

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 (unaudited) (Based on Japanese GAAP)

February 8, 2019

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: February 8, 2019
 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, 2018 (April 1, 2018–December 31, 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2018	397,047	1.1	7,359	16.7	5,852	(33.0)	2,860	(40.7)
December 31, 2017	392,713	11.7	6,308	(62.9)	8,729	(37.2)	4,824	(31.3)

Note: Comprehensive income

Nine months ended December 31, 2018 (1,173) million yen —%
 Nine months ended December 31, 2017 8,196 million yen 117.5%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2018	19.39	17.09
December 31, 2017	33.10	28.87

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	749,882	196,582	24.3
As of March 31, 2018	686,141	193,065	25.9

Reference: Equity As of December 31, 2018 182,005 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	—	5.00	—		
Fiscal year ending March 31, 2019 (Forecast)				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
Full fiscal year	540,000	1.6	10,000	(9.6)	7,000	(45.2)	3,500	(11.9)	23.32

Note: Changes to latest financial results forecasts: Yes

4. Notes

[1] Changes in significant subsidiaries during the nine months ended December 31, 2018

(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, 2018 153,713,191 shares

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

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

As of December 31, 2018 3,620,271 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)

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

Nine months ended December 31, 2017 145,729,258 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/en/ir/ir_news/

Quarterly consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	66,680	103,255
Notes and accounts receivable - trade	98,334	101,194
Electronically recorded monetary claims - operating	11,419	11,971
Inventories	72,102	79,712
Other	8,437	9,159
Allowance for doubtful accounts	(7)	(4)
Total current assets	256,965	305,287
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	74,295	81,651
Machinery, equipment and vehicles, net	131,500	137,979
Land	79,987	80,606
Other, net	33,782	37,967
Total property, plant and equipment	319,564	338,203
Intangible assets		
Goodwill	47,443	44,463
Other	9,050	10,812
Total intangible assets	56,493	55,275
Investments and other assets	52,894	50,847
Total non-current assets	428,951	444,325
Deferred assets	225	270
Total assets	686,141	749,882

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	58,686	63,031
Short-term loans payable	24,734	22,020
Current portion of long-term loans payable	50,558	49,440
Income taxes payable	2,090	80
Provision	5,119	2,680
Other	50,965	48,577
Total current liabilities	192,152	185,828
Non-current liabilities		
Bonds payable	40,300	60,300
Convertible bond-type bonds with subscription rights to shares	30,075	23,751
Long-term loans payable	195,681	248,996
Net defined benefit liability	22,884	23,310
Provision	443	418
Other	11,541	10,697
Total non-current liabilities	300,924	367,472
Total liabilities	493,076	553,300
Net assets		
Shareholders' equity		
Capital stock	39,707	42,859
Capital surplus	39,817	42,968
Retained earnings	96,513	97,352
Treasury shares	(2,909)	(2,910)
Total shareholders' equity	173,128	180,269
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,888	7,262
Deferred gains or losses on hedges	—	4
Foreign currency translation adjustment	(4,302)	(5,094)
Remeasurements of defined benefit plans	(684)	(436)
Total accumulated other comprehensive income	4,902	1,736
Non-controlling interests	15,035	14,577
Total net assets	193,065	196,582
Total liabilities and net assets	686,141	749,882

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

(Millions of yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Net sales	392,713	397,047
Cost of sales	305,189	312,814
Gross profit	87,524	84,233
Selling, general and administrative expenses	81,216	76,874
Operating income	6,308	7,359
Non-operating income		
Interest income	206	147
Dividend income	637	535
Foreign exchange gains	396	—
Subsidy income	3,584	435
Other	1,503	1,570
Total non-operating income	6,326	2,687
Non-operating expenses		
Interest expenses	2,459	2,309
Foreign exchange losses	—	471
Other	1,446	1,414
Total non-operating expenses	3,905	4,194
Ordinary income	8,729	5,852
Extraordinary income		
Gain on sales of non-current assets	40	9
Gain on sales of investment securities	1,396	6
Gain on bargain purchase	1,034	—
Gain on exchange from business combination	—	1,438
Other	68	318
Total extraordinary income	2,538	1,771
Extraordinary losses		
Loss on sales and retirement of non-current assets	302	482
Impairment loss	739	1,590
Loss on disaster	76	608
Early retirement expenses	905	—
Other	145	200
Total extraordinary losses	2,167	2,880
Profit before income taxes	9,100	4,743
Income taxes - current	3,684	3,552
Refund of income taxes	—	(455)
Income taxes - deferred	633	(823)
Total income taxes	4,317	2,274
Profit	4,783	2,469
Loss attributable to non-controlling interests	(41)	(391)
Profit attributable to owners of parent	4,824	2,860

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Profit	4,783	2,469
Other comprehensive income		
Valuation difference on available-for-sale securities	4,088	(2,773)
Deferred gains or losses on hedges	15	4
Foreign currency translation adjustment	(845)	(1,122)
Remeasurements of defined benefit plans, net of tax	155	249
Total other comprehensive income	3,413	(3,642)
Comprehensive income	8,196	(1,173)
Comprehensive income attributable to		
Owners of the parent	8,350	(306)
Non-controlling interests	(154)	(867)