

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (unaudited) (Based on Japanese GAAP)

November 11, 2022

Company name: Daio Paper Corporation
 Stock exchange listing: Tokyo
 Stock code: 3880 URL <https://www.daio-paper.co.jp>
 Representative: President and Representative Director Chief Executive Officer Yorifusa Wakabayashi
 Inquiries: Executive Officer and General Manager, Accounting Department Junichi Ikawa TEL 03-6856-7513
 Scheduled date to file Quarterly Securities Report: November 11, 2022
 Scheduled date to commence dividend payments: December 6, 2022
 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 down to millions of yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022–September 30, 2022)

(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 | % |
| Six months ended September 30, 2022 | 308,679 | 4.0 | (7,265) | — | (7,792) | — | (8,301) | — |
| Six months ended September 30, 2021 | 296,873 | 13.5 | 19,235 | 36.1 | 17,688 | 44.4 | 11,456 | 22.4 |

Note: Comprehensive income

| | | |
|-------------------------------------|--------------------|--------|
| Six months ended September 30, 2022 | 10,294 million yen | -41.8% |
| Six months ended September 30, 2021 | 17,693 million yen | 125.9% |

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Six months ended | Yen | Yen |
| September 30, 2022 | (50.02) | — |
| September 30, 2021 | 69.02 | — |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of September 30, 2022 | 910,525 | 275,287 | 29.2 |
| As of March 31, 2022 | 840,441 | 266,704 | 30.8 |

| | | |
|-------------------|--------------------------|---------------------|
| Reference: Equity | As of September 30, 2022 | 265,818 million yen |
| | As of March 31, 2022 | 259,089 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, 2022 | — | 10.00 | — | 12.00 | 22.00 |
| Fiscal year ending March 31, 2023 | — | 7.00 | | | |
| Fiscal year ending March 31, 2023 (Forecast) | | | — | 9.00 | 16.00 |

Note: Changes to latest dividends forecast: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022–March 31, 2023)

(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 | 660,000 | 7.8 | (14,000) | — | (18,000) | — | (30,000) | — | (180.71) |

Note: Changes to latest financial results forecasts: Yes

4. Notes

[1] Changes in significant subsidiaries during the Six months ended September 30, 2022

(changes in specified subsidiaries resulting in the 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: Yes

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, 2022 169,012,926 shares

As of March 31, 2022 169,012,926 shares

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

As of September 30, 2022 2,961,256 shares

As of March 31, 2022 3,091,782 shares

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

Six months ended September 30, 2022 165,968,470 shares

Six months ended September 30, 2021 165,986,780 shares

The Company introduced a stock-based incentive system that uses a trust delivery system, and the Company's shares held in the trust are recorded as treasury shares. And the Company introduced a "Trust-Type Employee Stock Ownership Plan (ESOP)" as an incentive plan by utilizing the Group's employee shareholding association, 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/

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2022 | As of September 30, 2022 |
|--|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 89,165 | 96,065 |
| Notes and accounts receivable - trade, and contract assets | 92,641 | 106,900 |
| Electronically recorded monetary claims - operating | 7,988 | 10,146 |
| Inventories | 86,906 | 113,467 |
| Other | 15,063 | 14,789 |
| Allowance for doubtful accounts | (465) | (574) |
| Total current assets | 291,300 | 340,794 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 97,181 | 101,402 |
| Machinery, equipment and vehicles, net | 194,928 | 200,604 |
| Land | 83,183 | 85,079 |
| Other, net | 45,902 | 49,507 |
| Total property, plant and equipment | 421,195 | 436,593 |
| Intangible assets | | |
| Goodwill | 50,489 | 52,988 |
| Other | 31,529 | 32,974 |
| Total intangible assets | 82,018 | 85,963 |
| Investments and other assets | 45,787 | 47,056 |
| Total non-current assets | 549,001 | 569,613 |
| Deferred assets | 139 | 117 |
| Total assets | 840,441 | 910,525 |

(Millions of yen)

| | As of March 31, 2022 | As of September 30, 2022 |
|--|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 75,384 | 89,892 |
| Commercial papers | — | 20,000 |
| Short-term borrowings | 13,738 | 18,586 |
| Current portion of bonds payable | 15,000 | 15,000 |
| Current portion of long-term borrowings | 65,580 | 71,831 |
| Income taxes payable | 3,133 | 1,249 |
| Provision for bonuses | 5,550 | 5,899 |
| Provision for bonuses for directors (and other officers) | 156 | 81 |
| Other | 59,778 | 51,262 |
| Total current liabilities | 238,321 | 273,803 |
| Non-current liabilities | | |
| Bonds payable | 45,000 | 45,000 |
| Long-term borrowings | 239,324 | 259,868 |
| Retirement benefit liability | 23,937 | 24,493 |
| Provision for retirement benefits for directors (and other officers) | 81 | 53 |
| Provision for share awards | 310 | 405 |
| Provision for environmental measures | 12 | 12 |
| Provision for loss on business of subsidiaries and associates | 37 | 37 |
| Other | 26,710 | 31,564 |
| Total non-current liabilities | 335,415 | 361,435 |
| Total liabilities | 573,736 | 635,238 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 53,884 | 53,884 |
| Capital surplus | 55,112 | 55,112 |
| Retained earnings | 156,450 | 145,703 |
| Treasury shares | (4,122) | (3,878) |
| Total shareholders' equity | 261,325 | 250,822 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,445 | 2,727 |
| Deferred gains or losses on hedges | 219 | 320 |
| Foreign currency translation adjustment | (7,189) | 10,792 |
| Remeasurements of defined benefit plans | 1,288 | 1,156 |
| Total accumulated other comprehensive income | (2,235) | 14,996 |
| Non-controlling interests | 7,614 | 9,468 |
| Total net assets | 266,704 | 275,287 |
| Total liabilities and net assets | 840,441 | 910,525 |

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

Consolidated statements of income (cumulative)

(Millions of yen)

| | For the Six months ended September 30, 2021 | For the Six months ended September 30, 2022 |
|---|--|--|
| Net sales | 296,873 | 308,679 |
| Cost of sales | 215,648 | 250,160 |
| Gross profit | 81,225 | 58,519 |
| Selling, general and administrative expenses | 61,989 | 65,784 |
| Operating profit (loss) | 19,235 | (7,265) |
| Non-operating income | | |
| Interest income | 163 | 278 |
| Dividend income | 281 | 770 |
| Share of profit of entities accounted for using equity method | 44 | 95 |
| Exchange gain | — | 1,923 |
| Other | 1,109 | 1,274 |
| Total non-operating income | 1,599 | 4,342 |
| Non-operating expenses | | |
| Interest expenses | 2,063 | 2,577 |
| Loss on the net monetary position | — | 871 |
| Other | 1,083 | 1,421 |
| Total non-operating expenses | 3,147 | 4,869 |
| Ordinary profit (loss) | 17,688 | (7,792) |
| Extraordinary income | | |
| Gain on sales of non-current assets | 12 | 46 |
| Gain on sales of investment securities | 208 | 1,445 |
| National subsidies | 19 | 167 |
| Insurance claim income | 853 | 78 |
| Other | 7 | 4 |
| Total extraordinary income | 1,099 | 1,742 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 403 | 709 |
| Impairment loss | 8 | 0 |
| Loss on disaster | 100 | 1,921 |
| Loss on tax purpose reduction entry of non-current assets | 16 | 160 |
| Other | 46 | 15 |
| Total extraordinary losses | 576 | 2,807 |
| Profit(loss) before income taxes | 18,211 | (8,857) |
| Income taxes - current | 5,808 | 917 |
| Income taxes - refund | — | (154) |
| Income taxes - deferred | 966 | (748) |
| Total income taxes | 6,775 | 14 |
| Profit (loss) | 11,435 | (8,872) |
| Profit attributable to non-controlling interests | (20) | (571) |
| Profit (loss) attributable to owners of parent | 11,456 | (8,301) |

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

| | For the Six months ended September 30, 2021 | For the Six months ended September 30, 2022 |
|--|--|--|
| Profit (loss) | 11,435 | (8,872) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 151 | (705) |
| Deferred gains or losses on hedges | 15 | 100 |
| Foreign currency translation adjustment | 6,075 | 19,909 |
| Remeasurements of defined benefit plans, net of tax | (12) | (125) |
| Share of other comprehensive income of entities accounted for using equity method | 28 | (11) |
| Total other comprehensive income | 6,257 | 19,166 |
| Comprehensive income | 17,693 | 10,294 |
| Comprehensive income attributable to | | |
| Owners of the parent | 17,026 | 8,931 |
| Non-controlling interests | 667 | 1,363 |