

Financial Highlights

Daio Paper Corporation and its Consolidated Subsidiaries
As of and for the fiscal years ended March 31

(Millions of Yen)

Fiscal year	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
For the Fiscal Year:											
Net sales	407,362	430,054	450,239	474,076	477,139	531,311	533,890	546,433	562,928	612,314	646,213
Selling, general and administrative expenses	70,445	79,892	84,206	89,821	95,600	110,312	104,255	109,677	122,706	124,105	131,641
Operating profit (loss)	11,577	16,049	21,796	24,322	23,534	11,061	12,122	30,628	36,873	37,569	(21,441)
Ordinary profit (loss)	6,637	11,257	21,783	21,258	21,346	12,779	9,841	28,111	34,478	37,696	(24,050)
Profit (loss) attributable to owners of parent	15,109	6,293	13,208	14,594	12,136	3,970	4,697	19,199	22,115	23,721	(34,705)
Comprehensive income	22,075	11,826	27,942	9,599	14,904	2,734	1,582	13,476	19,987	25,088	(18,795)
EBITDA	43,637	47,180	59,137	57,724	58,248	51,177	49,869	66,714	77,187	84,245	29,400
Capital expenditures	21,726	24,948	31,587	37,309	32,453	39,523	59,590	61,934	53,411	64,165	47,857
Depreciation	26,409	26,403	27,202	26,987	29,016	31,171	33,331	31,843	34,137	37,810	43,128
Research and development expenses	2,149	2,836	2,683	2,791	2,901	3,280	2,809	3,042	3,109	3,547	3,533
Net cash provided by operating activities	50,805	58,091	44,740	47,010	62,931	28,284	40,287	68,012	64,210	71,395	(26,233)
Net cash used in investing activities	(41,455)	(26,826)	(28,580)	(26,073)	(31,393)	(51,484)	(62,109)	(47,869)	(103,702)	(62,420)	(57,950)
Net cash provided by (used in) financing activities	(13,441)	(37,242)	(29,429)	(17,475)	(22,037)	386	65,897	(14,049)	63,589	(50,609)	96,437
Free cash flow	9,350	31,265	16,160	20,937	31,538	(23,200)	(21,822)	20,143	(39,492)	8,975	(84,183)
At Fiscal Year-End:											
Total assets	659,112	646,112	652,744	656,310	657,747	686,140	745,866	763,059	849,801	840,441	923,531
Net assets	107,969	119,252	164,494	174,819	191,079	193,064	199,338	209,536	246,788	266,704	244,670
Current assets	246,258	243,871	252,489	257,154	257,048	256,965	299,650	299,018	328,364	291,300	355,058
Net interest-bearing debt	363,533	331,825	292,466	281,456	255,077	279,994	301,906	285,426	299,785	297,445	387,670
Cash and cash equivalents	82,457	79,046	69,072	72,169	82,733	60,086	103,407	109,384	130,301	88,897	102,405
Number of shares issued (shares)	129,018,785	129,018,785	149,348,785	149,348,785	149,348,785	149,348,785	153,713,191	154,531,953	169,012,926	169,012,926	169,012,926
Per Share Data (Yen):											
Basic earnings per share	126.51	51.52	93.48	100.15	83.28	27.25	31.70	127.91	138.73	142.91	(209.01)
Net assets per share	821.21	875.39	1,059.78	1,119.24	1,211.33	1,221.65	1,236.58	1,319.57	1,440.33	1,561.52	1,414.73
Cash dividends per share	8.50	8.50	8.50	10.50	10.50	10.50	10.50	13.50	17.00	22.00	16.00
Financial Ratios:											
ROE (%)	16.8	6.1	10.0	9.2	7.1	2.2	2.6	10.0	10.1	9.5	(14.0)
ROA (%)	2.3	1.0	2.0	2.2	1.8	0.6	0.6	2.5	2.6	2.8	(3.8)
Equity ratio (%)	14.7	17.0	23.7	24.9	26.8	25.9	24.9	26.1	28.2	30.8	25.5
Net debt to equity ratio	3.7	3.0	1.9	1.7	1.4	1.6	1.6	1.4	1.3	1.1	1.6

Notes

1. Amounts are rounded down to the nearest million yen.
2. EBITDA = Ordinary profit + interest expenses + depreciation + amortization of goodwill + amortization of negative goodwill + equity in earnings of affiliates
3. Effective from the fiscal year ended March 31, 2019, the "Partial Amendments to Accounting Standard for Tax Effect Accounting" have been adopted, and all the deferred tax assets are presented under investments and other assets of non-current assets.
Consolidated financial statements for the fiscal year ended March 31, 2018 are restated in accordance with the presentation method after the amendments.

4. Effective from the fiscal year ended March 31, 2019, interest and dividends received and interest paid are presented under "Cash flows from operating activities."
Consolidated financial statements for the fiscal year ended March 31, 2018 are restated to reflect the change in the classification.

Consolidated Financial Statements

Consolidated Balance Sheet

	(Millions of Yen)	
	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	89,165	102,638
Notes and accounts receivable—trade, and contract assets	92,641	106,851
Electronically recorded monetary claims—operating	7,988	10,753
Merchandise and finished goods	48,008	61,061
Work in process	7,275	8,947
Raw materials and supplies	31,621	43,081
Other	15,063	22,002
Allowance for doubtful accounts	(465)	(279)
Total current assets	291,300	355,058
Non-current assets		
Property, plant and equipment		
Buildings and structures	257,887	273,981
Accumulated depreciation	(160,706)	(169,437)
Buildings and structures, net	97,181	104,544
Machinery, equipment and vehicles	980,885	1,015,112
Accumulated depreciation	(785,957)	(812,473)
Machinery, equipment and vehicles, net	194,928	202,639
Land	83,183	87,099
Construction in progress	28,634	18,388
Other	34,868	39,252
Accumulated depreciation	(17,600)	(19,817)
Other, net	17,267	19,434
Total property, plant and equipment	421,195	432,106
Intangible assets		
Goodwill	50,489	45,847
Other	31,529	38,619
Total intangible assets	82,018	84,466
Investments and other assets		
Investment securities	21,924	21,048
Retirement benefit asset	1,674	1,554
Deferred tax assets	6,322	11,281
Other	15,996	18,034
Allowance for doubtful accounts	(130)	(118)
Total investments and other assets	45,787	51,800
Total non-current assets	549,001	568,373
Deferred assets	139	99
Total assets	840,441	923,531

	(Millions of Yen)	
	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable—trade	75,384	88,167
Short-term borrowings	13,738	13,659
Commercial papers	—	20,000
Current portion of bonds payable	15,000	56
Current portion of long-term borrowings	65,580	78,812
Accounts payable—other	31,029	27,596
Current portion of long-term accounts payable—facilities	174	25
Income taxes payable	3,133	1,472
Contract liabilities	613	919
Provision for bonuses	5,550	5,474
Provision for bonuses for directors (and other officers)	156	77
Provision for loss on guarantees	—	300
Other	27,960	16,235
Total current liabilities	238,321	252,797
Non-current liabilities		
Bonds payable	45,000	45,136
Long-term borrowings	239,324	324,000
Retirement benefit liability	23,937	23,986
Provision for retirement benefits for directors (and other officers)	81	60
Provision for share awards	310	521
Provision for environmental measures	12	12
Provision for loss on business of subsidiaries and associates	37	36
Provision for fixed asset removal costs	—	430
Other	26,710	31,879
Total non-current liabilities	335,415	426,063
Total liabilities	573,736	678,860
Net assets		
Shareholders' equity		
Share capital	53,884	53,884
Capital surplus	55,112	55,112
Retained earnings	156,450	117,493
Treasury shares	(4,122)	(3,600)
Total shareholders' equity	261,325	222,890
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,445	3,968
Deferred gains or losses on hedges	219	329
Foreign currency translation adjustment	(7,189)	6,907
Remeasurements of defined benefit plans	1,288	1,026
Total accumulated other comprehensive income	(2,235)	12,231
Non-controlling interests	7,614	9,549
Total net assets	266,704	244,670
Total liabilities and net assets	840,441	923,531

Consolidated Statement of Income

	(Millions of Yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	612,314	646,213
Cost of sales	450,640	536,012
Gross profit	161,674	110,200
Selling, general and administrative expenses	124,105	131,641
Operating profit (loss)	37,569	(21,441)
Non-operating income		
Interest income	382	808
Dividend income	712	988
Share of profit of entities accounted for using equity method	95	184
Foreign exchange gains	2,793	1,181
Subsidy income	281	277
Ship lease income	331	120
Gain on net monetary position	—	311
Other	2,863	2,344
Total non-operating income	7,460	6,216
Non-operating expenses		
Interest expenses	4,194	5,626
Expenses for ship lease	378	511
Other	2,761	2,688
Total non-operating expenses	7,333	8,826
Ordinary profit (loss)	37,696	(24,050)
Extraordinary income		
National subsidies	513	5,680
Gain on sale of non-current assets	83	108
Gain on sale of investment securities	987	1,518
Insurance claim income	2,099	706
Other	31	398
Total extraordinary income	3,715	8,412
Extraordinary losses		
Loss on sale and retirement of non-current assets	900	1,089
Loss on tax purpose reduction entry of non-current assets	510	5,661
Impairment loss	2,031	12,660
Loss on disaster	350	2,833
Early retirement expense	—	909
Adjustment of payment	888	—
Other	140	407
Total extraordinary losses	4,822	23,562
Profit (loss) before income taxes	36,588	(39,201)
Income taxes—current	12,554	2,233
Income taxes refund	(703)	(275)
Income taxes—deferred	865	(6,220)
Total income taxes	12,717	(4,263)
Profit (loss)	23,871	(34,937)
Profit (loss) attributable to non-controlling interests	150	(231)
Profit (loss) attributable to owners of parent	23,721	(34,705)

Consolidated Statement of Comprehensive Income

	(Millions of Yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit (loss)	23,871	(34,937)
Other comprehensive income		
Valuation difference on available-for-sale securities	(766)	513
Deferred gains or losses on hedges	197	109
Foreign currency translation adjustment	1,849	15,768
Remeasurements of defined benefit plans, net of tax	(48)	(257)
Share of other comprehensive income of entities accounted for using equity method	(14)	9
Total other comprehensive income	1,216	16,142
Comprehensive income	25,088	(18,795)
Comprehensive income attributable to:		
Owners of parent	24,529	(20,239)
Non-controlling interests	559	1,444

Consolidated Statement of Cash Flows

(Millions of Yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	36,588	(39,201)
Depreciation	37,810	43,128
Impairment loss	2,031	12,660
National subsidies	(513)	(5,680)
Early retirement expense	—	909
Amortization of goodwill	4,450	4,512
Share of loss (profit) of entities accounted for using equity method	(95)	(184)
Gain on the net monetary position	—	(311)
Loss (gain) on sale of investment securities	(779)	(1,518)
Increase (decrease) in retirement benefit asset or liability	464	(261)
Interest and dividend income	(1,095)	(1,796)
Interest expenses	4,194	5,626
Foreign exchange losses (gains)	(2,718)	(438)
Loss on tax purpose reduction entry of non-current assets	510	5,661
Increase (decrease) in provision for fixed asset removal costs	—	430
Subsidy income	(281)	(277)
Decrease (increase) in consumption taxes refund receivable	(1,047)	(7,340)
Insurance claim income	(2,099)	(706)
Loss (gain) on sale of property, plant and equipment	(55)	(54)
Loss on retirement of property, plant and equipment	872	1,035
Decrease (increase) in trade receivables	6,306	(14,067)
Decrease (increase) in inventories	(4,304)	(23,874)
Increase (decrease) in trade payables	9,921	10,020
Increase (decrease) in accounts payable—other	(7,510)	(3,317)
Increase (decrease) in accrued consumption taxes	(977)	(976)
Increase (decrease) in other assets or liabilities	(1,740)	(3,856)
Other, net	169	794
Subtotal	80,101	(19,083)
Interest and dividends received	1,561	1,902
Interest paid	(4,479)	(5,633)
Proceeds from subsidy income	2,953	6,029
Proceeds from insurance income	2,103	707
Income taxes paid	(11,964)	(16,437)
Income taxes refunded	1,118	6,281
Net cash provided by (used in) operating activities	71,395	(26,233)
Cash flows from investing activities		
Net decrease (increase) in time deposits	170	53
Purchase of property, plant and equipment	(63,789)	(46,611)
Proceeds from sale of property, plant and equipment	231	277
Proceeds from sale of investment securities	1,861	3,529
Purchase of intangible assets	(3,314)	(2,586)
Loans receivable granted	(664)	(999)
Collection of loans receivable	3,687	998
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(12,550)
Other, net	(602)	(62)
Net cash provided by (used in) investing activities	(62,420)	(57,950)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6)	151
Proceeds from long-term borrowings	20,300	163,053
Net increase (decrease) in commercial papers	—	20,000
Repayments of long-term borrowings	(65,157)	(66,840)
Proceeds from issuance of bonds	14,932	—
Redemption of bonds	(15,000)	(15,056)
Proceeds from issuance of common shares assigned to non-controlling interests	509	—
Proceeds from sale of treasury shares	248	304
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,500)	—
Repayments of finance lease obligations	(1,913)	(2,123)
Cash dividends paid	(3,352)	(3,184)
Other	330	131
Net cash provided by (used in) financing activities	(50,609)	96,437
Effect of exchange rate change on cash and cash equivalents	(104)	1,334
Net increase (decrease) in cash and cash equivalents	(41,739)	13,588
Cash and cash equivalents at beginning of period	130,301	88,897
Effect of hyperinflation	—	(97)
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	318	17
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	17	—
Cash and cash equivalents at end of period	88,897	102,405

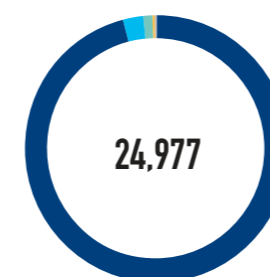
Investor Information

Status of Shares

(As of March 31, 2023)

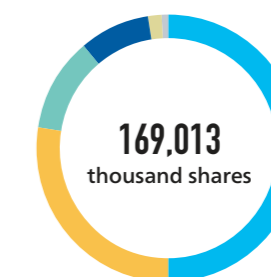
Authorized Shares	300,000,000 shares
Number of Shares Issued	169,012,926 shares
Number of Shareholders	24,977

Shareholder Distribution



Number of Shareholders by Type of Shareholder

Individuals, others	95.9%
Other domestic companies	2.7%
Foreign institutions and individuals	1.1%
Financial institutions	0.2%
Securities companies	0.2%
Treasury stock	0.0%



Number of Shares by Type of Shareholder

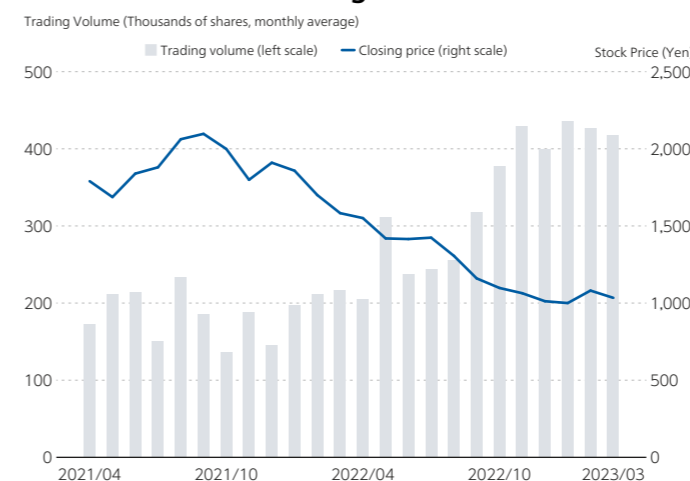
Other domestic companies	50.1%
Financial institutions	27.4%
Foreign institutions and individuals	11.4%
Individuals, others	8.6%
Securities companies	1.7%
Treasury stock	0.8%

Major Shareholders

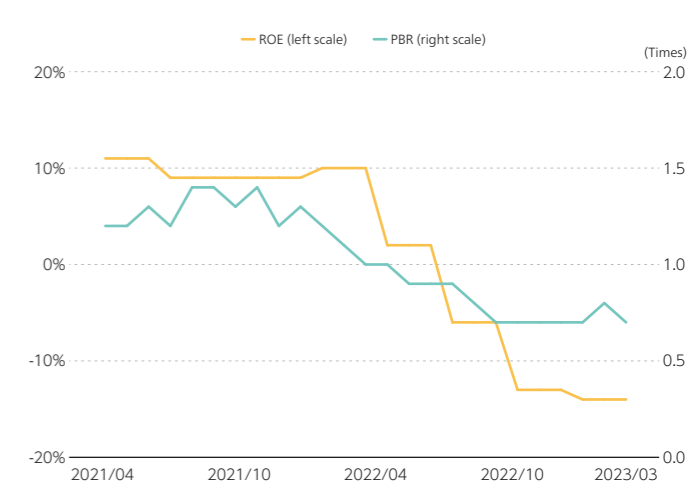
Name	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Hokuetsu Corporation	41,589	24.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,413	7.4
Daio Kaiun Co., Ltd.	8,452	5.0
Custody Bank of Japan, Ltd. (Trust Account)	7,126	4.3
The Iyo Bank, Ltd.	7,072	4.2
The Ehime Bank, Ltd.	6,920	4.1
Ehime Paper Manufacturing Co. Ltd.	5,331	3.2
Kami Shoji Co. Ltd.	4,700	2.8
OASIS JAPAN STRATEGIC FUND LTD. (Standing Agent: Citibank N.A. Tokyo Branch)	4,700	2.8
The Norinchukin Bank	4,110	2.5

- The shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account) are related to trust service.
- Shareholding ratio does not include treasury stock (excluding the shares held by trust bank as Trust for Delivery of Shares and Employee Stock Ownership Plan Trust).

Stock Price and Trading Volume



ROE and PBR



* Estimated figures based on internal management data

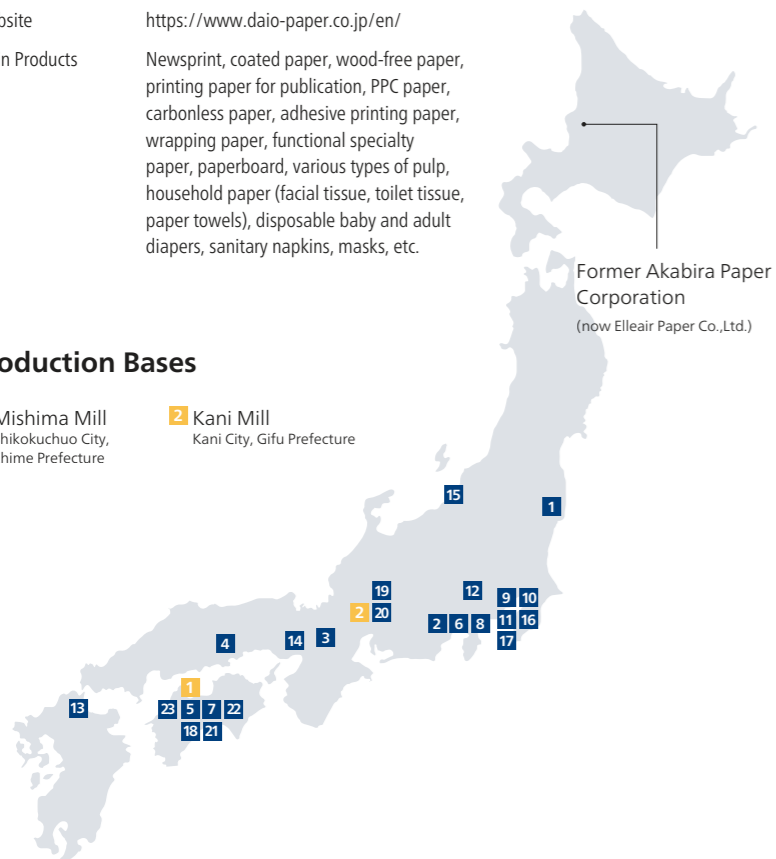
Corporate Data

Corporate Information (As of March 31, 2023)

Established	May 5, 1943
Capital	¥53.9 billion
Number of Employees	2,445 (Unconsolidated), 12,634 (Consolidated)
Offices	Tokyo Headquarters: 10-2, Fujimi 2-chome, Chiyoda Ward, Tokyo Tel: +81-3-6856-7500 Shikoku Headquarters: 628, Mishimakamiya-cho, Shikokuchuo City, Ehime Prefecture Tel: +81-896-23-9001
Mills	Mishima Mill (Ehime Prefecture), Kani Mill (Gifu Prefecture)
Branches	Osaka Branch, Nagoya Branch, Kyushu Branch (Fukuoka Prefecture)
Website	https://www.daio-paper.co.jp/en/
Main Products	Newsprint, coated paper, wood-free paper, printing paper for publication, PPC paper, carbonless paper, adhesive printing paper, wrapping paper, functional specialty paper, paperboard, various types of pulp, household paper (facial tissue, toilet tissue, paper towels), disposable baby and adult diapers, sanitary napkins, masks, etc.

Production Bases

- 1 Mishima Mill
Shikokuchuo City, Ehime Prefecture
- 2 Kani Mill
Kani City, Gifu Prefecture



Business Bases of the Group Companies Overseas

(As of August 31, 2023)

- 24 Forestal Anchile LTDA. (Chile)
- 25 Elleair International Korea Co., Ltd. (South Korea)
- 26 Elleair International (Thailand) Co., Ltd. (Thailand)
- 27 Elleair International China (Nantong)
- 28 PT. Elleair International Trading Indonesia (Indonesia)
- 29 PT. Elleair International Manufacturing Indonesia (Indonesia)
- 30 Oregon Chip Terminal INC. (U.S.A.)
- 31 Elleair International Turkey Kişisel Bakım Ürünleri Üretim A.Ş. (Turkey)
- 32 Santher-Fábrica de Papel Santa Therezinha S.A. (Brazil)



Business Bases of the Group Companies in Japan

(As of August 31, 2023)

- Paper Manufacturing**
 - 1 Iwaki Daio Paper Corporation Iwaki City, Fukushima Prefecture
 - 2 Dainichi Paper Corporation Fuji City, Shizuoka Prefecture
 - 3 Otsu Paper Board Co., Ltd. Otsu City, Shiga Prefecture
 - 4 Daio Paper Techno Corporation Tsuyama City, Okayama Prefecture
 - 5 Marubishi Paper Tec. Corporation Shikokuchuo City, Ehime Prefecture
- H&PC Manufacturing**
 - 6 Elleair Paper Co., Ltd. Fujinomiya City, Shizuoka Prefecture
 - 7 Elleair Product Co., Ltd. Shikokuchuo City, Ehime Prefecture
 - 8 Daio Paper Products Corporation Fuji City, Shizuoka Prefecture
 - 9 Daiki Co., Ltd. Chiyoda Ward, Tokyo
- Printing**
 - 10 Daio Miura Corporation Sumida Ward, Tokyo
- Corrugated containers**
 - 11 Daio Package Corporation Chiyoda Ward, Tokyo
 - 12 Yorii Insatsu Shiki Co., Ltd. Honjo City, Saitama Prefecture
 - 13 Uemura Shiko Corporation Kanda-machi, Miyako District, Fukuoka Prefecture
 - 14 Yoshikawa Shigyo Corporation Kawanishi City, Hyogo Prefecture
 - 15 Yoshizawa Kogyo Corporation Mishima District, Niigata Prefecture
- Distribution**
 - 16 Tokyo Pulp & Paper International Co., Ltd. Chuo Ward, Tokyo
 - 17 EBS Co., Ltd. Chuo Ward, Tokyo
- Paper Converting**
 - 18 Elleair Paper Technology Co., Ltd. Shikokuchuo City, Ehime Prefecture
 - 19 Daio Mill Support Tokai Corporation Kawabe-cho, Kamo District, Gifu Prefecture
 - 20 Elleair Texel Corporation Kani City, Gifu Prefecture
- Engineering**
 - 21 Daio Engineering Co., Ltd. Shikokuchuo City, Ehime Prefecture
- Transportation**
 - 22 Daio Logistics Co., Ltd. Shikokuchuo City, Ehime Prefecture
- Other Businesses**
 - 23 Elleair Resorts Golf Club Co., Ltd. Matsuyama City, Ehime Prefecture

Fulfilling Our Purpose
-Value Creation Story of the Daio Group-

Achieving Sustainable Growth
-Strategy for Continuing to Provide Value-

Responding to Social Issues
-Foundation for Sustainable Growth-

Data and Information
-Financial and Corporate Data-

Third-Party Assurance

Daio Paper has received assurance by DNV Business Assurance Japan on the environmental data, etc. presented in Daio Group Integrated Report 2023 to enhance its reliability and accuracy.

Period covered: April 1, 2022 to March 31, 2023

Scope of verification

- GHG emissions: Scopes 1, 2 and 3
- Water use: Amount of water use and wastewater
- Waste: Amount of waste and waste reuse
- Occupational accident data: Lost time injury frequency rate



VERIFICATION STATEMENT

Statement No.: PRJN-10446303
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initiate reporting of

Verification of Daio Group's Non-financial Information (2022)

< Verification Objectives >
DNV Business Assurance Japan K.K. (hereinafter, "DNV") has been commissioned by Daio Paper Corporation (hereinafter "the Organization") to perform an independent verification of the calculation results of the Daio Group's non-financial information, including environmental data and occupational accident data for FY2022 (hereafter "the non-financial information"). The objective of this verification is to confirm that the non-financial information claimed by the Organization has been calculated and reported appropriately based on the calculation standards, and to express an independent opinion.

< Verification Scope >
The scope of this verification is as follows.

- GHG emissions : Scope1, Scope2, Scope3 (Category 1, 2, 3, 4, 5, 6, 7, 9, 12)
- Water use : Amount of water use and wastewater
- Waste : Amount of waste and waste reuse
- Occupational Accident Data : Lost Time Injury Frequency Rate

< Verification Criteria >
The criteria for identification, calculation, monitoring, and reporting of GHG (greenhouse gas), water use, waste, and occupational accident data to be verified are the calculation and reporting procedures established by Daio Paper. The criteria for verification include ISO 14064-3:2019, ISAE 3000, as well as the criteria required by the calculation and reporting procedures established by Daio Paper.

< Verification Process and Methodology >
The reviews of the non-financial information, relevant documents, and subsequent follow-up interviews have provided DNV with sufficient evidence to determine the fulfillment of stated criteria.

< Verification Statement >
The reviews of the non-financial information, relevant documents, and subsequent follow-up interviews have provided DNV with sufficient evidence to determine the fulfillment of stated criteria.

Place and date: Kobe, Japan, 31 August 2023
DNV Business Assurance Japan K.K.


 Tsuyoshi Katori
Approved Verifier


 Koichiro Tanabe
Approved Verifier, Technical Reviewer


 Naoki Maeda
Managing Director

This Verification Opinions is based on the information made available to us and the engagement conditions detailed above. Hence, DNV cannot guarantee the accuracy or correctness of the information. DNV cannot be held liable by any party relying or acting upon this Verification Opinion.
DNV Business Assurance Japan K.K. Sannomiya Bldg. South 11th Floor, 7-1-15, Goko-dori, Chuo-ku, Kobe 651-0087