

This notice is an English translation of the original Japanese text of the timely disclosure statement dated May 17, 2019 issued by Daio Paper Corporation, and is for reference purposes only. In the event of any discrepancy between the original Japanese text and this English translation, the Japanese text shall prevail.

May 17, 2019

To whom it may concern:

Name of Company: Daio Paper Corporation

Name of Representative: Masayoshi Sako,
President, CEO and Representative Director

Securities Code: 3880
(First Section, Tokyo Stock Exchange)

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Regarding the Recording of Loss on Valuation of Shares of Subsidiaries and Associates (Non-consolidated), and the Differences between Full-year Consolidated Earnings Forecasts and Actual Results

Daio Paper Corporation (hereinafter, the “Company”) announces that it recorded a loss on valuation of shares of subsidiaries and associates as an extraordinary loss in its non-consolidated financial statements for the fiscal year ended March 31, 2019.

The Company also announces that the actual financial results for the fiscal year ended March 31, 2019 (April 1, 2018–March 31, 2019), which were released today, differed from the earnings forecasts for the same period, which were announced on February 8, 2019.

1. Recording of Loss on Valuation of Shares of Subsidiaries and Associates

Of the shares of subsidiaries and associates that the Company owns, the actual value of the shares of the overseas consolidated subsidiaries, Elleair International (Thailand) Co., Ltd., PT. Elleair International Trading Indonesia and PT. Elleair International Manufacturing Indonesia, have fell significantly below book value. The Company has applied impairment accounting in accordance with the “Accounting Standard for Financial Instruments”, and recorded 8,299 million yen in loss on valuation of shares of subsidiaries and associates as an extraordinary loss.

As the aforementioned loss on valuation of shares of subsidiaries and associates is eliminated in the consolidated financial statements, there is no impact on the consolidated financial results.

2. Differences between Full-year Consolidated Earnings Forecasts and Actual Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018–March 31, 2019)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parents	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecasts (A)	540,000	10,000	7,000	3,500	23.32
Actual results (B)	533,890	12,122	9,842	4,697	31.70
Change (B - A)	(6,110)	2,122	2,842	1,197	
Change (%)	(1.1)	21.2	40.6	34.2	
(Reference) Full-year results for the fiscal year ended March 31, 2018	531,311	11,062	12,779	3,971	27.25

Reasons for the Differences

Net sales fell short of the previous forecast as a result of the decrease in demand for paper, in particularly newsprint and printing paper, as well as the decrease in domestic demand for baby disposable diapers due to the declining birthrate.

Operating income exceeded the previous forecast due to the implementation of a shift toward the sale of packaging paper amidst decreasing domestic demand for graphic paper, and the realization of price revisions of products such as containerboard, corrugated container and printing paper in the Paper and Paperboard segment. The optimization of product mix by utilizing the Mishima mill's capability to switch from the production of one paper grade to another flexibly according to market needs, as well as progress in cost reduction efforts such as the effective use of hard-to-recycle recovered paper also contributed to the increase.

As a result of the increase in operating income, ordinary income and profit attributable to owners of parents also exceeded the previous forecasts.

End