

This notice is an English translation of the original Japanese text of the timely disclosure statement dated November 11, 2022 issued by Daio Paper Corporation, and is for reference purpose only. In the event of any discrepancy between the original Japanese text and this English translation, the Japanese text shall prevail.

November 11, 2022

To whom it may concern:
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Regarding the Differences between the Results Forecast and Results for FY 2023/3H1, Revisions to the Full Year Results Forecast and Dividends Forecast

Daio Paper Corporation (hereinafter, the “Company”) hereby announces the differences between the consolidated financial results forecast for the first half of the fiscal year ending March 31, 2023 (hereinafter “FY2023/3 H1”) and the actual results for that period released today, as well as the revisions to the consolidated financial results forecast for the full year of the fiscal year ending March 31, 2023 (hereinafter, “FY2023/3”).

The Company also announces the payment of dividends of surplus and the revisions to the dividend forecast for FY2023/3. The details are as follows.

I. Differences between the Consolidated Financial Results Forecast and the Actual Results for FY2023/3 H1 and Revisions to the Full-Year Financial Results Forecast

1. Differences between the Consolidated Financial Results Forecast and the Actual Results for FY2023/3 H1 (April 1, 2022–September 30, 2022)

	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
Previous forecast (A)	300,000	(7,000)	(7,000)	(5,000)	(30.13)
Revised forecast (B)	308,679	(7,265)	(7,792)	(8,301)	(50.02)
Change (B – A)	8,679	(265)	(792)	(3,301)	
Change (%)	2.9%	–	–	–	
(Reference) Consolidated financial results for the first half of the fiscal year ended March 31, 2022	296,873	19,235	17,688	11,456	69.02

2. Revisions to the Consolidated Financial Results Forecast for FY2023/3 (April 1, 2022–March 31, 2023)

	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
Previous forecast (A)	660,000	3,000	500	(4,000)	24.10
Revised forecast (B)	660,000	(14,000)	(18,000)	(30,000)	(180.71)
Change (B – A)	0	(17,000)	(18,500)	(26,000)	
Change (%)	0	–	–	–	
(Reference) Consolidated financial results for the fiscal year ended March 31, 2022	612,314	37,569	37,696	23,721	142.91

3. Reasons for the Differences and the Revisions

As for the consolidated financial results for FY2023/3 H1, while net sales, operating profit, and ordinary profit were largely in line with the previous financial results forecast announced on August 12, 2022, profit attributable to owners of parent fell short of the forecast. This was mainly due to the recording of disaster loss expenses, incurred from a boiler explosion accident occurred at a consolidated subsidiary in September 2022, under extraordinary losses.

As for the consolidated financial results forecast for FY2023/3, net sales are expected to grow as planned by further passing on the increased costs to the selling prices of our mainstay products in the Paper and Paperboard Business (hereinafter, the “P&P Business”) and the Home and Personal Care Business (hereinafter, the “H&PC Business”). On the other hand, however, with regard to operating profit and ordinary profit, we expect production costs to become even higher. This is attributable to an increase in purchase prices of major raw materials and fuel, including coal, heavy oil, woodchips, and pulp, brought on by the ongoing historic depreciation of Japanese yen exchange rate and by the persistently high prices of resources caused by the Russia-Ukraine conflict. Meanwhile, as for profit attributable to owners of parent, we have incorporated costs required to remove the boiler at the consolidated subsidiary and for structural reforms, including the streamlining of personnel and organizational structures and the restructuring of production system, into the forecast as extraordinary losses, in addition to the aforementioned negative factors .

Reference: FY2023/3

Previous forecast

Revised forecast

(As of August 12, 2022)

(As of November 11, 2022)

Exchange rate (expected period-average) 135.0 JPY/USD

150.0 JPY/USD

The Company expects the unprecedentedly tough business conditions will continue for the time being. Accordingly, we will accelerate the structural reforms of the P&P Business and the H&PC Business in order to restore profitability as soon as possible, while continuing to speed up the process of passing on the rising costs to the prices of products to raise them to reproducible levels.

<Reference: Segment Sales and Operating Profit for FY2023/3>

	P&P Business		H&PC Business		Other		Total	
	Millions of yen		Millions of yen		Millions of yen		Millions of yen	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Previous forecast (A)	340,000	(1,000)	290,000	1,500	30,000	2,500	660,000	3,000
Revised forecast (B)	340,000	(11,000)	290,000	(5,500)	30,000	2,500	660,000	(14,000)
Change (B – A)	0	(10,000)	0	(7,000)	0	0	0	(17,000)

II. Dividends of Surplus (Second Quarter-End Dividend) and Revisions to the Fiscal Year-End Dividend Forecast

1. Dividends of Surplus (Second Quarter-End Dividend)

	Determined amount	Most recent dividend forecast (announced on May 13, 2022)	2nd quarter-end dividends paid for FY2022/3
Record date	September 30, 2022	September 30, 2022	September 30, 2021
Dividend per share	7.00 yen	10.00 yen	10.00 yen
Total amount of dividends	1,173 million yen	–	1,676 million
Effective date	December 6, 2022	–	December 7, 2021
Source of dividends	Retained earnings	–	Retained earnings

2. Revisions to the Fiscal Year-End Dividend Forecast

	Annual dividends per share		
	2nd quarter-end	Fiscal year-end	Total
Previous forecast (announced on May 13, 2020)	–	12.00 yen	22.00 yen
Revised forecast	–	9.00 yen	16.00 yen
Actual dividends paid for FY2023/3	7.00 yen	–	–
Actual dividends paid for the fiscal year ended March 31, 2022	10.00 yen	12.00 yen	22.00 yen

3. Reason for the Dividend Decrease

The Company regards shareholder returns as one of its top priorities and its basic policy is to continue stable dividend payments, while considering factors such as the status of business and the sufficiency of retained earnings.

Given the aforementioned differences between the financial results forecasts and the actual results as well as the downward revisions to the full-year financial results forecasts, we have unfortunately decided to decrease the interim dividend for FY2023/3 by 3 yen from the previous forecast to 7.00 yen per share. We have also decided to revise the forecast of the fiscal year-end dividend for FY2023/3 to 9.00 yen per share, a 3 yen decrease from the previous forecast as we expect our business environment to remain challenging for the time being.

We will continue to push forward with various reforms in order to restore profitability as soon as possible. We would sincerely appreciate the understanding of our shareholders.

Please note that the above financial results and dividend forecasts have been prepared based on the information available as of the date of this release. As such, actual results may differ from the forecast figures depending on various factors going forward.

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