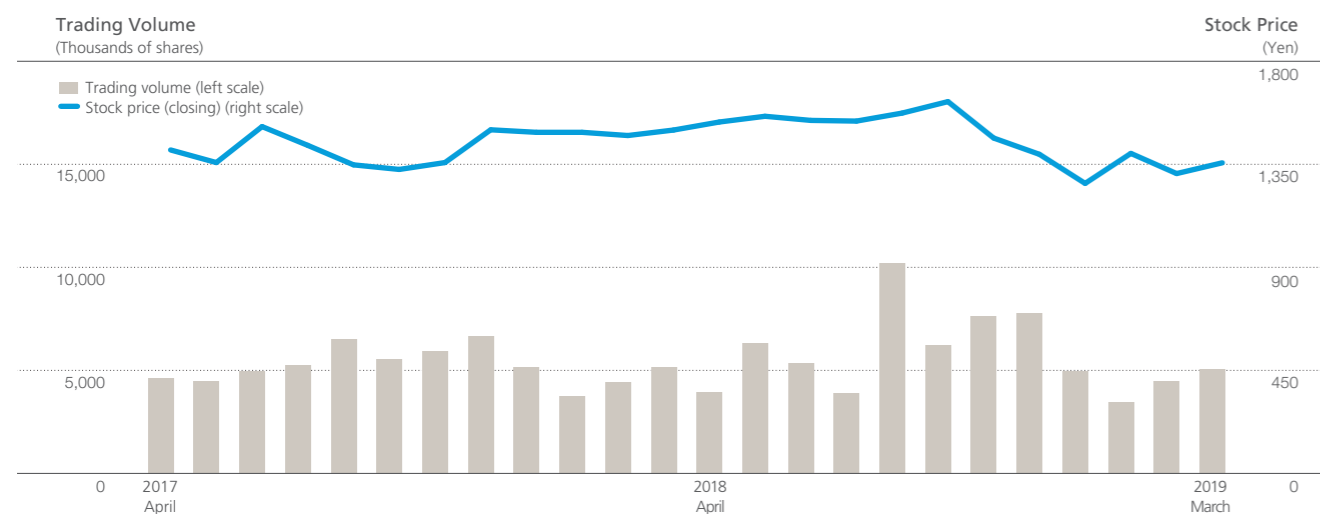


Major Shareholders

Name	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Hokuetsu Corporation	33,447	22.2
Daio Kaiun Co., Ltd.	7,112	4.7
The Iyo Bank, Ltd. (Standing proxy: Trust & Custody Services 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
The Norinchukin Bank	4,110	2.7
Japan Trustee Services Bank, Ltd. (Trust Account)	4,047	2.7
General Incorporated Association Takao Trust Account	3,900	2.6
Tokushu Tokai Paper Co., Ltd.	3,871	2.6

Notes: 1. All numbers of shares held by Japan Trustee Services Bank, Ltd. (Trust Account) are numbers of shares held as part of trust operations.
2. Treasury stock is excluded in the calculation of shareholding ratio.

Stock Price and Trading Volume



Corporate Data / Network

Corporate Information (As of March 31, 2019)

Established	May 5, 1943
Capital	¥42.9 billion
Number of Employees	2,651 (Unconsolidated), 10,551 (Consolidated)
Offices	Tokyo Headquarters: 10-2, Fujimi 2-chome, Chiyoda Ward, Tokyo Tel: +81-3-6856-7500 Shikoku Headquarters: 2-60, 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, kraft linerboard (linerboard and corrugating medium), various types of pulp, home and personal care products (facial tissue, toilet tissue, paper towels, sanitary napkins, disposable diapers, etc.)

Production Bases (As of September 30, 2019)

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

Business Bases of the Group Companies (Headquarters Location)

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

Overseas Business Bases

- 26 Forestal Anchile LTDA. (Chile)
- 27 Elleair International Korea Co., Ltd. (South Korea)
- 28 Elleair International (Thailand) Co., Ltd.
- 29 Elleair International China (Nantong) Co., Ltd.
- 30 PT. Elleair International Trading Indonesia
- 31 PT. Elleair International Manufacturing Indonesia
- 32 Oregon Chip Terminal INC. (U.S.A.)

