

*Year-Ended March 31, 2010*

# Annual Business Report

Part - 1 : Financial Review

Part - 2 : Enhanced Countermeasures –Status of Progress–

May 18, 2010  
Mitsubishi Paper  
Mills Limited

# Part - 1



Financial Review for the  
Year-Ended March 31, 2010

&

Forecast for the  
Year-Ended March 31, 2011

**Financial Review for the  
Year-Ended March 31, 2010**

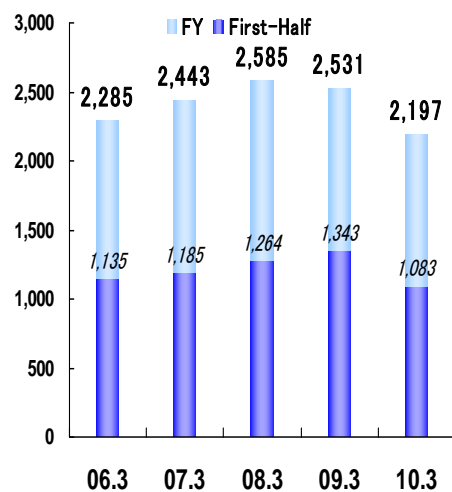
# Key Figures <Consolidated>



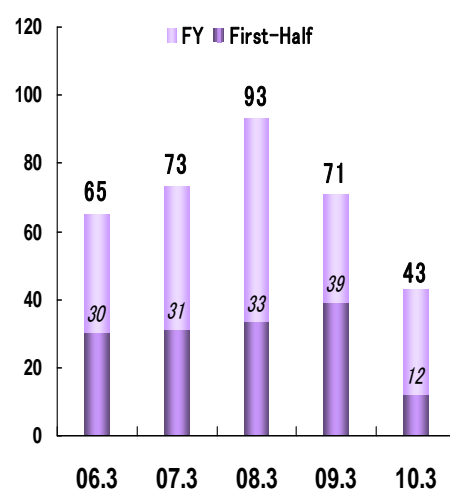
(Unit: 100 million yen)

	FY2008		FY2009		Increment	
	Amount	Sales Ratio (%)	Amount	Sales Ratio (%)	Amount	(%)
<b>Sales</b>	<b>2,531</b>	<b>—</b>	<b>2,197</b>	<b>—</b>	<b>▲334</b>	<b>▲13.2</b>
<b>Operating Income</b>	<b>71</b>	<b>2.8</b>	<b>43</b>	<b>1.9</b>	<b>▲ 28</b>	<b>▲40.2</b>
<b>Ordinary Income</b>	<b>45</b>	<b>1.8</b>	<b>27</b>	<b>1.2</b>	<b>▲ 18</b>	<b>▲40.9</b>
<b>Net Income</b>	<b>12</b>	<b>0.5</b>	<b>▲16</b>	<b>▲0.7</b>	<b>▲ 28</b>	<b>—</b>

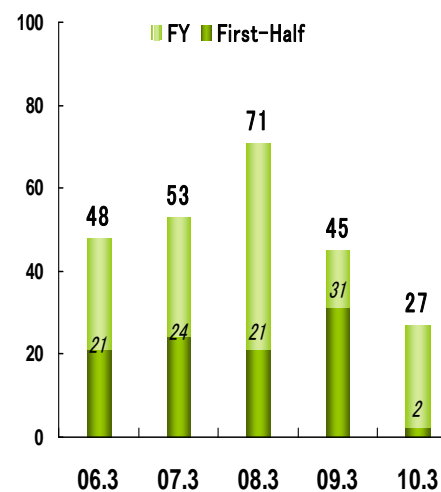
**Sales**



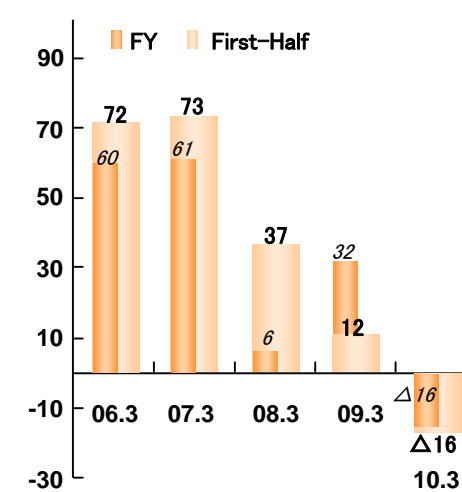
**Operating Income**



**Ordinary Income**



**Net Income**



# Segment Information by Product <Consolidated>

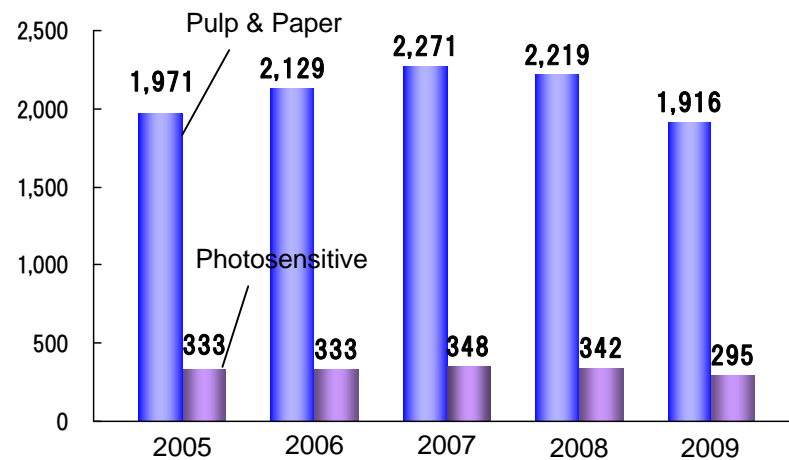


(Unit: 100 million yen/%)

		FY2008	FY2009	Increment	%
Sales	Pulp & Paper	2,219	1,916	▲303	▲13.7
	Photosensitive	342	295	▲ 47	▲13.6
	Others	216	200	▲ 16	▲ 7.5
	Internal Transfer	▲246	▲ 214	32	—
	<b>Total</b>	<b>2,531</b>	<b>2,197</b>	<b>▲334</b>	<b>▲13.2</b>
Operating Income	Pulp & Paper	65	38	▲ 27	▲42.6
	Photosensitive	▲ 1	▲ 1	0	—
	Others	5	5	0	▲ 7.1
	Internal Transfer	2	1	▲ 1	—
	<b>Total</b>	<b>71</b>	<b>43</b>	<b>▲ 28</b>	<b>▲40.2</b>

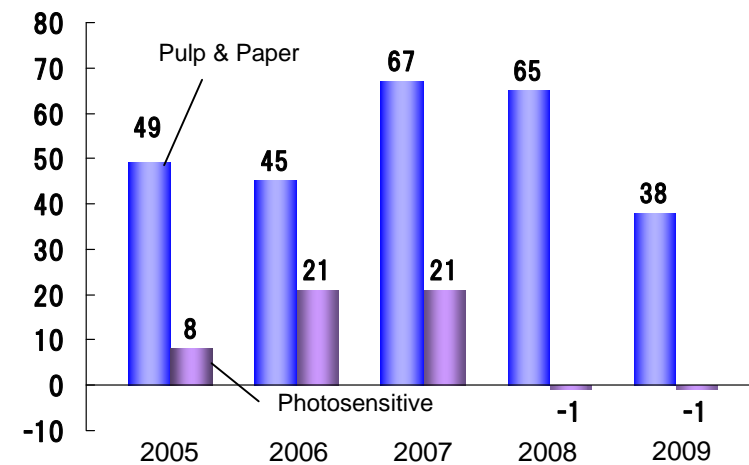
## Sales

(Unit: 100 million yen/)



## Operating Income

(Unit: 100 million yen/)



# Segment Information by Area <Consolidated>

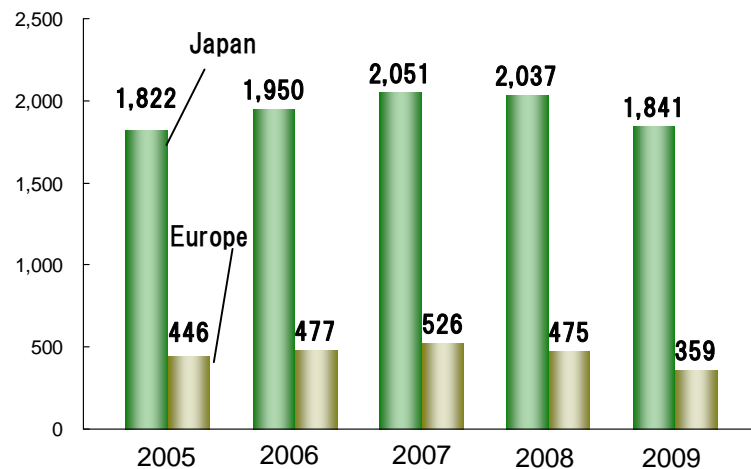


(Unit: 100 million yen/%)

		FY2008	FY2009	Increment	%
Sales	Japan	2,037	1,841	▲ 196	▲ 9.6
	Europe	475	359	▲ 116	▲24.4
	U.S.A.	81	69	▲ 12	▲14.4
	Internal Transfer	▲ 62	▲ 72	▲ 10	—
	<b>Total</b>	<b>2,531</b>	<b>2,197</b>	<b>▲ 334</b>	<b>▲13.2</b>
Operating Income	Japan	66	34	▲ 32	▲48.0
	Europe	0	4	4	—
	U.S.A.	1	1	0	▲16.5
	Internal Transfer	4	4	0	—
	<b>Total</b>	<b>71</b>	<b>43</b>	<b>▲ 28</b>	<b>▲40.2</b>

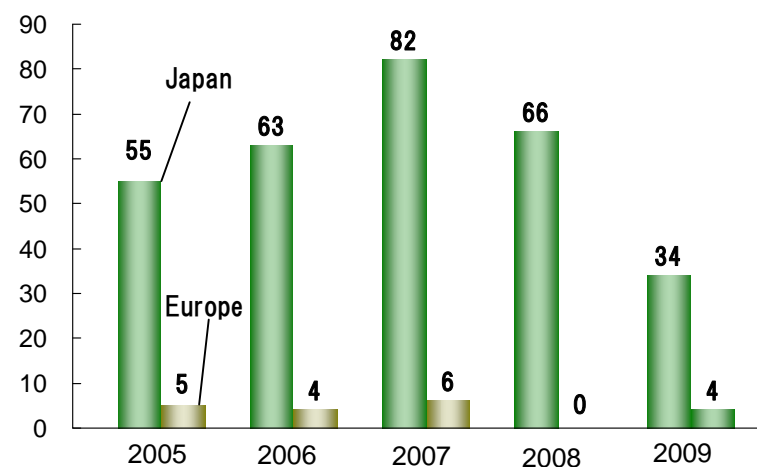
## Sales

(Unit: 100 million yen/)



## Operating Income

(Unit: 100 million yen/)



# Ordinary Profit FY2009 : Analysis of profit and loss

## <Consolidated>



Comparison of the 1st Half

(Unit: 100 million yen)

Comparison of the 2nd Half

1st Half of FY2008

+31

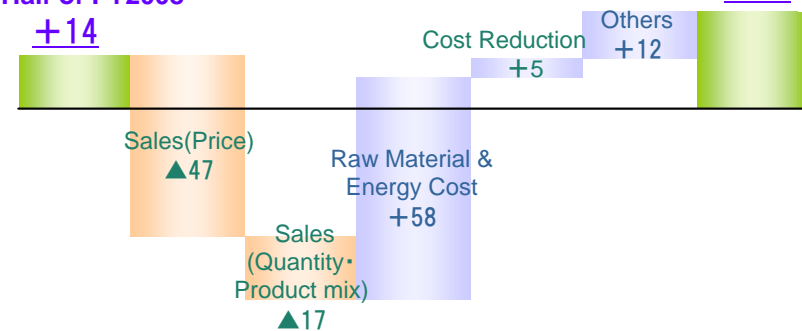


1st Half of FY2009

+2

2nd Half of FY2008

+14



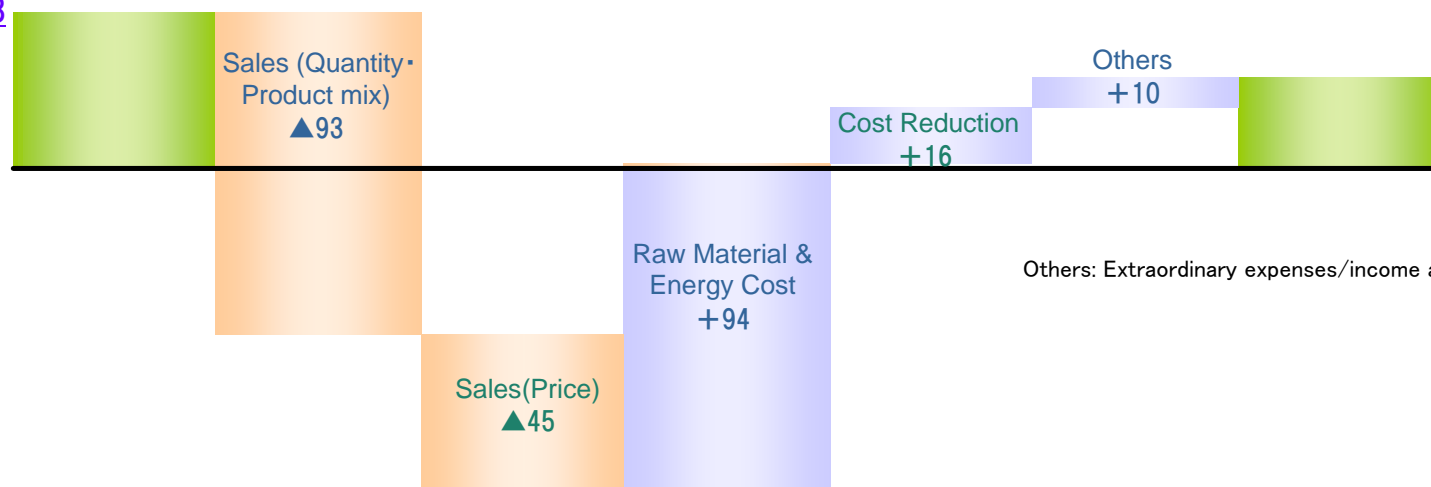
2nd Half of FY2009

+25

Comparison of FY2008 and FY2009

FY2008

+45



FY2009

+27

Others: Extraordinary expenses/income and others

# Balance Sheet <Consolidated>



(Unit: 100 million yen/%)

	FY2008		FY2009		Increment
	Amount	%	Amount	%	Amount
<b>Assets</b>	<b>2,943</b>	<b>100.0</b>	<b>2,821</b>	<b>100.0</b>	<b>▲ 122</b>
Current Assets	1,166	39.6	1,105	39.2	▲ 61
Fixed Assets	1,777	60.4	1,716	60.8	▲ 61
Tangibles	1,362	46.3	1,294	45.9	▲ 68
Intangibles	14	0.5	10	0.3	▲ 4
Investment and Others	401	13.6	412	14.6	11
<b>Liabilities</b>	<b>2,238</b>	<b>76.1</b>	<b>2,134</b>	<b>75.6</b>	<b>▲ 104</b>
Current Liabilities	1,588	54.0	1,442	51.1	▲ 146
Long-Term Liabilities	650	22.1	692	24.5	42
<b>Net Assets</b>	<b>705</b>	<b>23.9</b>	<b>687</b>	<b>24.4</b>	<b>▲ 18</b>
<b>Interest Bearing Debts</b>	<b>1,635</b>	<b>—</b>	<b>1,616</b>	<b>—</b>	<b>▲ 19</b>

# Statement of Cash Flow <Consolidated>



(Unit: 100 million yen)

	FY2008	FY2009	Increment
	Amount	Amount	Amount
Cash Flow from Operating Activities	42	150	108
Cash Flow from Investing Activities	▲123	▲ 83	40
Cash Flow from Financing Activities	81	▲ 33	▲114
Effect of Exchange Rate Fluctuation on Cash & Cash Equivalents	12	1	▲ 11
Net Increase/Decrease in Cash and Cash Equivalents	12	35	23
Cash and Cash Equivalents at the Beginning of the Year	23	35	12
Cash and Cash Equivalents at the End of the Year	35	70	35



# Key Indices <Consolidated>



(Unit: 100 million yen)

	FY2008	FY2009	FY2010(Forecast)
Interest Bearing Debts	1,635	1,616	1,550
Depreciation	129	129	125
Investments	155	75	35
Number of Employees	4,577	4,441	4,370

# Key Indices <Non-Consolidated>



(Unit: '000tons · 100 million yen)

Sales Data		FY2008				FY2009			
		1st Half		Fiscal Year		1st-Half		Fiscal Year	
		Sales Qty	Sales Amt.	Sales Qty.	Sales Amt.	Sales Qty.	Sales Amt.	Sales Qty.	Sales Amt.
Paper	Uncoated (Wood-free, etc.)	92	113	179	221	79	98	164	198
	Coated ( Coated, IJ Paper, etc.)	328	446	616	826	246	328	527	683
	Business Communication Paper (Thermal, Carbonless Paper, etc.)	47	105	87	202	40	93	80	186
	White Card Board	24	27	45	53	22	27	46	55
	Others (Leaf Paper, Hygiene Paper, Non-Woven Fabric, etc.)	9	50	17	98	8	43	16	93
<b>Total</b>		500	741	944	1,400	395	589	833	1,215

	FY2007	FY2008
Exchange Rate	¥100.62/US\$	¥93.04/US\$
Annual Usage of Woodchips (Import Ratio)	1,217 Tt (66%)	1,070 Tt (66%)
Annual Usage of Purchased Pulp (Purchase Ratio)	71 Tt (9%)	46 Tt (7%)
Annual Usage of Oil	47 Tkl	45 Tkl
Annual Usage of Coal	301 Tt	275 Tt
Purchase Electric Power (Self-Generation Ratio)	276MWH (80%)	259MWH (79%)

RE: The raw materials & energy usage quantities include that of Kitakami HiTec Paper

## Forecast for FY2010

# Forecast



(Unit: 100 million yen/%)

	FY2009			Forecast of FY2010			Increment					
	1st Half	2nd Half	FY2009	1st Half	2nd Half	FY2010	1st Half		2nd Half		FY	
							Amt	%	Amt	%	Amt	%
<b>Sales</b>	1,083	1,114	2,197	1,100	1,150	2,250	17	1.6	36	3.2	53	2.4
<b>Operating Income</b>	12	31	43	17	43	60	5	41.0	12	41.1	17	41.1
<b>Ordinary Income</b>	2	25	27	7	33	40	5	188.5	8	36.6	13	50.4
<b>Net Income</b>	▲16	0	▲16	▲5	20	15	11	—	20	—	31	—

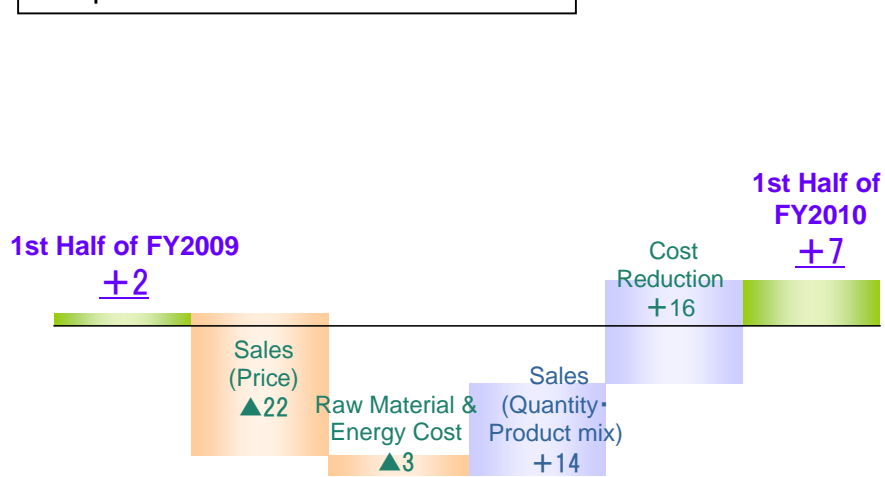
Assumption : ¥90/US\$, ¥130/€, Dubai crude oil \$80/barrel

# Ordinary Profit FY2010 (Forecast) : Analysis of profit and loss

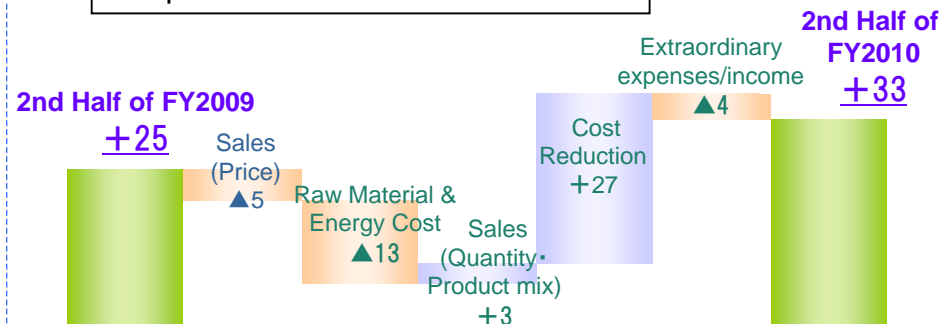


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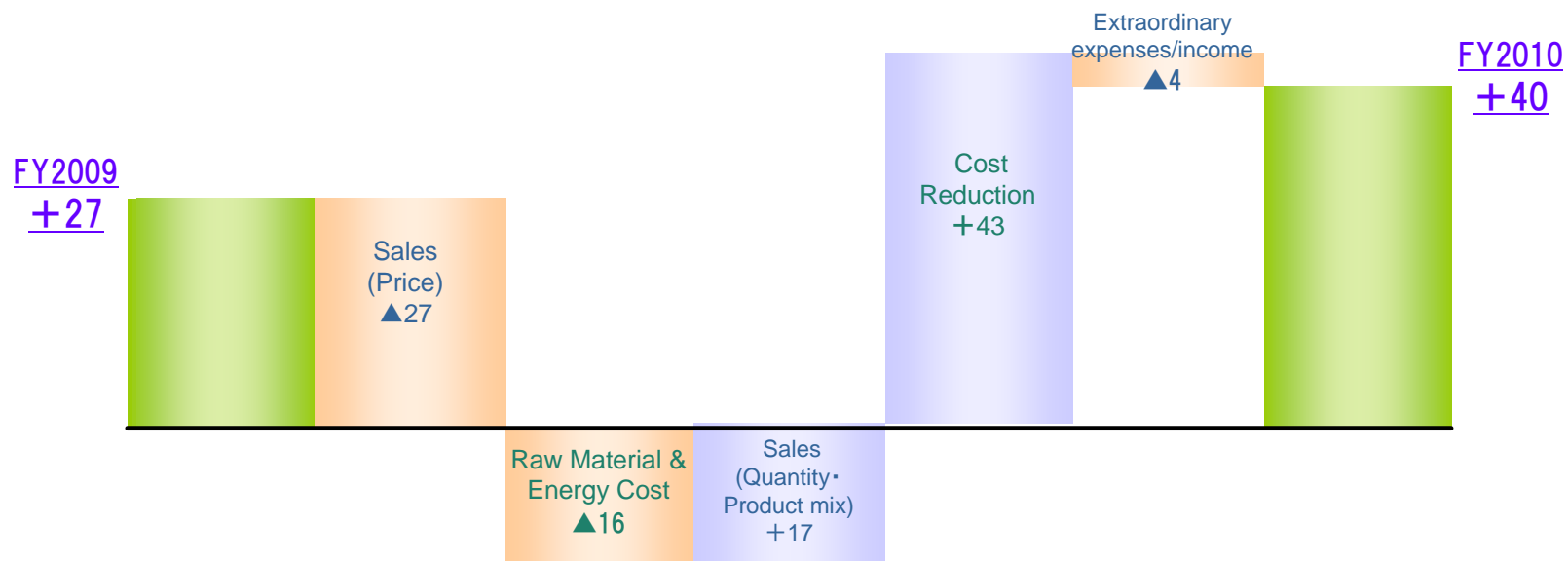
Comparison of the 1st Half (Forecast) (Unit: 100 million yen)



Comparison of the 2nd Half (Forecast)



Comparison of FY2009 and FY2010(Forecast)



— Coping with an Increasingly Severe Business Environment —

## Enhanced Countermeasures

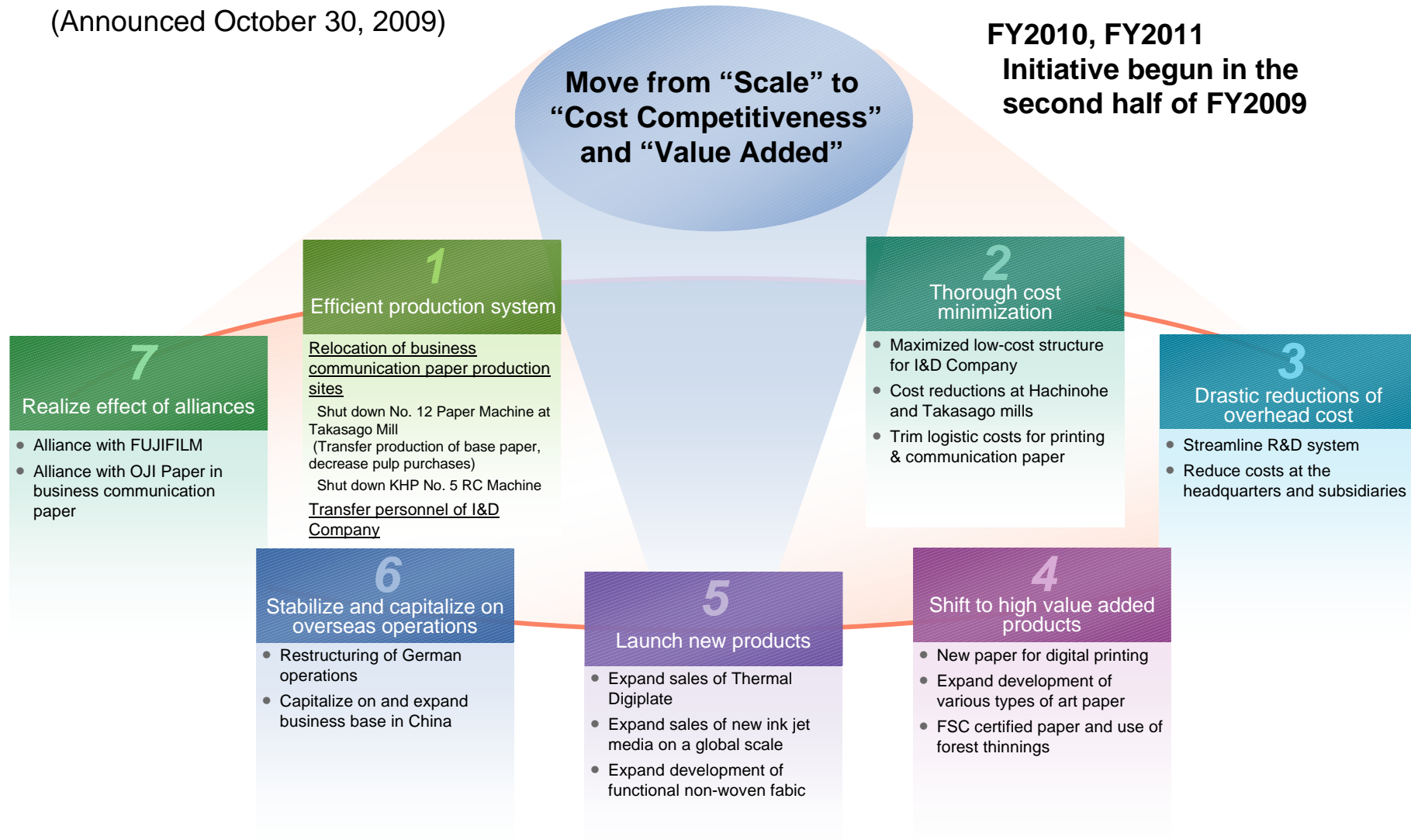
### Status of Progress

May 18, 2010  
Kunio Suzuki  
President and CEO  
Mitsubishi Paper Mills Ltd.

# Seven Enhanced Countermeasures

(Announced October 30, 2009)

FY2010, FY2011  
Initiative begun in the  
second half of FY2009



# Enhanced Countermeasures: Mission



## — Effects of Cost Reductions —

FY2009  
(Year ended March 2010)

← ¥500 million front-loaded for enhanced countermeasures

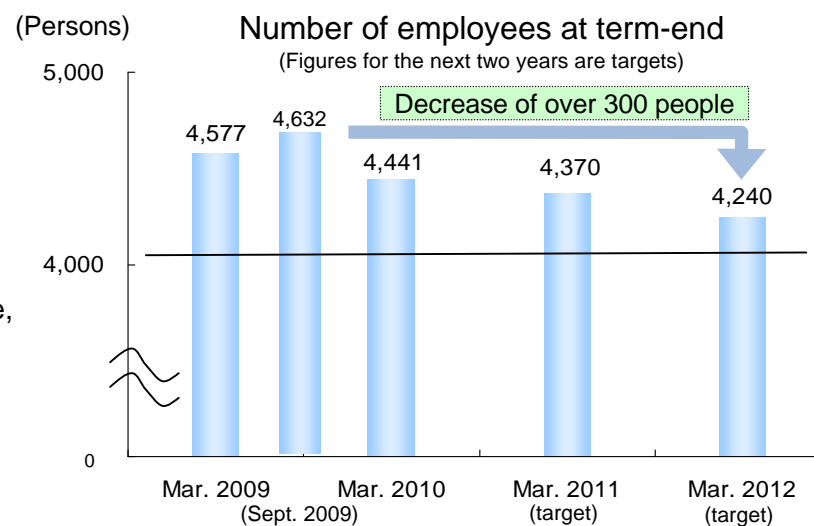
Effects (¥ 100 million)

	Production system rebuilding	Rigorous cost reductions	Overseas operations	Personnel streamlining	Other (energy, depreciation, etc.)	Total
FY2010 (Year ending March 2011)	5	11	6	11	10	43
FY2011 (Year ending March 2012)	4	12	3	6		25

### Personnel Decrease Plan

Germany	120 people	Retirements in 2009
Japan	180 people	Natural attrition (Employees resigning at mandatory retirement age, hiring restrictions)

Decrease of 300 people





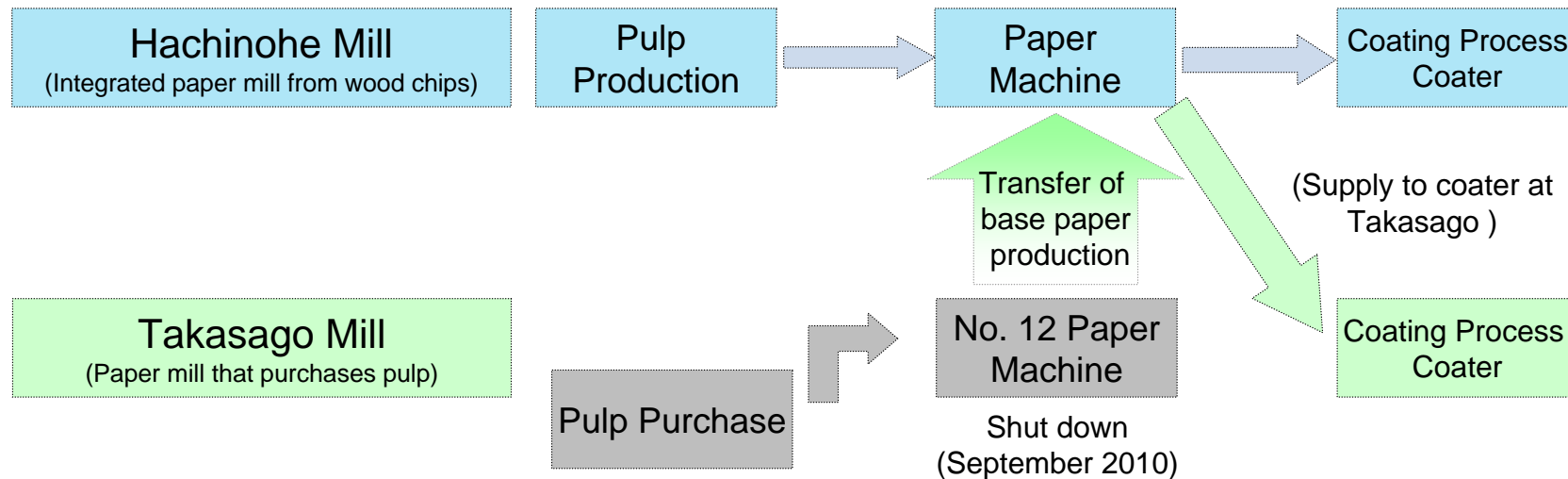
# Printing and communication Paper Progress in Measures and Plans (1)



## From production curtailment to improved capacity utilization

### 1. Rebuilding of Production Systems

- Transfer of business communication base paper production (carbonless and thermal base paper)

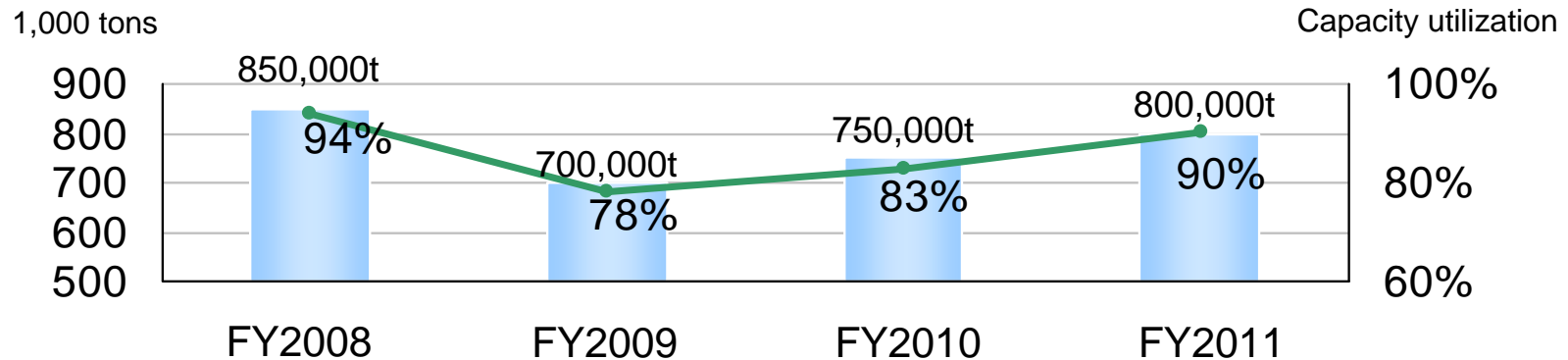


- Hachinohe Mill: Improve capacity utilization, reduce energy costs
- Takasago Mill: Drastic reduction in purchased pulp, reduce fixed costs

# Printing and communication Paper Progress in Measures and Plans (2)

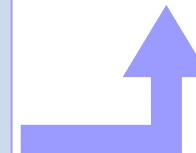


## 2. Hachinohe Mill – Estimated Capacity Utilization



## 3. Improving Hachinohe Mill Capacity Utilization

- (1) Transfer of business communication base paper production
- (2) Expansion of exports
- (3) Expansion of digital printing paper sales
- (4) Expansion of environmental value-added product sales (FSC, etc.)



## 4. Alliances with Other Companies

Alliance with OJI Paper on communication paper, now underway

# Imaging and Development Progress in Measures and Plans (1)

## ■ I&D Business (Driven by Imaging & Development Company)

### Applicable Items:

Inkjet paper, photographic paper, photo-sensitive printing plate, resin-coated paper, various functional materials (non woven fabric, filters, rewritable media, etc.), R&D developed products, etc.

### Rebuilding of Production Systems (Kitakami Hitec Paper)

Add new No. 8 RC Machine, and concentrate operations on three multi-function resin coaters

→ No. 5 RC Machine to be shut down (August 2010)

### Restructuring, Cost Reductions, Alliances

1. I&D Company personnel reductions (Kyoto, Kitakami, Headquarters, etc.)

→ Proceeding according to plan

2. Alliance with FUJIFILM on photographic base paper, now underway



Kitakami Hitec Paper

# Imaging and Development Progress in Measures and Plans (2)



## New Product Development

### 1. Inkjet media

Inkjet photo books, pearlescent inkjet photo media, etc.



### 2. Print plate

**TDP and IDP: Deepening expansion in emerging countries**

**TDP: Thermal DigiPlate (Direct thermal digital printing plate)**

Awarded Distinguished Technology Award by the Japanese Society of Printing Science and Technology in FY2009

**IDP: Inkjet DigiPlate (Inkjet digital printing plate)**



## Functional Material Development Business

### 1. Operations being developed focusing on filter business, now underway

### 2. Operations being developed in China and other Asian markets

Full production at filter processing site in Zhuhai, China

Expansion into other businesses under consideration (Printing plate converting and finishing, etc.)



# German Operations Progress in Measures and Plans

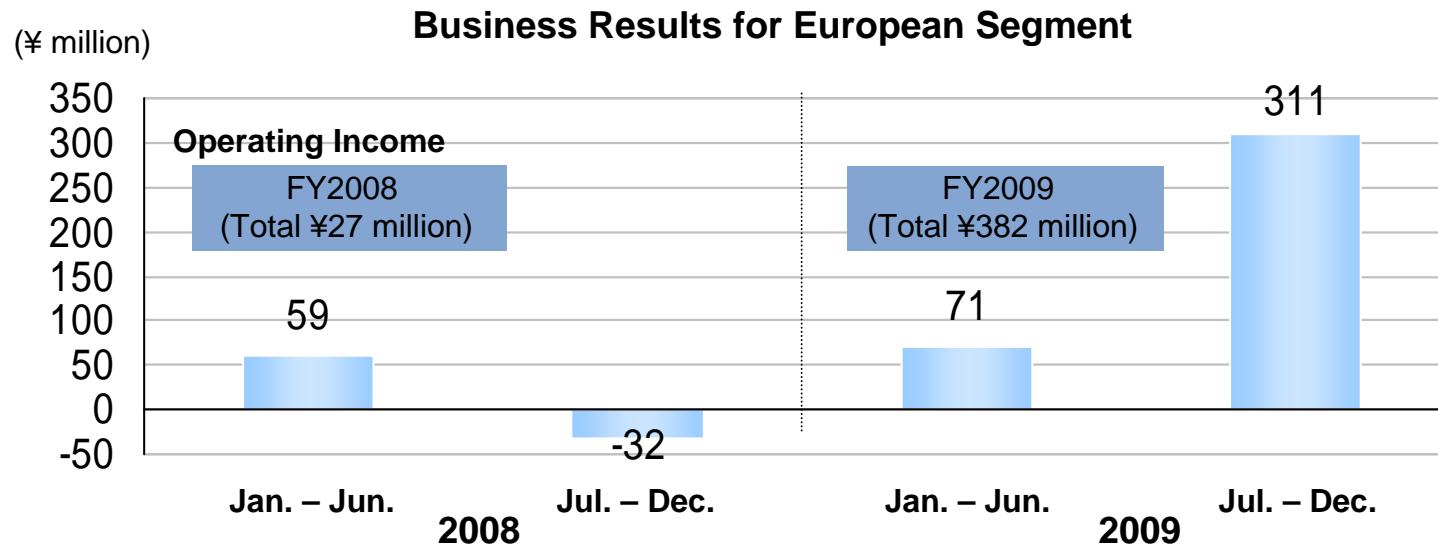


## Fundamental Restructuring at MPB

MPB : Mitsubishi HiTec Paper Bielefeld GmbH

1. No. 1 Paper Machine (30,000 t/yr) shut down in July 2009; plant is currently operating with No.3 Paper Machine (120,000 t/yr)
2. All four cast coaters shut down in August 2009
3. Personnel cuts affecting 120 people in 2009
4. Review product portfolio, improve Product mix

### 1. Firmly established profitability through restructuring and recovery of actual demand in Europe



### 2. Improved productivity in high value added products such as inkjet paper for digital printing

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