

Daio Paper Revises Downward its Earnings Forecast for the Fiscal Year Ending March 31, 2023—No Immediate Impact on Rating, but JCR Will Watch Road to Recovery

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Daio Paper Corporation (security code: 3880)'s revision of its full-year earnings forecast for the fiscal year ending March 31, 2023.

- (1) On November 11, 2022, Daio Paper (the "Company") announced a downward revision of its earnings forecasts, with an operating loss of 14.0 billion yen (previous forecast was a profit of 3.0 billion yen) and a loss attributable to owners of parent of 30.0 billion yen (previous forecast was a loss of 4.0 billion yen) for the fiscal year ending March 31, 2023 (FY2023/3). The main reasons for this are worsening manufacturing costs due to soaring raw material and fuel prices and the sharp depreciation of the yen. In addition, disaster loss expenses due to the boiler explosion accident at Iwaki Daio Paper Corporation in September 2022 and restructuring costs, including the costs for restructuring of the production system, will also have a negative impact. This will be the first net loss in 11 years since FY2012/3 and the first operating loss since the Company was listed on the stock exchange.
- (2) Although the net loss is expected to be 30 billion yen, JCR believes at this point that this will not immediately affect the rating as the Company has adequate financial durability with 265.8 billion yen in equity capital as of the end of the second quarter of FY2023/3. In light of the unexpected changes in the external environment, the Company plans to promote structural reforms, including a review of its production system and a major revision of its energy policy. In addition, it plans to continue to thoroughly reduce costs and revise the prices of its main products, and JCR will focus on whether it can quickly restore the earnings power through these measures.

Akihisa Motonishi, Naoki Muramatsu

<Reference>

Issuer: Daio Paper Corporation

Long-term Issuer Rating: A- Outlook: Stable

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