

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2019 (unaudited) (Based on Japanese GAAP)

February 13, 2020

Company name: Daio Paper Corporation
 Stock exchange listing: Tokyo
 Stock code: 3880 URL <https://www.daio-paper.co.jp>
 Representative: President and Chief Executive Officer Masayoshi Sako
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 Scheduled date to file Quarterly Securities Report: February 13, 2020
 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 Nine Months Ended December 31, 2019 (April 1, 2019–December 31, 2019)

(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 profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2019	403,608	1.7	20,402	177.2	19,298	229.8	15,320	435.7
December 31, 2018	397,047	1.1	7,359	16.7	5,852	(33.0)	2,860	(40.7)

Note: Comprehensive income

Nine months ended December 31, 2019	10,206	million yen	—%
Nine months ended December 31, 2018	-1,173	million yen	—%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2019	102.07	91.91
December 31, 2018	19.39	17.09

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2019	762,956	205,086	25.5
As of March 31, 2019	745,866	199,339	24.9

Reference: Equity	As of December 31, 2019	194,582	million yen
	As of March 31, 2019	185,602	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, 2019	—	5.00	—	5.50	10.50
Fiscal year ending March 31, 2020	—	5.00	—		
Fiscal year ending March 31, 2020 (Forecast)				5.50	10.50

Note: Changes to latest dividends forecast: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019–March 31, 2020)

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

	Net sales		Operating profit		Ordinary profit		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	560,000	4.9	30,000	147.5	27,000	174.3	19,000	304.5	126.59

Note: Changes to latest financial results forecasts: None

4. Notes

[1] Changes in significant subsidiaries during the nine months ended December 31, 2019

(changes in specified subsidiaries resulting in 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 December 31, 2019 153,713,191 shares

As of March 31, 2019 153,713,191 shares

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

As of December 31, 2019 3,624,224 shares

As of March 31, 2019 3,620,340 shares

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

Nine months ended December 31, 2019 150,090,490 shares

Nine months ended December 31, 2018 147,530,683 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.

https://www.daio-paper.co.jp/en/ir/ir_news/

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	106,548	108,170
Notes and accounts receivable - trade	96,915	101,627
Electronically recorded monetary claims - operating	12,174	13,782
Inventories	76,695	82,959
Other	7,380	5,802
Allowance for doubtful accounts	(62)	(59)
Total current assets	299,650	312,281
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	81,713	79,727
Machinery, equipment and vehicles, net	135,585	135,756
Land	80,468	80,307
Other, net	39,940	50,698
Total property, plant and equipment	337,706	346,488
Intangible assets		
Goodwill	43,553	40,836
Other	11,685	16,094
Total intangible assets	55,238	56,930
Investments and other assets	53,020	47,059
Total non-current assets	445,964	450,477
Deferred assets	252	198
Total assets	745,866	762,956

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	58,774	58,829
Short-term borrowings	19,222	19,044
Current portion of convertible bond-type bonds with share acquisition rights	—	23,727
Current portion of long-term borrowings	49,839	49,842
Income taxes payable	2,250	7,242
Provisions	4,991	2,727
Other	42,741	49,825
Total current liabilities	177,817	211,236
Non-current liabilities		
Bonds payable	60,300	60,300
Convertible bond-type bonds with share acquisition rights	23,745	—
Long-term borrowings	250,755	251,720
Retirement benefit liability	22,060	22,934
Provisions	406	289
Other	11,444	11,391
Total non-current liabilities	368,710	346,634
Total liabilities	546,527	557,870
Net assets		
Shareholders' equity		
Share capital	42,859	42,859
Capital surplus	42,968	43,505
Retained earnings	99,189	112,939
Treasury shares	(2,910)	(3,065)
Total shareholders' equity	182,106	196,238
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,051	5,164
Deferred gains or losses on hedges	(20)	39
Foreign currency translation adjustment	(6,089)	(7,448)
Remeasurements of defined benefit plans	554	589
Total accumulated other comprehensive income	3,496	(1,656)
Non-controlling interests	13,737	10,504
Total net assets	199,339	205,086
Total liabilities and net assets	745,866	762,956

Quarterly Consolidated Statements of Income and Comprehensive Income (Cumulative)
Quarterly Consolidated Statement of Income (Cumulative)

(Millions of yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Net sales	397,047	403,608
Cost of sales	312,814	303,236
Gross profit	84,233	100,372
Selling, general and administrative expenses	76,874	79,970
Operating profit	7,359	20,402
Non-operating income		
Interest income	147	122
Dividend income	535	540
Other	2,005	2,305
Total non-operating income	2,687	2,967
Non-operating expenses		
Interest expenses	2,309	2,436
Other	1,885	1,635
Total non-operating expenses	4,194	4,071
Ordinary profit	5,852	19,298
Extraordinary income		
Gain on sales of non-current assets	9	9
Gain on sales of investment securities	6	6,778
Gain on exchange from business combination	1,438	—
Other	318	417
Total extraordinary income	1,771	7,204
Extraordinary losses		
Loss on sales and retirement of non-current assets	482	857
Impairment loss	1,590	16
Loss on disaster	608	385
Other	200	462
Total extraordinary losses	2,880	1,720
Profit before income taxes	4,743	24,782
Income taxes - current	3,552	8,953
Refund of income taxes	(455)	(49)
Income taxes - deferred	(823)	494
Total income taxes	2,274	9,398
Profit	2,469	15,384
Profit (loss) attributable to non-controlling interests	(391)	64
Profit attributable to owners of parent	2,860	15,320

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Millions of yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Profit	2,469	15,384
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,773)	(3,848)
Deferred gains or losses on hedges	4	59
Foreign currency translation adjustment	(1,122)	(1,424)
Remeasurements of defined benefit plans, net of tax	249	35
Total other comprehensive income	(3,642)	(5,178)
Comprehensive income	(1,173)	10,206
Comprehensive income attributable to		
Owners of the parent	(306)	10,168
Non-controlling interests	(867)	38