

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (unaudited) (Based on Japanese GAAP)

May 17, 2019

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 of Ordinary General Meeting of Shareholders: June 27, 2019
 Scheduled date of filing financial report: June 28, 2019
 Scheduled date of the commencement of dividend payments: June 28, 2019
 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, 2019 (April 1, 2018–March 31, 2019)

(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 income		Ordinary income		Profit attributable to owners of parent	
Fiscal Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2019	533,890	0.5	12,122	9.6	9,842	(23.0)	4,697	18.3
March 31, 2018	531,311	11.4	11,062	(53.0)	12,779	(40.1)	3,971	(67.3)

Note: Comprehensive income

Fiscal year ended March 31, 2019	1,583 million yen	(42.1)%
Fiscal year ended March 31, 2018	2,735 million yen	(81.7)%

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
Fiscal Year ended	Yen	Yen	%	%	%
March 31, 2019	31.70	28.09	2.6	1.4	2.3
March 31, 2018	27.25	23.72	2.2	1.9	2.1

(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, 2019	745,866	199,339	24.9	1,236.58
As of March 31, 2018	686,141	193,065	25.9	1,221.65

Reference: Equity	As of March 31, 2019	185,602 million yen
	As of March 31, 2018	178,030 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, 2019	40,287	(62,110)	65,898	103,407
March 31, 2018	28,285	(51,485)	386	60,086

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	End of fiscal year	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2018	—	5.00	—	5.50	10.50	1,538	38.5	0.9
March 31, 2019	—	5.00	—	5.50	10.50	1,582	33.1	0.9
Fiscal year ending March 31, 2020 (Forecast)	—	5.00	—	5.50	10.50		17.5	

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 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
Six months ending September 30, 2020	270,000	4.8	7,000	(11.2)	5,500	(18.0)	2,500	(44.1)	16.66
Full fiscal year	560,000	4.9	20,000	65.0	17,000	72.7	9,000	91.6	59.96

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, 2019 | 153,713,191 shares |
| March 31, 2018 | 149,348,785 shares |
- (ii) Number of treasury shares as of:
- | | |
|----------------|------------------|
| March 31, 2019 | 3,620,340 shares |
| March 31, 2018 | 3,619,781 shares |
- (iii) Average number of shares during the period:
- | | |
|----------------------------------|--------------------|
| Fiscal year ended March 31, 2019 | 148,162,461 shares |
| Fiscal year ended March 31, 2018 | 145,729,195 shares |

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

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2019	(46.23)	—
March 31, 2018	39.29	34.27

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	652,489	138,490	21.2	918.38
As of March 31, 2018	599,709	141,374	23.6	965.44

*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, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	66,680	106,548
Notes and accounts receivable - trade	98,334	96,915
Electronically recorded monetary claims - operating	11,419	12,174
Merchandise and finished goods	40,929	41,557
Work in process	6,121	6,337
Raw materials and supplies	25,052	28,801
Other	8,437	7,380
Allowance for doubtful accounts	(7)	(62)
Total current assets	256,965	299,650
Non-current assets		
Property, plant and equipment		
Buildings and structures	214,476	226,249
Accumulated depreciation	(140,181)	(144,536)
Buildings and structures, net	74,295	81,713
Machinery, equipment and vehicles	854,013	874,571
Accumulated depreciation	(722,513)	(738,986)
Machinery, equipment and vehicles, net	131,500	135,585
Land	79,987	80,468
Construction in progress	24,255	29,750
Other	21,470	22,453
Accumulated depreciation	(11,943)	(12,263)
Other, net	9,527	10,190
Total property, plant and equipment	319,564	337,706
Intangible assets		
Goodwill	47,443	43,553
Other	9,050	11,685
Total intangible assets	56,493	55,238
Investments and other assets		
Investment securities	33,466	32,861
Long-term loans receivable	3,804	3,840
Deferred tax assets	6,139	5,420
Other	10,478	11,930
Allowance for doubtful accounts	(993)	(1,031)
Total investments and other assets	52,894	53,020
Total non-current assets	428,951	445,964
Deferred assets	225	252
Total assets	686,141	745,866

(Millions of Yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	58,686	58,774
Short-term loans payable	24,734	19,222
Current portion of long-term loans payable	50,558	49,839
Accounts payable - other	37,151	30,161
Current portion of long-term accounts payable - facilities	1,374	811
Income taxes payable	2,090	2,250
Provision for bonuses	5,013	4,893
Provision for directors' bonuses	106	98
Other	12,440	12,618
Total current liabilities	192,152	178,666
Non-current liabilities		
Bonds payable	40,300	60,300
Convertible bond-type bonds with subscription rights to shares	30,075	23,745
Long-term loans payable	195,681	250,755
Long-term accounts payable - facilities	1,789	1,094
Net defined benefit liability	22,884	22,060
Provision for directors' retirement benefits	296	311
Provision for environmental measures	26	27
Provision for loss on business of subsidiaries and associates	121	68
Other	9,752	9,501
Total non-current liabilities	300,924	367,861
Total liabilities	493,076	546,527
Net assets		
Shareholders' equity		
Capital stock	39,707	42,859
Capital surplus	39,817	42,968
Retained earnings	96,513	99,189
Treasury shares	(2,909)	(2,910)
Total shareholders' equity	173,128	182,106
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,888	9,051
Deferred gains or losses on hedges	—	(20)
Foreign currency translation adjustment	(4,302)	(6,089)
Remeasurements of defined benefit plans	(684)	554
Total accumulated other comprehensive income	4,902	3,496
Non-controlling interests	15,035	13,737
Total net assets	193,065	199,339
Total liabilities and net assets	686,141	745,866

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

Consolidated Statement of Income

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Net sales	531,311	533,890
Cost of sales	409,937	417,513
Gross profit	121,374	116,377
Selling, general and administrative expenses	110,312	104,255
Operating income	11,062	12,122
Non-operating income		
Interest income	264	195
Dividend income	703	578
Rent income on non-current assets	316	361
Subsidy income	3,720	568
Other	1,797	1,631
Total non-operating income	6,900	3,333
Non-operating expenses		
Interest expenses	3,201	3,113
Other	1,972	2,500
Total non-operating expenses	5,183	5,613
Ordinary income	12,779	9,842
Extraordinary income		
Gain on exchange from business combination	—	1,438
Gain on sales of non-current assets	150	12
Gain on sales of investment securities	5,754	71
Insurance income	123	712
Gain on bargain purchase	1,034	—
Other	12	167
Total extraordinary income	7,073	2,400
Extraordinary losses		
Loss on sales and retirement of non-current assets	598	1,070
Loss on sales of investment securities	155	27
Loss on valuation of investment securities	24	—
Loss on disaster	177	998
Impairment loss	6,848	3,019
Early retirement expenses	894	—
Other	32	158
Total extraordinary losses	8,728	5,272
Profit before income taxes	11,124	6,970
Income taxes - current	5,488	5,159
Refund of income taxes	—	(454)
Income taxes - deferred	1,835	(1,069)
Total income taxes	7,323	3,636
Profit	3,801	3,334
Loss attributable to non-controlling interests	(170)	(1,363)
Profit attributable to owners of parent	3,971	4,697

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Profit	3,801	3,334
Other comprehensive income		
Valuation difference on available-for-sale securities	(879)	(855)
Deferred gains or losses on hedges	—	(20)
Foreign currency translation adjustment	(41)	(2,116)
Remeasurements of defined benefit plans, net of tax	(146)	1,240
Total other comprehensive income	(1,066)	(1,751)
Comprehensive income	2,735	1,583
Comprehensive income attributable to		
Owners of parent	3,029	3,291
Non-controlling interests	(294)	(1,708)

(3) Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	39,707	39,817	94,067	(2,909)	170,682
Changes of items during period					
Dividends of surplus			(1,524)		(1,524)
Profit attributable to owners of parent			3,971		3,971
Purchase of treasury shares				(0)	(0)
Change in scope of consolidation			(1)		(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	2,446	(0)	2,446
Balance at end of current period	39,707	39,817	96,513	(2,909)	173,128

	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 current period	10,815	—	(4,432)	(540)	5,843	14,554	191,079
Changes of items during period							
Dividends of surplus							(1,524)
Profit attributable to owners of parent							3,971
Purchase of treasury shares							(0)
Change in scope of consolidation							(1)
Net changes of items other than shareholders' equity	(927)	—	130	(144)	(941)	481	(460)
Total changes of items during period	(927)	—	130	(144)	(941)	481	1,986
Balance at end of current period	9,888	—	(4,302)	(684)	4,902	15,035	193,065

Consolidated fiscal year under review (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	39,707	39,817	96,513	(2,909)	173,128
Changes of items during period					
Dividends of surplus			(1,545)		(1,545)
Conversion of convertible bonds	3,152	3,151			6,303
Profit attributable to owners of parent			4,697		4,697
Purchase of treasury shares				(1)	(1)
Change in scope of consolidation			(476)		(476)
Net changes of items other than shareholders' equity					
Total changes of items during period	3,152	3,151	2,676	(1)	8,978
Balance at end of current 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 current period	9,888	—	(4,302)	(684)	4,902	15,035	193,065
Changes of items 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)
Change in scope of consolidation							(476)
Net changes of items other than shareholders' equity	(837)	(20)	(1,787)	1,238	(1,406)	(1,298)	(2,704)
Total changes of items during period	(837)	(20)	(1,787)	1,238	(1,406)	(1,298)	6,274
Balance at end of current period	9,051	(20)	(6,089)	554	3,496	13,737	199,339

(4) Consolidated Statement of Cash Flows

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	11,124	6,970
Depreciation	31,171	33,331
Impairment loss	6,848	3,019
Early retirement expenses	894	—
Amortization of goodwill	4,026	3,583
Gain on bargain purchase	(1,034)	—
Gain on exchange from business combination	—	(1,438)
Increase (decrease) in allowance for doubtful accounts	(38)	93
Loss (gain) on sales of investment securities	(5,600)	(44)
Increase (decrease) in net defined benefit liability	45	1,028
Interest and dividend income	(967)	(773)
Interest expenses	3,201	3,113
Foreign exchange losses (gains)	(100)	377
Subsidy income	(3,720)	(568)
Insurance income	(141)	(926)
Loss (gain) on sales of property, plant and equipment	(129)	13
Loss on retirement of property, plant and equipment	577	1,045
Decrease (increase) in notes and accounts receivable - trade	(8,012)	330
Decrease (increase) in inventories	(5,223)	(4,880)
Increase (decrease) in notes and accounts payable - trade	5,013	335
Increase/decrease in other assets/liabilities	3,660	(19)
Increase (decrease) in accrued consumption taxes	(786)	(283)
Other, net	(688)	(1)
Subtotal	40,121	44,305
Interest and dividends income	1,291	1,072
Interest expenses	(3,462)	(3,335)
Payments for early retirement expenses	(888)	—
Proceeds from subsidy income	3,924	970
Proceeds from insurance income	206	872
Income taxes paid	(12,907)	(4,726)
Income taxes refund	—	1,129
Net cash provided by (used in) operating activities	28,285	40,287
Cash flows from investing activities		
Net decrease (increase) in time deposits	(114)	3,333
Purchase of property, plant and equipment	(31,019)	(64,380)
Proceeds from sales of property plant and equipment	1,293	2,434
Purchase of investment securities	(166)	(228)
Proceeds from sales of investment securities	9,321	324
Purchase of intangible assets	(2,806)	(3,560)
Payments of loans receivable	(14)	(644)
Collection of loans receivable	6	575
Payments for lease deposits	(56)	(596)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(27,021)	—
Proceeds from exchanges of shares of subsidiaries resulting from change in scope of consolidation	—	1,581
Other, net	(909)	(949)
Net cash provided by (used in) investing activities	(51,485)	(62,110)

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,826)	(6,616)
Proceeds from long-term loans payable	52,150	105,000
Repayments of long-term loans payable	(73,362)	(50,646)
Proceeds from issuance of bonds	24,890	19,909
Proceeds from issuance of common stock assigned to non-controlling interests	776	410
Cash dividends paid	(1,620)	(1,545)
Other, net	(622)	(614)
Net cash provided by (used in) financing activities	386	65,898
Effect of exchange rate change on cash and cash equivalents	165	(731)
Net increase (decrease) in cash and cash equivalents	(22,649)	43,344
Cash and cash equivalents at beginning of period	82,733	60,086
Increase in cash and cash equivalents from newly consolidated subsidiary	2	—
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	(23)
Cash and cash equivalents at end of period	60,086	103,407