

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (unaudited) (Based on Japanese GAAP)

May 15, 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
 Inquiries: Executive Officer and General Manager, Accounting Department Junichi Ikawa TEL 03-6856-7513
 Scheduled date of Ordinary General Meeting of Shareholders: June 26, 2020
 Scheduled date of filing financial report: June 26, 2020
 Scheduled date of the commencement of dividend payments: June 29, 2020
 Availability of supplementary material on annual financial results: Yes
 Schedule of annual 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 Fiscal Year Ended March 31, 2020 (April 1, 2019–March 31, 2020)

(1) Consolidated Operating Results

(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	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2020	546,433	2.3	30,629	152.7	28,112	185.6	19,199	308.8
March 31, 2019	533,890	0.5	12,122	9.6	9,842	(23.0)	4,697	18.3

Note: Comprehensive income

Fiscal year ended March 31, 2020	13,477 million yen	751.4%
Fiscal year ended March 31, 2019	1,583 million yen	(42.1)%

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2020	127.91	115.18	10.0	3.7	5.6
March 31, 2019	31.70	28.09	2.6	1.4	2.3

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	763,060	209,536	26.1	1,319.57
As of March 31, 2019	745,866	199,339	24.9	1,236.58

Reference: Equity	As of March 31, 2020	199,134 million yen
	As of March 31, 2019	185,602 million yen

(3) Consolidated Cash Flow

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2020	68,013	(47,870)	(14,050)	109,385
March 31, 2019	40,287	(62,110)	65,898	103,407

2. Dividends

	Annual dividends per share					Total dividends	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1 st quarter end	2 nd quarter end	3 rd quarter end	Fiscal year end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2019	—	5.00	—	5.50	10.50	1,582	33.1	0.9
March 31, 2020	—	5.00	—	8.50	13.50	2,043	10.6	1.1
Fiscal year ending March 31, 2021 (Forecast)	—	7.00	—	8.50	15.50		18.0	

Note: Breakdown of year-end dividend for the fiscal year ended March 31, 2020

Ordinary dividend 7.50 yen Commemorative dividend 1.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020–March 31, 2021)

(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
Six months ending September 30, 2020	255,000	(5.1)	9,000	(27.5)	7,500	(33.5)	3,000	(72.3)	19.88
Full fiscal year	565,000	3.4	28,000	(8.6)	25,000	(11.1)	13,000	(32.3)	86.15

Note: Regarding the impact of COVID-19, please refer to page 9 of the supplementary material available on the Company's website.

4. Others

- [1] Changes in significant subsidiaries during the period under review
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New —

Eliminated —

- [2] Changes in accounting principles, changes in accounting estimates and restatements

- 1) Changes in accounting policies due to the revision of accounting standards: No
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatements: No

- [3] Number of issued shares (common shares)

- (i) Number of issued shares (including treasury shares) as of:
 - March 31, 2020 154,531,953 shares
 - March 31, 2019 153,713,191 shares
- (ii) Number of treasury shares as of:
 - March 31, 2020 3,624,453 shares
 - March 31, 2019 3,620,340 shares
- (iii) Average number of shares during the period:
 - Fiscal year ended March 31, 2020 150,093,145 shares
 - Fiscal year ended March 31, 2019 148,162,461 shares

1. Non-consolidated Financial Results for the Fiscal Year Ended 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.)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2020	60.88	54.79
March 31, 2019	(46.23)	—

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	669,574	141,287	21.1	931.88
As of March 31, 2019	652,489	138,490	21.2	918.38

*This report is not required to be audited by certified public accountants or audit corporations.

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 annual financial results will be posted on the Company's following website.

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

Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	106,548	113,054
Notes and accounts receivable - trade	96,915	92,742
Electronically recorded monetary claims - operating	12,174	10,982
Merchandise and finished goods	41,557	42,667
Work in process	6,337	6,767
Raw materials and supplies	28,801	27,864
Other	7,380	4,945
Allowance for doubtful accounts	(62)	(2)
Total current assets	299,650	299,019
Non-current assets		
Property, plant and equipment		
Buildings and structures	226,249	227,571
Accumulated depreciation	(144,536)	(148,743)
Buildings and structures, net	81,713	78,828
Machinery, equipment and vehicles	874,571	887,255
Accumulated depreciation	(738,986)	(747,628)
Machinery, equipment and vehicles, net	135,585	139,627
Land	80,468	81,890
Construction in progress	29,750	49,900
Other	22,453	25,040
Accumulated depreciation	(12,263)	(13,161)
Other, net	10,190	11,879
Total property, plant and equipment	337,706	362,124
Intangible assets		
Goodwill	43,553	39,941
Other	11,685	16,936
Total intangible assets	55,238	56,877
Investments and other assets		
Investment securities	32,861	23,182
Long-term loans receivable	3,840	3,824
Retirement benefit asset	—	845
Deferred tax assets	5,420	8,126
Other	11,930	9,922
Allowance for doubtful accounts	(1,031)	(1,040)
Total investments and other assets	53,020	44,859
Total non-current assets	445,964	463,860
Deferred assets	252	181
Total assets	745,866	763,060

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	58,774	53,135
Short-term borrowings	19,222	15,453
Current portion of bonds with share acquisition rights	—	22,541
Current portion of long-term borrowings	49,839	53,724
Accounts payable - other	29,312	39,216
Income taxes payable	2,250	10,947
Provision for bonuses	4,893	5,217
Provision for bonuses for directors (and other officers)	98	129
Other	13,429	15,072
Total current liabilities	177,817	215,434
Non-current liabilities		
Bonds payable	60,300	60,300
Convertible bond-type bonds with share acquisition rights	23,745	—
Long-term borrowings	250,755	242,101
Retirement benefit liability	22,060	23,255
Provision for retirement benefits for directors (and other officers)	311	194
Provision for environmental measures	27	25
Other	11,512	12,215
Total non-current liabilities	368,710	338,090
Total liabilities	546,527	553,524
Net assets		
Shareholders' equity		
Share capital	42,859	43,449
Capital surplus	42,968	44,095
Retained earnings	99,189	116,818
Treasury shares	(2,910)	(3,065)
Total shareholders' equity	182,106	201,297
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,051	2,799
Deferred gains or losses on hedges	(20)	10
Foreign currency translation adjustment	(6,089)	(5,443)
Remeasurements of defined benefit plans	554	470
Total accumulated other comprehensive income	3,496	(2,164)
Non-controlling interests	13,737	10,403
Total net assets	199,339	209,536
Total liabilities and net assets	745,866	763,060

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net sales	533,890	546,433
Cost of sales	417,513	406,127
Gross profit	116,377	140,306
Selling, general and administrative expenses	104,255	109,677
Operating profit	12,122	30,629
Non-operating income		
Interest income	195	166
Dividend income	578	592
Rental income from non-current assets	361	393
Insurance claim income	214	436
Subsidy income	568	411
Other	1,417	1,941
Total non-operating income	3,333	3,939
Non-operating expenses		
Interest expenses	3,113	3,202
Foreign exchange losses	377	1,028
Other	2,123	2,226
Total non-operating expenses	5,613	6,456
Ordinary profit	9,842	28,112
Extraordinary income		
Gain on exchange from business combination	1,438	—
Gain on sales of investment securities	71	6,778
Other	891	790
Total extraordinary income	2,400	7,568
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,070	1,499
Loss on disaster	998	463
Impairment loss	3,019	1,742
Other	185	725
Total extraordinary losses	5,272	4,429
Profit before income taxes	6,970	31,251
Income taxes - current	5,159	12,633
Refund of income taxes	(454)	(344)
Income taxes - deferred	(1,069)	(224)
Total income taxes	3,636	12,065
Profit	3,334	19,186
Loss attributable to non-controlling interests	(1,363)	(13)
Profit attributable to owners of parent	4,697	19,199

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Profit	3,334	19,186
Other comprehensive income		
Valuation difference on available-for-sale securities	(855)	(6,341)
Deferred gains or losses on hedges	(20)	30
Foreign currency translation adjustment	(2,116)	685
Remeasurements of defined benefit plans, net of tax	1,240	(83)
Total other comprehensive income	(1,751)	(5,709)
Comprehensive income	1,583	13,477
Comprehensive income attributable to		
Owners of parent	3,291	13,539
Non-controlling interests	(1,708)	(62)

(3) Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	39,707	39,817	96,513	(2,909)	173,128
Changes during period					
Dividends of surplus			(1,545)		(1,545)
Conversion of convertible bonds	3,151	3,151			6,303
Profit attributable to owners of parent			4,697		4,697
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares					—
Change in scope of consolidation			(476)		(476)
Capital increase of consolidated subsidiaries					—
Purchase of shares of consolidated subsidiaries					—
Net changes of items other than shareholders' equity					
Total changes during period	3,151	3,151	2,676	((1))	8,978
Balance at end of period	42,859	42,968	99,189	(2,910)	182,106

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	9,888	—	(4,302)	(684)	4,902	15,035	193,065
Changes during period							
Dividends of surplus							(1,545)
Conversion of convertible bonds							6,303
Profit attributable to owners of parent							4,697
Purchase of treasury shares							(1)
Disposal of treasury shares							—
Change in scope of consolidation							(476)
Capital increase of consolidated subsidiaries							—
Purchase of shares of consolidated subsidiaries							—
Net changes of items other than shareholders' equity	(837)	(20)	(1,787)	1,238	(1,406)	(1,298)	(2,704)
Total changes during period	(837)	(20)	(1,787)	1,238	(1,406)	(1,298)	6,274
Balance at end of period	9,051	(20)	(6,089)	554	3,496	13,737	199,339

Consolidated fiscal year under review (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	42,859	42,968	99,189	(2,910)	182,106
Changes during period					
Dividends of surplus			(1,570)		(1,570)
Conversion of convertible bonds	590	590			1,180
Profit attributable to owners of parent			19,199		19,199
Purchase of treasury shares				(419)	(419)
Disposal of treasury shares		154		264	418
Change in scope of consolidation					—
Capital increase of consolidated subsidiaries		(93)			(93)
Purchase of shares of consolidated subsidiaries		476			476
Net changes of items other than shareholders' equity					
Total changes during period	590	1,127	17,629	(155)	19,191
Balance at end of period	43,449	44,095	116,818	(3,065)	201,297

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	9,051	(20)	(6,089)	554	3,496	13,737	199,339
Changes during period							
Dividends of surplus							(1,570)
Conversion of convertible bonds							1,180
Profit attributable to owners of parent							19,199
Purchase of treasury shares							(419)
Disposal of treasury shares							418
Change in scope of consolidation							—
Capital increase of consolidated subsidiaries							(93)
Purchase of shares of consolidated subsidiaries							476
Net changes of items other than shareholders' equity	(6,252)	30	646	(84)	(5,660)	(3,334)	(8,994)
Total changes during period	(6,252)	30	646	(84)	(5,660)	(3,334)	10,197
Balance at end of period	2,799	10	(5,443)	470	(2,164)	10,403	209,536

(4) Consolidated Statement of Cash Flows

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	6,970	31,251
Depreciation	33,331	31,843
Impairment loss	3,019	1,742
Amortization of goodwill	3,583	3,559
Gain on exchange from business combination	(1,438)	—
Increase (decrease) in allowance for doubtful accounts	93	(51)
Loss (gain) on sales of investment securities	(44)	(6,778)
Increase (decrease) in retirement benefit asset and liability	1,028	220
Interest and dividend income	(773)	(757)
Interest expenses	3,113	3,202
Foreign exchange losses (gains)	377	776
Subsidy income	(568)	(411)
Insurance claim income	(926)	(604)
Loss (gain) on sales of property, plant and equipment	13	23
Loss on retirement of property, plant and equipment	1,045	1,464
Decrease (increase) in trade receivables	330	5,448
Decrease (increase) in inventories	(4,880)	3
Increase (decrease) in trade payables	335	(5,653)
Increase/decrease in other assets/liabilities	(19)	5,235
Increase (decrease) in accrued consumption taxes	(283)	2,193
Other, net	(1)	(57)
Subtotal	44,305	72,648
Interest and dividends received	1,072	940
Interest paid	(3,335)	(3,638)
Subsidies received	970	918
Proceeds from insurance income	872	579
Income taxes paid	(4,726)	(4,134)
Income taxes refund	1,129	700
Net cash provided by (used in) operating activities	40,287	68,013
Cash flows from investing activities		
Decrease (increase) in time deposits	3,333	(544)
Purchase of property, plant and equipment	(64,380)	(49,096)
Proceeds from sales of property plant and equipment	2,434	514
Purchase of investment securities	(228)	(209)
Proceeds from sales of investment securities	324	8,142
Purchase of intangible assets	(3,560)	(6,723)
Loan advances	(644)	(474)
Collection of loans receivable	575	474
Payments of leasehold deposits	(596)	(20)
Proceeds from exchanges of shares of subsidiaries resulting from change in scope of consolidation	1,581	—
Other, net	(949)	66
Net cash provided by (used in) investing activities	(62,110)	(47,870)

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6,616)	(3,769)
Proceeds from long-term borrowings	105,000	45,110
Repayments of long-term borrowings	(50,646)	(49,879)
Proceeds from issuance of bonds	19,909	—
Proceeds from share issuance to non-controlling shareholders	410	—
Dividends paid	(1,545)	(1,570)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(2,888)
Other, net	(614)	(1,054)
Net cash provided by (used in) financing activities	65,898	(14,050)
Effect of exchange rate change on cash and cash equivalents	(731)	(115)
Net increase (decrease) in cash and cash equivalents	43,344	5,978
Cash and cash equivalents at beginning of period	60,086	103,407
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(23)	—
Cash and cash equivalents at end of period	103,407	109,385