

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 (unaudited) (Based on Japanese GAAP)

August 7, 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: August 7, 2020
 Scheduled date to commence dividend payments: —
 Availability of supplementary material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes

(Amounts are rounded down to millions of yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (April 1, 2020–June 30, 2020)

(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	%
Three months ended June 30, 2020	120,706	(7.5)	7,131	45.8	6,944	45.4	5,960	161.0
June 30, 2019	130,524	1.3	4,892	11.6	4,776	27.2	2,283	30.4

Note: Comprehensive income

Three months ended June 30, 2020	5,847	million yen	129.7%
Three months ended June 30, 2019	2,545	million yen	321.0%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2020	39.46	35.73
June 30, 2019	15.21	13.69

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2020	804,443	205,334	25.3
As of March 31, 2020	763,059	209,536	26.1

Reference: Equity	As of June 30, 2020	203,882	million yen
	As of March 31, 2020	199,133	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, 2020	—	5.00	—	8.50	13.50
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (Forecast)		7.00	—	8.50	15.50

Note: Changes to latest dividends forecast: None

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)	19.86
Full fiscal year	565,000	3.4	28,000	(8.6)	25,000	(11.1)	13,000	(32.3)	86.06

Note: Changes to latest financial results forecasts: None

4. Notes

[1] Changes in significant subsidiaries during the three months ended June 30, 2020

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

New 2 (Company name: Elleair International Turkey Kisisel Bakim Urunleri Uretim A.S.,
H&PC BRAZIL PARTICIPACOES S.A.)

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 June 30, 2020 154,531,953 shares

As of March 31, 2020 154,531,953 shares

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

As of June 30, 2020 3,469,371 shares

As of March 31, 2020 3,624,453 shares

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

Three months ended June 30, 2020 151,062,583 shares

Three months ended June 30, 2019 150,092,818 shares

The Company introduced a stock-based incentive system that uses a trust delivery system in the previous fiscal year, and the Company's shares held in the trust are recorded as treasury 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/

3.Monetary amounts of the accounts and other matters presented in the Company's quarterly consolidated financial statements were rounded off to the nearest specified unit previously. However, as of the fiscal year under review, amounts above one million yen are rounded down to the millions. Accordingly, comparative information has been adjusted to reflect this change.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	113,054	108,685
Notes and accounts receivable - trade	92,741	90,106
Electronically recorded monetary claims - operating	10,982	7,044
Inventories	77,298	84,084
Other	4,944	8,119
Allowance for doubtful accounts	(2)	(409)
Total current assets	299,018	297,631
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	78,828	84,153
Machinery, equipment and vehicles, net	139,627	150,422
Land	81,889	81,872
Other, net	61,778	57,548
Total property, plant and equipment	362,123	373,996
Intangible assets		
Goodwill	39,941	67,158
Other	16,935	18,192
Total intangible assets	56,876	85,350
Investments and other assets	44,859	47,301
Total non-current assets	463,859	506,648
Deferred assets	180	163
Total assets	763,059	804,443

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,135	59,407
Short-term borrowings	15,452	23,851
Current portion of bonds with share acquisition rights	22,540	22,534
Current portion of long-term borrowings	53,724	49,619
Income taxes payable	10,946	3,409
Provisions	5,345	2,960
Other	54,288	60,256
Total current liabilities	215,433	222,039
Non-current liabilities		
Bonds payable	60,300	62,368
Long-term borrowings	242,100	277,128
Retirement benefit liability	23,254	22,594
Provisions	298	220
Other	12,135	14,758
Total non-current liabilities	338,089	377,069
Total liabilities	553,523	599,109
Net assets		
Shareholders' equity		
Share capital	43,449	43,449
Capital surplus	44,095	44,095
Retained earnings	116,818	121,426
Treasury shares	(3,064)	(3,066)
Total shareholders' equity	201,297	205,903
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,799	3,725
Deferred gains or losses on hedges	9	(4)
Foreign currency translation adjustment	(5,443)	(6,680)
Remeasurements of defined benefit plans	470	938
Total accumulated other comprehensive income	(2,163)	(2,021)
Non-controlling interests	10,402	1,451
Total net assets	209,536	205,334
Total liabilities and net assets	763,059	804,443

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

(Millions of yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Net sales	130,524	120,706
Cost of sales	99,869	88,571
Gross profit	30,654	32,134
Selling, general and administrative expenses	25,762	25,002
Operating profit	4,892	7,131
Non-operating income		
Interest income	40	38
Dividend income	300	269
Share of profit of entities accounted for using equity method	—	29
Insurance claim income	393	0
Ship lease	114	331
Other	482	846
Total non-operating income	1,331	1,516
Non-operating expenses		
Interest expenses	809	789
Expenses for ship lease	79	490
Other	558	424
Total non-operating expenses	1,447	1,703
Ordinary profit	4,776	6,944
Extraordinary income		
Foreign exchange gains	—	2,088
Gain on sales of non-current assets	3	27
Insurance claim income	4	820
Other	0	40
Total extraordinary income	8	2,977
Extraordinary losses		
Loss on sales and retirement of non-current assets	133	178
Loss on valuation of investment securities	17	335
Impairment loss	2	1
Loss on disaster	116	82
Early retirement expenses	238	—
Other	0	6
Total extraordinary losses	507	604
Profit before income taxes	4,277	9,317
Income taxes - current	1,691	2,495
Income taxes - deferred	297	843
Total income taxes	1,989	3,339
Profit	2,288	5,977
Profit attributable to non-controlling interests	4	16
Profit attributable to owners of parent	2,283	5,960

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Profit	2,288	5,977
Other comprehensive income		
Valuation difference on available-for-sale securities	(333)	912
Deferred gains or losses on hedges	(88)	(13)
Foreign currency translation adjustment	656	(1,510)
Remeasurements of defined benefit plans, net of tax	22	467
Share of other comprehensive income of entities accounted for using equity method	—	13
Total other comprehensive income	257	(130)
Comprehensive income	2,545	5,847
Comprehensive income attributable to		
Owners of the parent	2,553	6,103
Non-controlling interests	(8)	(256)