

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2016 (unaudited) (Based on Japanese GAAP)

November 11, 2016

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: November 11, 2016
 Scheduled date to commence dividend payments: December 5, 2016
 Availability of supplementary material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2016 (April 1, 2016–September 30, 2016)

(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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2016	228,540	(0.6)	11,176	11.4	8,125	(8.1)	3,598	(14.4)
September 30, 2015	229,986	7.4	10,031	(5.6)	8,842	8.3	4,203	(16.6)

Note: Comprehensive income

Six months ended September 30, 2016 (1,395) million yen —%
 Six months ended September 30, 2015 4,939 million yen (22.4)%

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2016	24.69	21.54
September 30, 2015	28.84	28.53

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	633,812	174,971	25.5
As of March 31, 2016	656,310	174,820	24.9

Reference: Equity As of September 30, 2016 161,451 million yen
 As of March 31, 2016 163,108 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, 2016	—	4.00	—	6.50	10.50
Fiscal year ending March 31, 2017	—	5.00			
Fiscal year ending March 31, 2017 (Forecast)			—	5.50	10.50

Note: Changes to latest dividends forecast: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016–March 31, 2017)

(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
Full fiscal year	480,000	1.2	25,000	2.8	22,000	3.5	13,000	(10.9)	89.21

Note: Changes to latest financial results forecasts: Yes

4. Notes

[1] Changes in significant subsidiaries during the six months ended September 30, 2016

(changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New One company (Company name: PT.ELLEAIR INTERNATIONAL MANUFACTURING INDONESIA)

Excluded — (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 September 30, 2016 149,348,785 shares

As of March 31, 2016 149,348,785 shares

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

As of September 30, 2016 3,618,969 shares

As of March 31, 2016 3,618,573 shares

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

Six months ended September 30, 2016 145,730,046 shares

Six months ended September 30, 2015 145,733,999 shares

*Information on status of quarterly review procedures

This “Summary of Consolidated Financial Results for the Six Months Ended September 30, 2016” is outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these financial results, the quarterly review procedures for the consolidated financial statements under the Financial Instruments and Exchange Act have been completed.

*Explanation of the proper 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 website as follows: <http://www.daio-paper.co.jp/index.html>

Quarterly consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	80,915	72,468
Notes and accounts receivable - trade	95,683	91,528
Inventories	69,169	68,589
Other	11,389	10,281
Allowance for doubtful accounts	(2)	(2)
Total current assets	257,154	242,864
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	68,824	67,189
Machinery, equipment and vehicles, net	134,050	135,710
Land	74,645	73,687
Other, net	18,854	16,302
Total property, plant and equipment	296,373	292,888
Intangible assets		
Goodwill	53,463	51,270
Other	3,651	3,592
Total intangible assets	57,114	54,862
Investments and other assets	45,498	43,065
Total non-current assets	398,985	390,815
Deferred assets	171	133
Total assets	656,310	633,812

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	49,123	45,138
Short-term loans payable	33,560	26,560
Current portion of long-term loans payable	79,941	80,752
Income taxes payable	5,190	3,919
Provision	4,675	4,768
Other	46,772	41,340
Total current liabilities	219,261	202,477
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	30,135	30,120
Long-term loans payable	199,992	195,144
Long-term accounts payable - facilities	4,022	2,865
Net defined benefit liability	18,874	18,995
Provision	508	479
Other	8,698	8,761
Total non-current liabilities	262,229	256,364
Total liabilities	481,490	458,841
Net assets		
Shareholders' equity		
Capital stock	39,707	39,707
Capital surplus	39,922	39,817
Retained earnings	83,772	86,255
Treasury shares	(2,907)	(2,908)
Total shareholders' equity	160,494	162,871
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,250	6,800
Foreign currency translation adjustment	(2,822)	(7,542)
Remeasurements of defined benefit plans	(814)	(678)
Total accumulated other comprehensive income	2,614	(1,420)
Non-controlling interests	11,712	13,520
Total net assets	174,820	174,971
Total liabilities and net assets	656,310	633,812

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

(Millions of yen)

	For the six months ended September 30, 2015	For the six months ended September 30, 2016
Net sales	229,986	228,540
Cost of sales	176,039	171,785
Gross profit	53,947	56,755
Selling, general and administrative expenses	43,916	45,579
Operating income	10,031	11,176
Non-operating income		
Interest income	67	69
Dividend income	515	335
Insurance income	382	293
Other	1,184	1,113
Total non-operating income	2,148	1,810
Non-operating expenses		
Interest expenses	2,458	1,952
Foreign exchange losses	—	2,151
Other	879	758
Total non-operating expenses	3,337	4,861
Ordinary income	8,842	8,125
Extraordinary income		
Gain on sales of non-current assets	62	92
Insurance income	26	43
Total extraordinary income	88	135
Extraordinary losses		
Loss on sales and retirement of non-current assets	397	769
Loss on valuation of investment securities	1	164
Impairment loss	19	279
Loss on disaster	44	180
Other	293	108
Total extraordinary losses	754	1,500
Profit before income taxes	8,176	6,760
Income taxes - current	1,959	3,619
Income taxes - deferred	1,793	(395)
Total income taxes	3,752	3,224
Profit	4,424	3,536
Profit (loss) attributable to non-controlling interests	221	(62)
Profit attributable to owners of parent	4,203	3,598

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	For the six months ended September 30, 2015	For the six months ended September 30, 2016
Profit	4,424	3,536
Other comprehensive income		
Valuation difference on available-for-sale securities	195	531
Foreign currency translation adjustment	112	(5,598)
Remeasurements of defined benefit plans, net of tax	208	136
Total other comprehensive income	515	(4,931)
Comprehensive income	4,939	(1,395)
Comprehensive income attributable to		
Owners of the parent	4,767	(436)
Non-controlling interests	172	(959)