

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2019 (unaudited) (Based on Japanese GAAP)

November 13, 2019

Company name: Daio Paper Corporation
 Stock exchange listing: Tokyo
 Stock code: 3880 URL <https://www.daio-paper.co.jp>
 Representative: President and Representative Director Masayoshi Sako
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 Scheduled date to file Quarterly Securities Report: November 13, 2019
 Scheduled date to commence dividend payments: December 6, 2019
 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, 2019 (April 1, 2019–September 30, 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	268,618	4.2	12,409	57.5	11,278	68.1	10,814	141.9
September 30, 2018	257,684	1.9	7,881	194.0	6,708	27.8	4,471	7.4

Note: Comprehensive income

Six months ended September 30, 2019 5,116 million yen (2.0)%
 Six months ended September 30, 2018 5,222 million yen (11.2)%

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2019	72.05	64.88
September 30, 2018	30.57	26.79

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2019	749,464	200,819	25.4
As of March 31, 2019	745,866	199,339	24.9

Reference: Equity As of September 30, 2019 190,414 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: Yes

4. Notes

[1] Changes in significant subsidiaries during the six months ended September 30, 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 September 30, 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 September 30, 2019 3,623,719 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)

Six months ended September 30, 2019 150,091,165 shares

Six months ended September 30, 2018 146,257,718 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 September 30, 2019
Assets		
Current assets		
Cash and deposits	106,548	109,607
Notes and accounts receivable - trade	96,915	94,030
Electronically recorded monetary claims - operating	12,174	11,815
Inventories	76,695	80,893
Other	7,380	6,117
Allowance for doubtful accounts	(62)	(61)
Total current assets	299,650	302,401
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	81,713	80,651
Machinery, equipment and vehicles, net	135,585	136,176
Land	80,468	80,313
Other, net	39,940	45,638
Total property, plant and equipment	337,706	342,778
Intangible assets		
Goodwill	43,553	41,725
Other	11,685	14,774
Total intangible assets	55,238	56,499
Investments and other assets	53,020	47,569
Total non-current assets	445,964	446,846
Deferred assets	252	217
Total assets	745,866	749,464

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	58,774	54,601
Short-term borrowings	19,222	19,328
Current portion of convertible bond-type bonds with share acquisition rights	—	23,733
Current portion of long-term borrowings	49,839	53,252
Income taxes payable	2,250	7,117
Provisions	4,991	5,049
Other	42,741	45,164
Total current liabilities	177,817	208,244
Non-current liabilities		
Bonds payable	60,300	60,300
Convertible bond-type bonds with share acquisition rights	23,745	—
Long-term borrowings	250,755	245,410
Retirement benefit liability	22,060	22,825
Provisions	406	280
Other	11,444	11,586
Total non-current liabilities	368,710	340,401
Total liabilities	546,527	548,645
Net assets		
Shareholders' equity		
Share capital	42,859	42,859
Capital surplus	42,968	43,429
Retained earnings	99,189	109,180
Treasury shares	(2,910)	(2,910)
Total shareholders' equity	182,106	192,558
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,051	3,835
Deferred gains or losses on hedges	(20)	(2)
Foreign currency translation adjustment	(6,089)	(6,560)
Remeasurements of defined benefit plans	554	583
Total accumulated other comprehensive income	3,496	(2,144)
Non-controlling interests	13,737	10,405
Total net assets	199,339	200,819
Total liabilities and net assets	745,866	749,464

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

(Millions of yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Net sales	257,684	268,618
Cost of sales	200,265	203,277
Gross profit	57,419	65,341
Selling, general and administrative expenses	49,538	52,932
Operating profit	7,881	12,409
Non-operating income		
Interest income	106	86
Dividend income	302	337
Insurance claim income	4	394
Subsidy income	370	211
Other	835	947
Total non-operating income	1,617	1,975
Non-operating expenses		
Interest expenses	1,524	1,616
Other	1,266	1,490
Total non-operating expenses	2,790	3,106
Ordinary profit	6,708	11,278
Extraordinary income		
Gain on sales of non-current assets	8	6
Gain on sales of investment securities	—	6,778
Gain on exchange from business combination	1,438	—
Other	258	375
Total extraordinary income	1,704	7,159
Extraordinary losses		
Loss on sales and retirement of non-current assets	327	387
Impairment loss	773	2
Loss on disaster	504	304
Early retirement expenses	—	239
Other	195	233
Total extraordinary losses	1,799	1,165
Profit before income taxes	6,613	17,272
Income taxes - current	3,761	6,747
Income taxes - deferred	(1,611)	(266)
Total income taxes	2,150	6,481
Profit	4,463	10,791
Loss attributable to non-controlling interests	(8)	(23)
Profit attributable to owners of parent	4,471	10,814

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Millions of yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Profit	4,463	10,791
Other comprehensive income		
Valuation difference on available-for-sale securities	2,441	(5,209)
Deferred gains or losses on hedges	72	18
Foreign currency translation adjustment	(1,936)	(513)
Remeasurements of defined benefit plans, net of tax	182	29
Total other comprehensive income	759	(5,675)
Comprehensive income	5,222	5,116
Comprehensive income attributable to		
Owners of the parent	5,570	5,174
Non-controlling interests	(348)	(58)