

First Half of Year-Ended March 31, 2011

Business Report

Part-1: Financial Review, 2011 First Half

Part-2: Enhanced Countermeasures

November 16, 2010
Mitsubishi Paper Mills Ltd.

Financial Review for the First Half of The Fiscal Year-ended March 31. 2011

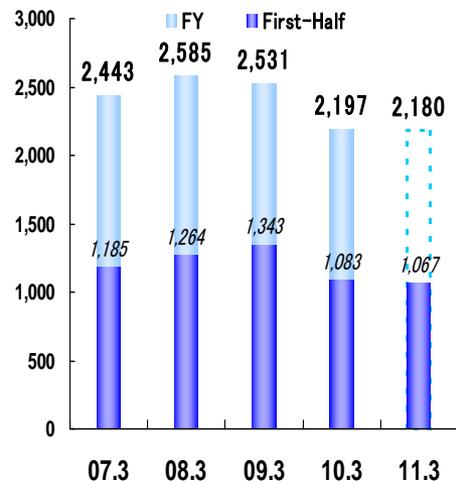
Key Figures <Consolidated>



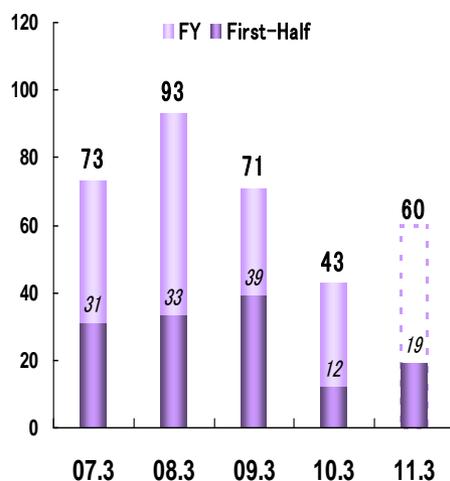
(unit: 100million yen)

| | FY2009First-Half | | FY2010First-Half | | Increment | |
|-------------------------|------------------|-----------------|------------------|-----------------|------------|-------------|
| | Amount | Sales Ratio (%) | Amount | Sales Ratio (%) | Amount | % |
| Sales | 1,083 | — | 1,067 | — | ▲16 | ▲1.5 |
| Operating Income | 12 | 1.1 | 19 | 1.7 | 7 | 53.9 |
| Ordinary Income | 2 | 0.2 | 9 | 0.8 | 7 | 254.6 |
| Net Income | ▲16 | ▲1.5 | ▲9 | ▲0.9 | 7 | — |

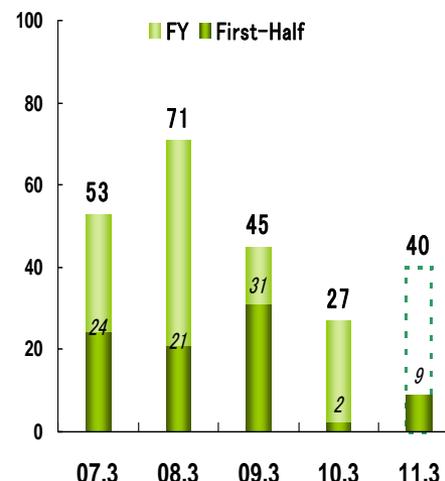
Sales



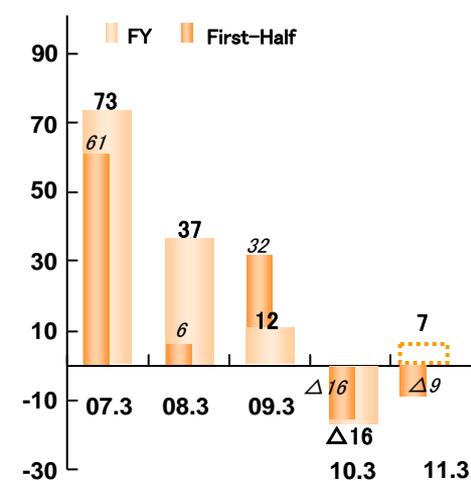
Operating Income



Ordinary Income



Net income



Segment Information by Product <Consolidated>



(Unit: 100 million yen/%)

| | | FY2009First-Half | FY2010First-Half | Increment | % |
|------------------|-------------------------------|------------------|------------------|-----------|-------|
| Sales | Pulp&Paper | 889 | 894 | 5 | 0.6 |
| | Imaging & Development Company | 247 | 247 | ▲0 | ▲0.3 |
| | Others | 103 | 92 | ▲11 | ▲10.8 |
| | Internal Transfer | ▲156 | ▲166 | ▲10 | — |
| | 合計 | 1,083 | 1,067 | ▲16 | ▲1.5 |
| Operating Income | Pulp&Paper | 17 | 15 | ▲2 | ▲14.4 |
| | Imaging & Development Company | ▲8 | 1 | 9 | — |
| | Others | 3 | 3 | 0 | ▲8.2 |
| | Internal Transfer | 0 | 0 | 0 | — |
| | 合計 | 12 | 19 | 7 | 53.9 |

Note : The segment figures for the second quarter of the previous fiscal year were estimated by referencing this quarter's segment figures.

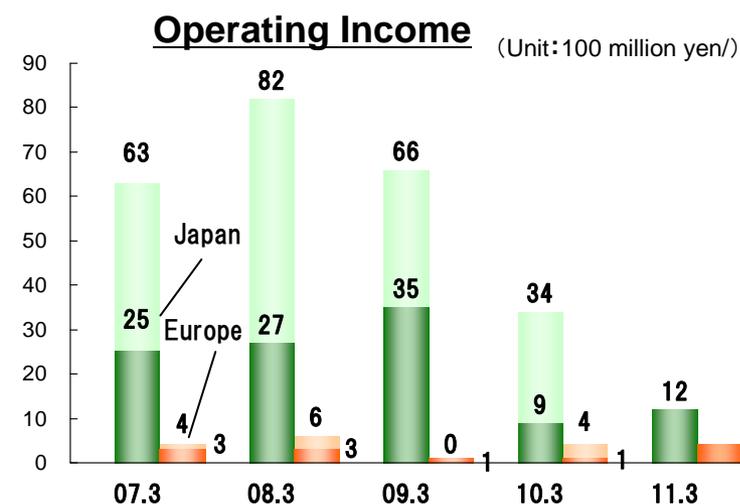
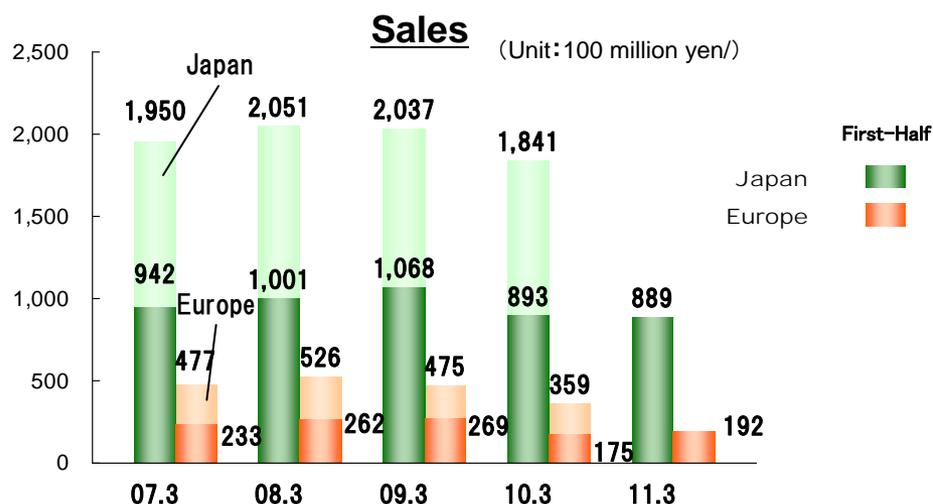
Segment Information by Area <Consolidated>



(Unit: 100 million yen/%)

| | | FY2009First-Half | FY2010First-Half | Increment | % |
|------------------|-------------------|------------------|------------------|------------|-------------|
| Sales | Japan | 893 | 889 | ▲4 | ▲0.5 |
| | Europe | 175 | 192 | 17 | 9.4 |
| | U.S.A. | 37 | 36 | ▲1 | ▲3.2 |
| | Internal Transfer | ▲22 | ▲50 | ▲28 | — |
| | Total | 1,083 | 1,067 | ▲16 | ▲1.5 |
| Operating Income | Japan | 9 | 12 | 3 | 34.6 |
| | Europe | 1 | 4 | 3 | 365.0 |
| | U.S.A. | 1 | 1 | 0 | ▲37.9 |
| | Internal Transfer | 1 | 2 | 1 | — |
| | Total | 12 | 19 | 7 | 53.9 |

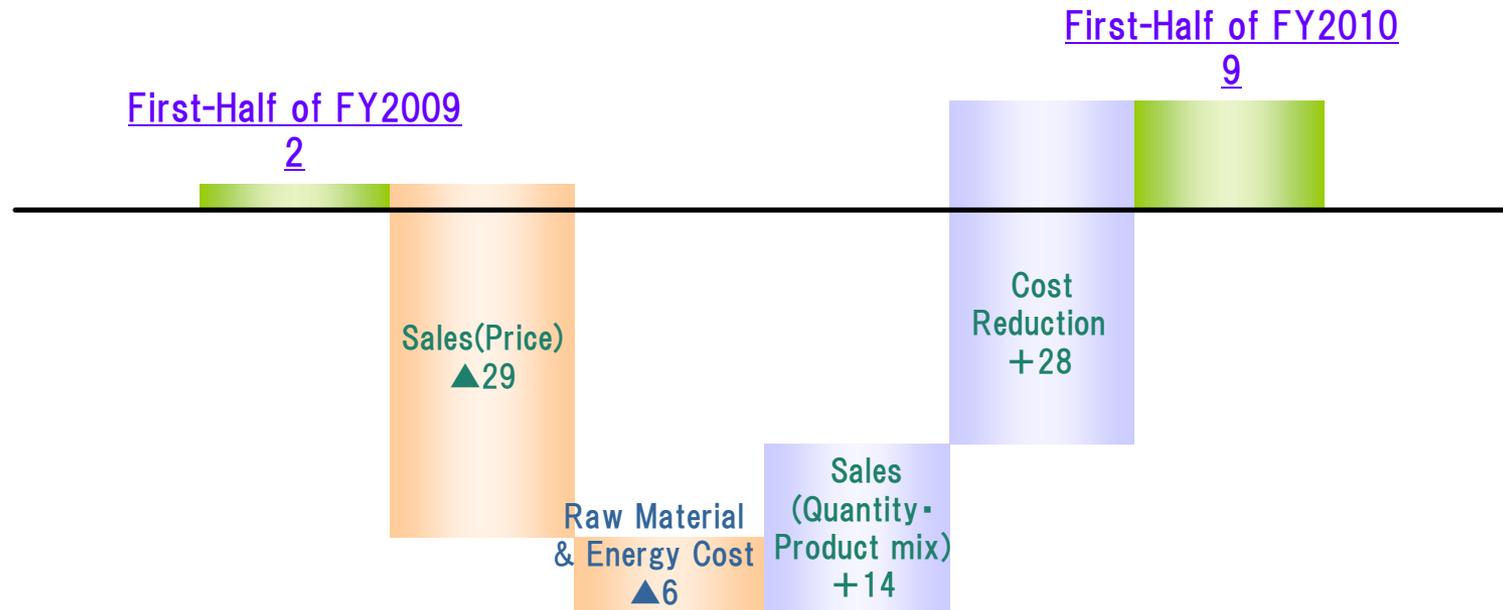
Note : This quarter's segment figures were estimated by referencing the previous segment information by area.



Breakdown of Increase/Decrease of Consolidated Ordinary

(Unit: 100 million yen)

First-Half of FY2010



Balance Sheet <Consolidated>



(unit:100million yen)

| | Ended of March 31,2010 | | Ended of Sept. 30, 2010 | | Increment |
|-----------------------|------------------------|-------|-------------------------|-------|-----------|
| | Amount | % | Amount | % | Amount |
| Assets | 2,821 | 100.0 | 2,668 | 100.0 | ▲153 |
| Current Assets | 1,105 | 39.2 | 1,094 | 41.0 | ▲11 |
| Fixed Assets | 1,716 | 60.8 | 1,574 | 59.0 | ▲142 |
| Tangibles | 1,294 | 45.9 | 1,230 | 46.1 | ▲64 |
| Intangibles | 10 | 0.3 | 7 | 0.3 | ▲3 |
| Investment and Others | 412 | 14.6 | 337 | 12.6 | ▲75 |
| Liabilities | 2,134 | 75.6 | 2,022 | 75.8 | ▲112 |
| Current Liabilities | 1,442 | 51.1 | 1,374 | 51.5 | ▲68 |
| Long-Term Liabilities | 692 | 24.5 | 648 | 24.3 | ▲44 |
| Net Assets | 687 | 24.4 | 646 | 24.2 | ▲41 |

| | | | | | |
|-------------------------------|-------|---|-------|---|------|
| Interest Bearing Debts | 1,616 | — | 1,514 | — | ▲102 |
|-------------------------------|-------|---|-------|---|------|

Statement of Cash Flow <Consolidated>



(unit:100million yen)

| | FY2009 | FY2010 | Increment |
|--|------------|------------|-----------|
| | First-Half | First-Half | |
| | Amount | Amount | Amount |
| Cash Flow from Operating Activities | 42 | 78 | 36 |
| Cash Flow from Investing Activities | ▲66 | ▲0 | 66 |
| Cash Flow from Financing Activities | 22 | ▲82 | ▲104 |
| Effect of Exchange Rate Fluctuation on Cash & Cash Equivalents | 0 | ▲2 | ▲2 |
| Net Increase/Decrease in Cash and Cash Equivalents | ▲2 | ▲6 | ▲4 |
| Cash and Cash Equivalents at the Beginning of the Year | 35 | 70 | 35 |
| Cash and Cash Equivalents at the End of the Year | 33 | 64 | 31 |

Forecast for FY2010

Forecast < Increase/Decrease Factors >

(unit:100million yen)

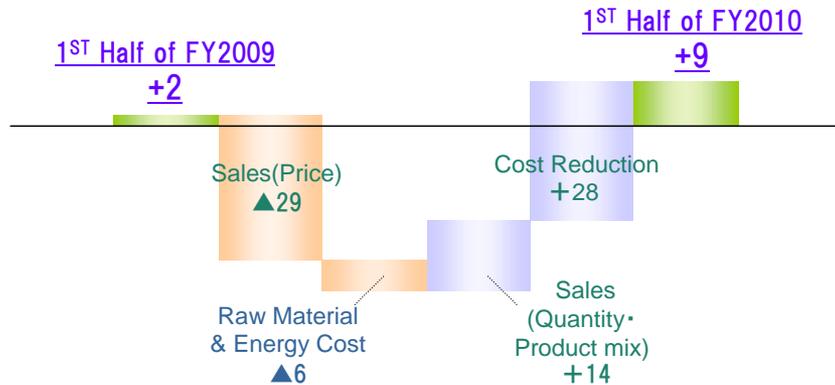
| | FY2009 | | | Forecast of FY2010 | | | Increment | | | | | |
|-------------------------|-------------|-------------|--------|-------------------------|---------------------------|----------------------|-----------|-------|------------------------|------|---------------|------|
| | 1ST Half | 2nd Half | FY2009 | 1ST Half (Actual) | 2nd Half (Forecast) | FY2010 (Forecast) | 1ST Half | | 2nd Half (Forecast) | | FY (Forecast) | |
| | | | | | | | Amt | % | Amt | % | Amt | % |
| | | | | | | | | | | | | |
| Sales | 1,083 | 1,114 | 2,197 | 1,067 | 1,113 | 2,180 | ▲16 | ▲1.5 | ▲1 | ▲0.1 | ▲17 | ▲0.8 |
| Pulp & paper | 889 | 926 | 1,815 | 894 | 936 | 1,830 | 5 | 0.6 | 10 | 1.1 | 15 | 0.8 |
| I&DCompany | 247 | 251 | 498 | 247 | 253 | 500 | ▲0 | ▲0.3 | 2 | 1.2 | 2 | 0.5 |
| Others | 103 | 88 | 191 | 92 | 88 | 180 | ▲11 | ▲10.8 | 0 | 0.0 | ▲11 | ▲5.8 |
| Internal Transfer | ▲156 | ▲151 | ▲307 | ▲166 | ▲164 | ▲330 | ▲10 | — | ▲13 | — | ▲23 | — |
| Operating Income | 12 | 31 | 43 | 19 | 41 | 60 | 7 | 53.9 | 10 | 36.0 | 17 | 41.1 |
| Ordinary Income | 2 | 25 | 27 | 9 | 31 | 40 | 7 | 254.6 | 6 | 30.0 | 13 | 50.4 |
| Net Income | ▲16 | 0 | ▲16 | ▲9 | 16 | 7 | 7 | — | 16 | — | 23 | — |

Note : The segment figures for first half, second half and full-year earnings were estimated by referencing this quarter's segment figures.

Forecast of the 2nd Half: ¥85/\$, Dubai crude oil \$75/barrel

Breakdown of Increase/Decrease of Consolidated Ordinary Income

Comparison of the 1ST Half (Actual)

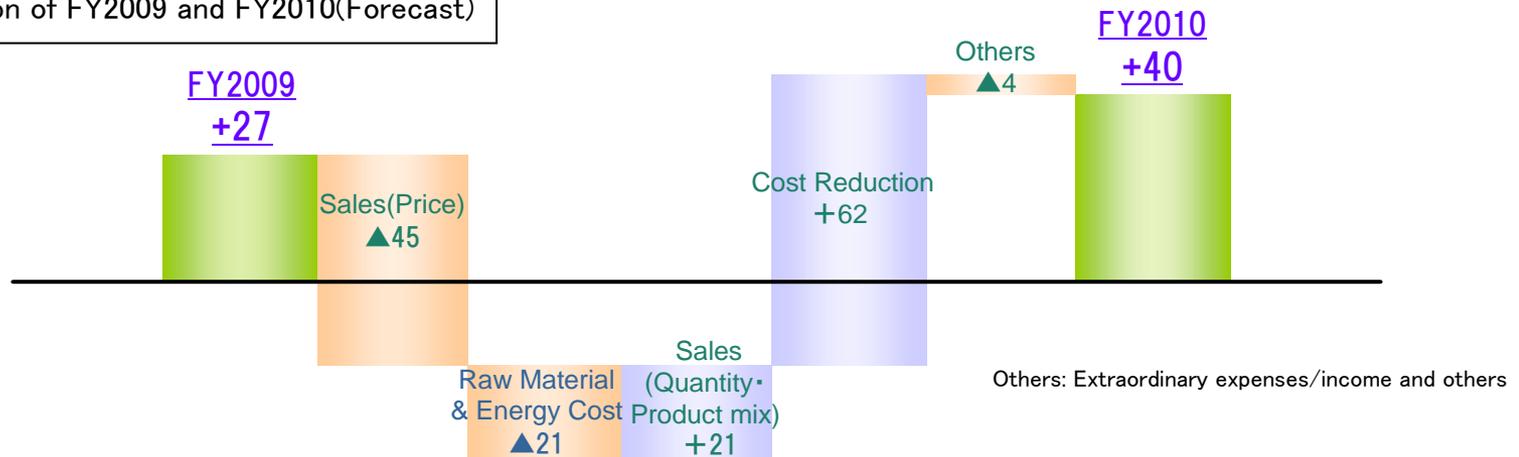


Comparison of the 2ND Half (Forecast)

(Unit: 100 million yen)



Comparison of FY2009 and FY2010(Forecast)



Key Indices <Consolidated>



(unit:100million yen)

| | FY2009 First-Half | FY2010 First-Half | FY2010(Forecast) |
|------------------------|----------------------|------------------------------|------------------|
| Interest Bearing Debts | 1,675 | 1,514 | 1,500 |
| Depreciation | 65 | 62 | 122 |
| Investment | 55 | 19 | 35 |
| Number of Employees | 4,632 | 4,389 | 4,350 |

Key Indices <Non-consolidated>



(unit:100million yen/%)

| Sales Data | FY2009 | | | | FY2010 | | | |
|---|----------------------|------------|-------------|------------|----------------------|------------|-------------|------------|
| | 1 ST Half | | Fiscal Year | | 1 ST Half | | Fiscal Year | |
| | Sales Qty. | Sales Amt. | Sales Qty. | Sales Amt. | Sales Qty. | Sales Amt. | Sales Qty. | Sales Amt. |
| Uncoated (Wood-free, etc) | 79 | 98 | 164 | 198 | 85 | 97 | 175 | 198 |
| Coated (Coated, etc) | 246 | 328 | 527 | 683 | 267 | 332 | 550 | 682 |
| Business Communication Paper (Thermal, Carbonless Paper, etc) | 40 | 93 | 80 | 186 | 41 | 93 | 81 | 183 |
| White Card Board | 22 | 27 | 46 | 55 | 23 | 27 | 48 | 57 |
| Others (Leaf paper, Hygiene Paper, etc) | 8 | 43 | 16 | 93 | 8 | 46 | 17 | 100 |

| | 1 ST Half of FY2009 | 1 ST Half of FY2010 |
|---|--------------------------------|--------------------------------|
| Exchange Rate | ¥95.27/US \$ | ¥88.85/US \$ |
| Annual Usage of Woodchips (Import Ratio) | 500Tt (67%) | 572Tt (67%) |
| Annual Usage of Purchased Pulp (Purchase Ratio) | 23Tt (7%) | 21Tt (6%) |
| Annual Usage of Oil | 19Tkl | 18Tkl |
| Annual Usage of Coal | 131Tt | 139Tt |
| Purchase Electric Power (Self-Generation Ratio) | 130MWH (79%) | 127MWH (80%) |

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

Enhanced Countermeasures: Status of Progress

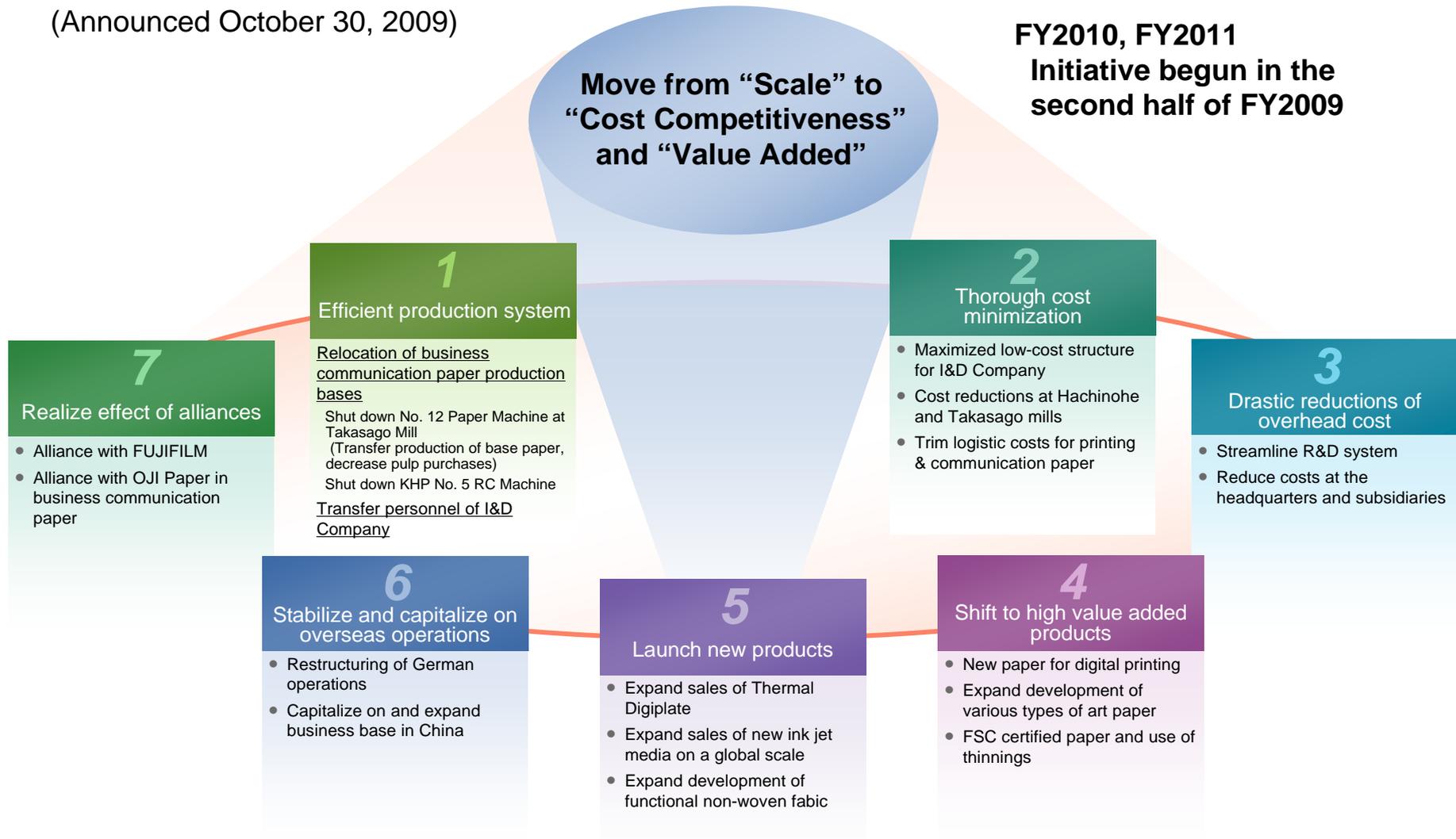
November 16, 2010
Kunio Suzuki
President and CEO

Seven Enhanced Countermeasures

(Announced October 30, 2009)

FY2010, FY2011
Initiative begun in the
second half of FY2009

Move from “Scale” to
“Cost Competitiveness”
and “Value Added”



Enhanced Countermeasures: Effects



Effects: ¥ 100 million

| | Production system rebuilding | Cost reductions | Overseas operations | Personnel streamlining | Other (energy, depreciation, etc.) | Total |
|---|------------------------------|-----------------|---------------------|------------------------|------------------------------------|-----------|
| FY2010 (Year 146 ending March 2011) Initial Target | 5 | 11 | 6 | 11 | 10 | 43 |
| 1H results | 2 | 8 | 6 | 9 | 3 | 28 |
| 2H forecast | 5 | 17 | 2 | 3 | 7 | 34 |
| Full-year outlook | 7 | 25 | 8 | 12 | 10 | 62 |

Benefits of measures are steadily emerging, with cost reductions offsetting factors that depress earnings. Pushing on next year with original targets.

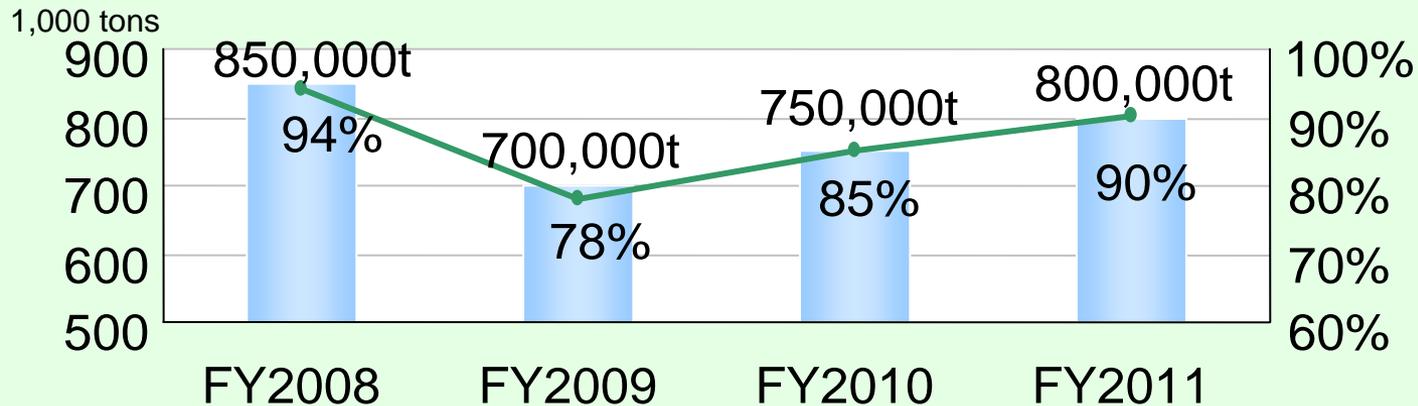
| | | | | | | |
|---|----------|-----------|----------|----------|--|-----------|
| FY2011 (Year 147 ending March 2012) Initial Target | 4 | 12 | 3 | 6 | | 25 |
|---|----------|-----------|----------|----------|--|-----------|

Production System Rebuilding & Alliances

- Transfer of business communication base paper production progressing well, with No. 12 Paper Machine in the Takasago Mill shut down to schedule
- Hachinohe Mill: Reduce energy costs through improved capacity utilization
- Takasago Mill: Reduce business communication base paper costs
- Developing business communication paper alliance with Oji Paper

Hachinohe Mill

- Capacity Utilization Trend -



Increase to 90% capacity utilization after transfer of business communication base paper and expansion of environmental value-added product sales

Production System Rebuilding & Alliances

- **Kitakami Hitec Paper**
Add new No. 8 RC Machine and shut down No. 5 RC Machine (May 2010) to concentrate operations on three multi-function resin coaters
- **MP Juarez LLC (MPJ / Mexico)**
As well as inkjet paper, expand local finishing of photo-sensitive print material products
- **Alliance with FUJIFILM on photographic base paper, now underway**

Personnel Reassignment, Cost Reductions

- **I&D Company personnel reductions:**
Reduction of approx. 160 staff since year ended March 2009, generating ¥1 billion in cost savings

Expansion of Functional Material Development Business

- **Sales expansion into emerging markets, focused on Asia**
Approx. 10% sales growth in filters, non-woven fabric business
- **Full production at filter processing subsidiary in Zhuhai, China**

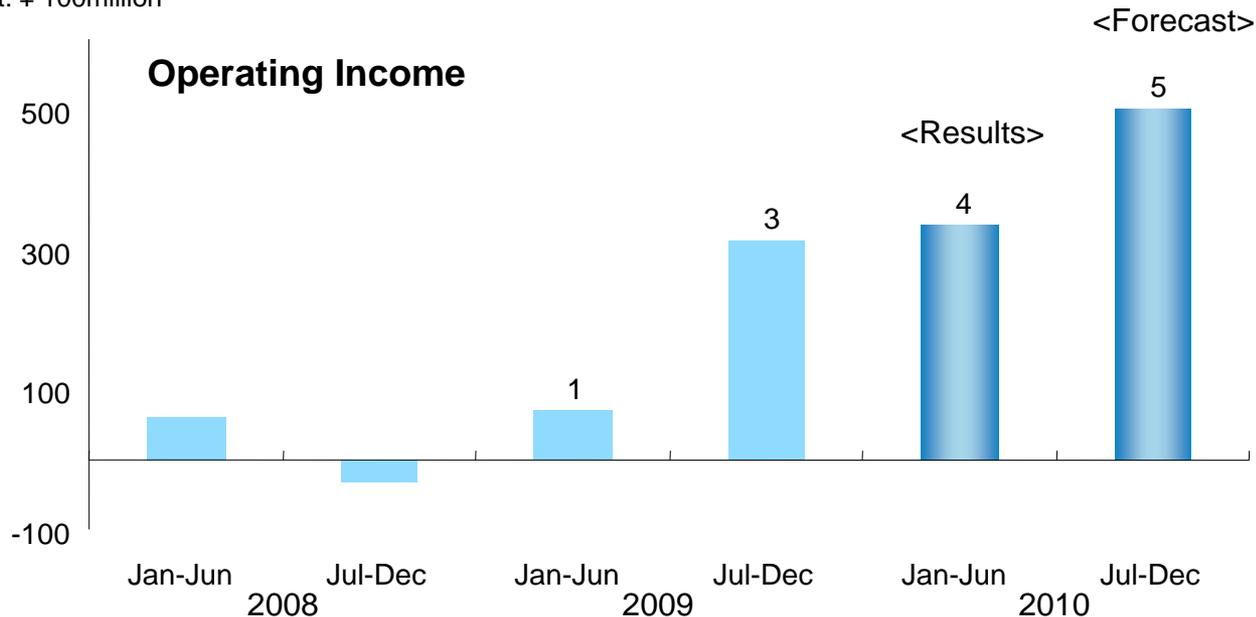
Restructuring in Germany

Restructuring to 2009:

- Close/merge paper machines (partial shutdown of paper machines / complete shutdown of all cast coaters)
- Personnel cuts affecting 120 people
- Review product portfolio, improve product mix

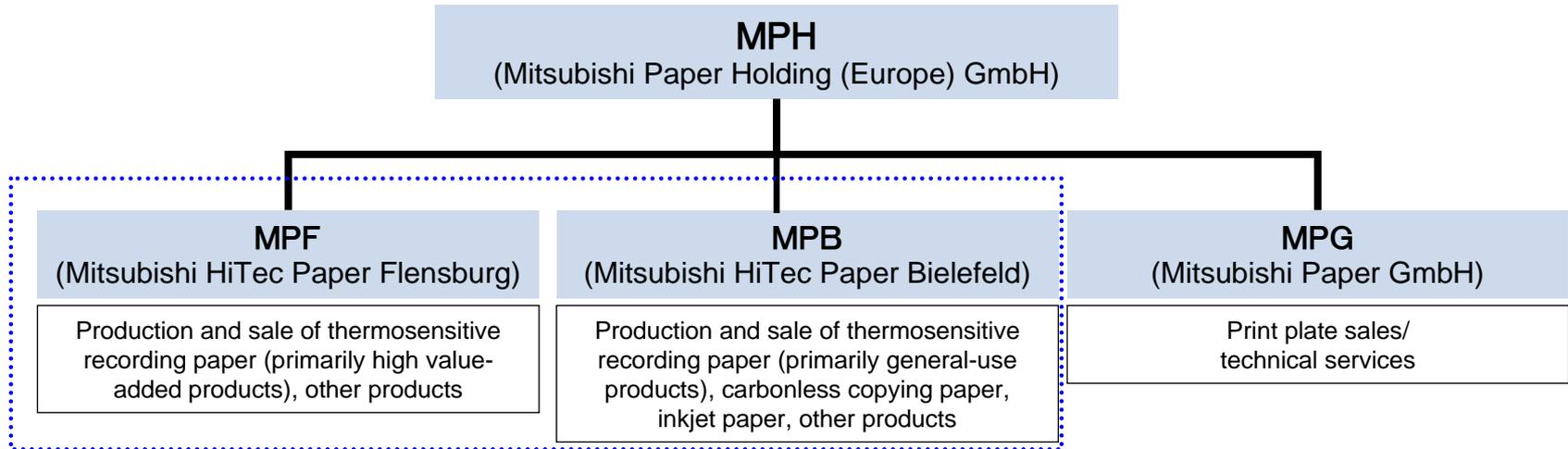
Business Results for European Segment

Unit: ¥ 100million



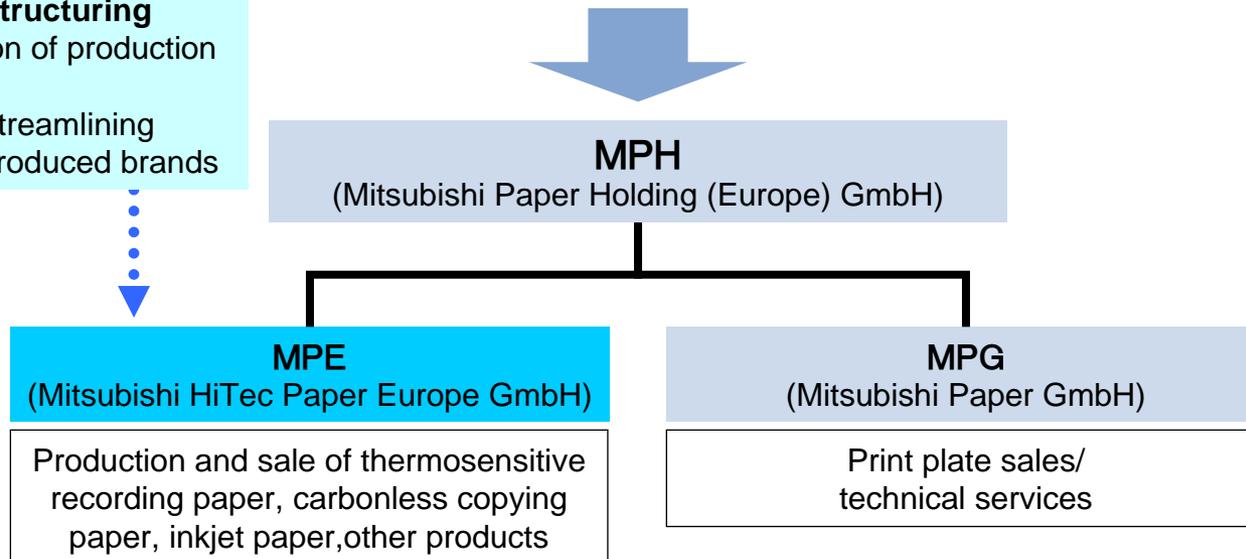
Establishing profitability through
positive effects of measures
Margin improvement: Approx. ¥500mn (vs. 2009)

Reorganization of Consolidated Subsidiary in Germany



Sweeping restructuring

1. Consolidation of production facilities
2. Personnel streamlining
3. Review of produced brands



Printing and communication Paper - Expansion into growth fields -

Promote shift to high value-added printing and business communication paper

- **Expansion of digital printing paper market**
Develop products targeting future expansion into industrial printing field
- **Develop and grow sales of value-added products (with eco-friendly, art features, etc.)**
FSC-certified paper, paper using forest thinnings, high-grade printing paper, etc.



Example of FSC logo on printed matter



Various types of digital printing paper



Use of forest thinnings
(Forest Neighborhood Association Copying Paper)



Example of FSC-certified paper

New business development - Bolstering production -

- Strategic investment in functional non-woven fabric business, a growth area
- Consider increase of filter processing in Zhuhai, China, and expansion of other operations

Inkjet - Shift to high-margin structure -

- Expand sales of high value-added inkjet paper
Pearlescent inkjet, display-use film inkjet, double-sided inkjet
- Stimulate demand for high-grade photobooks

Print plates - New product sales expansion -

- TDP sales expansion and new IDP, PDP products

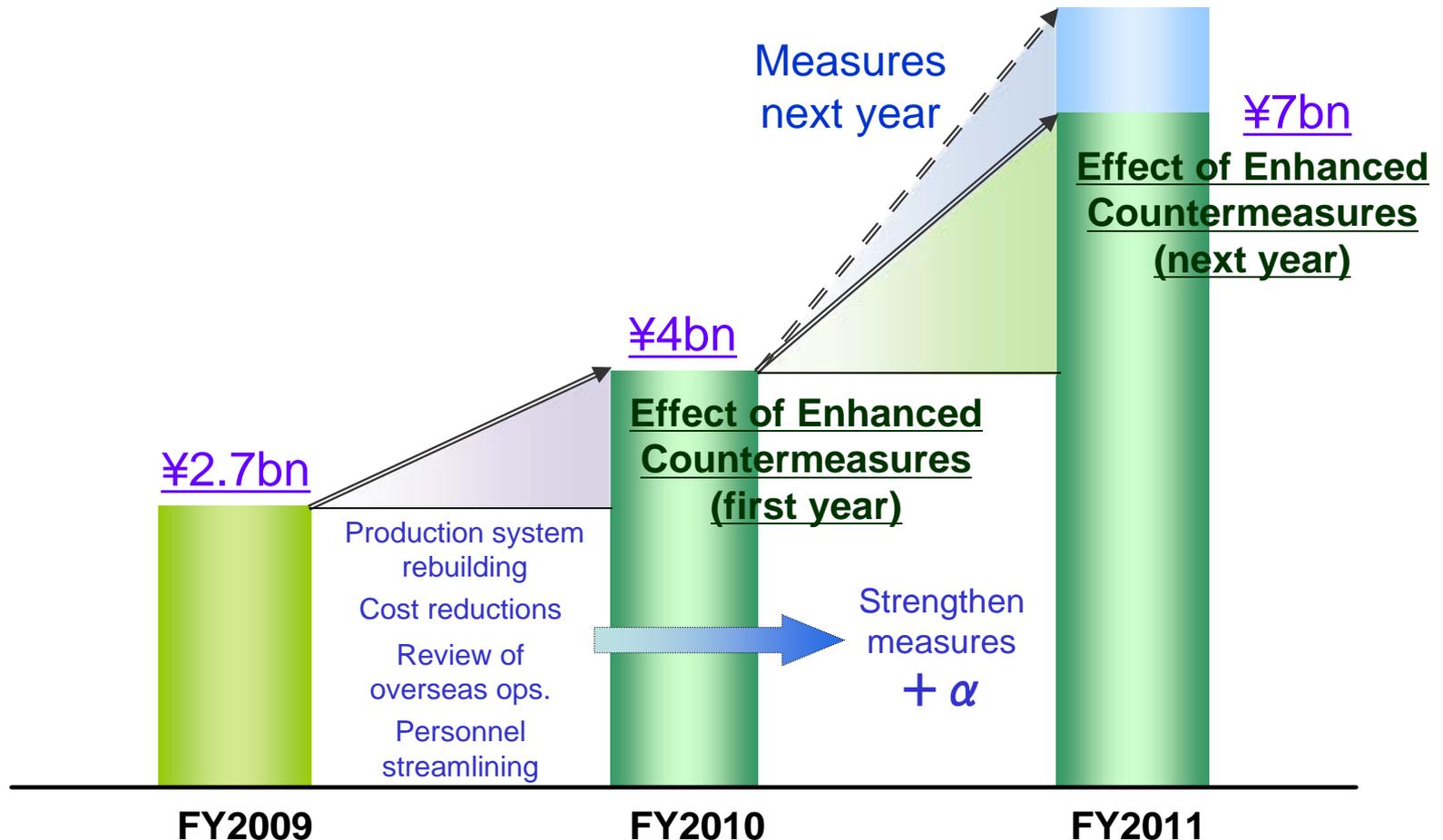
TDP = Thermal DigiPlate (Direct thermal digital plate making material)

TDP = Inkjet DigiPlate (Inkjet digital plate making material)

PDP = Polymer DigiPlate (Photopolymerization-based digital plate making material)

Future earnings assumptions

<Consolidated Ordinary Income>



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