

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2018 (unaudited) (Based on Japanese GAAP)

August 8, 2018

Company name: Daio Paper Corporation
 Stock exchange listing: Tokyo
 Stock code: 3880 URL <http://www.daio-paper.co.jp>
 Representative: President and Chief Executive Officer Masayoshi Sako
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 Scheduled date to file Quarterly Securities Report: August 8, 2018
 Scheduled date to commence dividend payments: —
 Availability of supplementary material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: No

(Amounts are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2018 (April 1, 2018–June 30, 2018)

(1) Consolidated Operating Results (cumulative)

(The percentages indicate the percentage increase or decrease compared to the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2018	128,889	3.2	4,383	483.5	3,757	—	1,751	119.7
June 30, 2017	124,860	9.9	751	(84.3)	227	(93.0)	797	(35.6)

Note: Comprehensive income

Three months ended June 30, 2018 605 million yen 130.0%
 Three months ended June 30, 2017 263 million yen —%

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2018	12.01	10.48
June 30, 2017	5.47	4.76

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2018	705,621	193,179	25.2
As of March 31, 2018	686,141	193,065	25.9

Reference: Equity As of June 30, 2018 178,062 million yen
 As of March 31, 2018 178,030 million yen

2. Dividends

	Annual Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	—	5.00	—	5.50	10.50
Fiscal year ending March 31, 2019	—				
Fiscal year ending March 31, 2019 (Forecast)		5.00	—	5.50	10.50

Note: Changes to latest dividends forecast: None

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

(The percentages indicate the percentage increase or decrease compared to the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2018	260,000	2.9	6,500	142.5	5,500	4.8	4,500	8.1	30.82
Full fiscal year	550,000	3.5	18,000	62.7	15,000	17.4	10,000	151.9	68.50

Note: Changes to latest financial results forecasts: None

4. Notes

[1] Changes in significant subsidiaries during the three months ended June 30, 2018

(changes in specified subsidiaries resulting in the changes in scope of consolidation): No

New — (Company name:)

Eliminated — (Company name:)

[2] Application of special accounting methods for preparing quarterly consolidated financial statements: No

[3] Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to revisions to accounting standards and other regulations: No

2) Changes in accounting policies due to other reasons: No

3) Changes in accounting estimates: No

4) Restatement of prior period financial statements: No

[4] Number of issued shares (common shares)

1) Number of issued shares at the end of the period (including treasury shares)

As of June 30, 2018 149,612,452 shares

As of March 31, 2018 149,348,785 shares

2) Number of treasury shares at the end of the period

As of June 30, 2018 3,620,038 shares

As of March 31, 2018 3,619,781 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2018 145,768,251 shares

Three months ended June 30, 2017 145,729,372 shares

*This report is not subject to quarterly review procedures by certified public accountants or audit corporations.

*Regarding the appropriate use of financial results forecast and other notes

1. The earnings forecasts and other forward-looking statements herein are based on the information currently available to the Company and certain assumptions the Company considers reasonable. The actual results may differ significantly from these forecasts due to a wide range of factors.

2. The supplementary material on quarterly financial results will be posted on the Company's following website.
<http://www.daio-paper.co.jp/index.html>

Quarterly consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	66,680	82,709
Notes and accounts receivable - trade	98,334	95,735
Electronically recorded monetary claims - operating	11,419	11,326
Inventories	72,102	74,629
Other	8,437	8,776
Allowance for doubtful accounts	(7)	(8)
Total current assets	256,965	273,167
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	74,295	73,049
Machinery, equipment and vehicles, net	131,500	127,420
Land	79,987	79,639
Other, net	33,782	41,433
Total property, plant and equipment	319,564	321,541
Intangible assets		
Goodwill	47,443	46,241
Other	9,050	9,590
Total intangible assets	56,493	55,831
Investments and other assets	52,894	54,872
Total non-current assets	428,951	432,244
Deferred assets	225	210
Total assets	686,141	705,621

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	58,686	54,074
Short-term loans payable	24,734	25,923
Current portion of long-term loans payable	50,558	50,457
Income taxes payable	2,090	2,234
Provision	5,119	2,549
Other	50,965	49,909
Total current liabilities	192,152	185,146
Non-current liabilities		
Bonds payable	40,300	40,300
Convertible bond-type bonds with subscription rights to shares	30,075	29,687
Long-term loans payable	195,681	223,429
Net defined benefit liability	22,884	22,972
Provision	443	434
Other	11,541	10,474
Total non-current liabilities	300,924	327,296
Total liabilities	493,076	512,442
Net assets		
Shareholders' equity		
Capital stock	39,707	39,898
Capital surplus	39,817	40,008
Retained earnings	96,513	96,983
Treasury shares	(2,909)	(2,910)
Total shareholders' equity	173,128	173,979
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,888	10,372
Deferred gains or losses on hedges	—	84
Foreign currency translation adjustment	(4,302)	(5,789)
Remeasurements of defined benefit plans	(684)	(584)
Total accumulated other comprehensive income	4,902	4,083
Non-controlling interests	15,035	15,117
Total net assets	193,065	193,179
Total liabilities and net assets	686,141	705,621

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)
Consolidated statements of income (cumulative)

(Millions of yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Net sales	124,860	128,889
Cost of sales	97,668	98,259
Gross profit	27,192	30,630
Selling, general and administrative expenses	26,441	26,247
Operating income	751	4,383
Non-operating income		
Interest income	32	52
Dividend income	354	263
Subsidy income	125	207
Other	487	371
Total non-operating income	998	893
Non-operating expenses		
Interest expenses	832	737
Foreign exchange losses	184	273
Other	506	509
Total non-operating expenses	1,522	1,519
Ordinary income	227	3,757
Extraordinary income		
Gain on sales of non-current assets	15	5
Gain on sales of investment securities	1,036	—
Gain on bargain purchase	1,034	—
Gain on state subsidy	—	162
Insurance income	9	47
Other	10	4
Total extraordinary income	2,104	218
Extraordinary losses		
Loss on sales and retirement of non-current assets	107	89
Impairment loss	1	773
Loss on disaster	—	32
Loss on reduction of non-current assets	—	155
Other	133	22
Total extraordinary losses	241	1,071
Profit before income taxes	2,090	2,904
Income taxes - current	844	1,993
Income taxes - deferred	524	(882)
Total income taxes	1,368	1,111
Profit	722	1,793
Profit (loss) attributable to non-controlling interests	(75)	42
Profit attributable to owners of parent	797	1,751

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Profit	722	1,793
Other comprehensive income		
Valuation difference on available-for-sale securities	772	469
Deferred gains or losses on hedges	—	84
Foreign currency translation adjustment	(1,290)	(1,841)
Remeasurements of defined benefit plans, net of tax	59	100
Total other comprehensive income	(459)	(1,188)
Comprehensive income	263	605
Comprehensive income attributable to		
Owners of the parent	475	932
Non-controlling interests	(212)	(327)