



Annual Report 2020

Profile

Since its founding in 1898, Mitsubishi Paper Mills has contributed to the development of information media such as printing, publishing, and photography by developing and providing high value-added products that change with the times and meet the demand of the times, as “technological Mitsubishi” in paper manufacturing. As time passes and the ICT digital technology advances, the information society is transforming into a social structure that does not require paper as a medium. Amidst these drastic changes in the market and the management environment, with the aim of achieving sustainable growth and increasing the corporate value of the Mitsubishi Paper Mills Group, we have entered into a capital and business alliance agreement with Oji Holdings Corporation and, in March 2019, we increased our capital through a third-party allocation of new shares, becoming an equity method affiliate of Oji Holdings.

Under the alliance with the Oji Group, we have realized cooperation in biomass power generation business, household and consumer paper business, joint procurement of raw materials, and strengthening of sales agency agreements. Going forward, we will continue to build strong collaborative relationships in all business fields, not just production, sales and raw material procurement, in accordance with the New Mid-Term Management Plan formulated in 2019.

We are seeking to shift from a business portfolio centered on printing and communication paper by leveraging our technological capabilities in the fields of paper making, coating, and imaging while focusing on functional products for growth. For this reason, we have made an organizational change to establish the Functional Products Division by integrating the Imaging Division and the Speciality Materials Division. We aim to strengthen our revenue base by utilizing the sales and distribution systems of both divisions to expand our business globally, focusing on promising areas such as battery separators and other non-woven fabrics, high-performance filtering materials, electronics industrial materials, and IJ transfer paper.

Mitsubishi Paper Mills Group will continue to expand and cement its capital and business alliance agreement with the Oji Group and, under the following corporate philosophy, will strive to contribute to society and improve corporate value by strengthening and diversifying its business base while flexibly responding to the managerial impact of COVID-19 that is currently shaking the world.

Dedicated to contributing to society by providing customers with products backed by advanced technological capabilities, we have the following three goals as a Group Philosophy:

- 1. A corporate group that lives up to the trust of its customers in the world market**
- 2. A corporate group that is always on the leading edge of technology**
- 3. A corporate group that contributes to preserving the global environment and creating a recycling society**

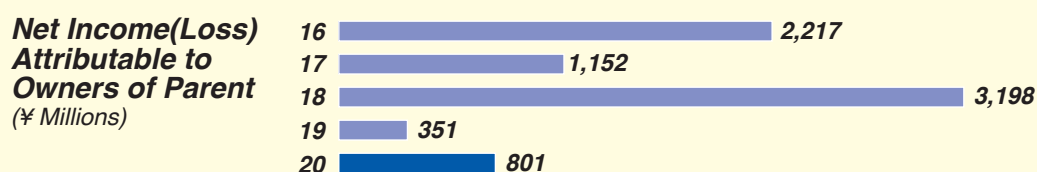
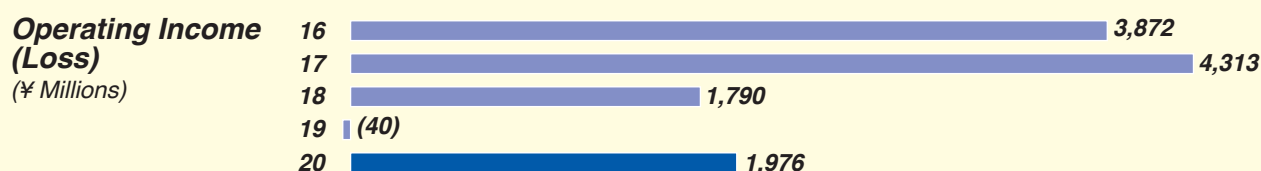
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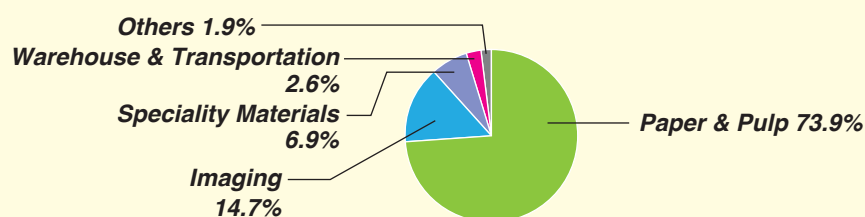
Financial Highlights (Consolidated)

	Millions of yen (1)		Thousands of U.S. dollars (1) and (2)
	2020	2019	2020
For the years ended March 31			
Net sales	¥194,575	¥203,997	\$1,787,880
Operating income (loss)	1,976	(40)	18,161
Net income attributable to owners of parent	801	351	7,369
Net income per share (in yen and dollars)	17.96	10.04	0.17
Cash dividends per share (in yen and dollars)	5.00	5.00	0.05
As of March 31			
Total assets	¥212,217	¥232,758	\$1,949,990
Total net assets	60,527	67,004	556,169
Common stock	36,561	36,561	335,951
Net assets per share (in yen and dollars)	1,355.27	1,485.64	12.45
Number of shareholders	12,741	12,681	
Number of employees	3,676	3,668	

Notes: (1) In this annual report, Japanese yen (in millions) and U.S. dollars (in thousands) are indicated with fractions omitted.
(2) U.S. dollar amounts in this report represent translations of yen amounts at the rate of ¥108.83 = U.S.\$1, as of March 31, 2020.



Sales Composition



Message from the President



Yukibiro Tachifuji, President & C.E.O.

Overview of the Reporting Term

The global economy was destabilized by the lengthened trade friction between the U.S. and China in this term. Against this background, the spread of novel coronavirus (COVID-19) infections further increased fears about the impact on the Japanese and global economies from January 2020 onward. The paper and pulp industry faces a difficult situation due to the structural decline in demand arising from the digitization of information media and the continuing high price of raw materials and fuels.

Under such circumstances, our corporate group formulated our New Mid-Term Management Plan (April 2019 to March 2022) with the basic principle to “Strengthening and diversifying the business base for a new stage” and we have started working on this.

We give the following as our three priority strategies in our New Mid-Term Management Plan.

- (1) To establish a robust management base through the alliance with the Oji Group
 - (2) To make structural reforms and enrich existing businesses
 - (3) To diversify the business base by fostering new profit pillars
- We are advancing various measures toward them vigorously.

The biomass power generation business (MPM Oji Eco Energy Co., Ltd.) and the household and consumer paper business (MPM Oji Home Products Co., Ltd.), which are the collaborative business-

es with the Oji Group, started operations from this term. In addition, the Company also participated with funds in a joint procurement company to import chip of Oji Holdings Corporation and Chuetsu Pulp & Paper Co., Ltd. With this, we started procurement from OCM Fiber Trading Co., Ltd. This has led to our alliance with the Oji Group steadily producing results. For example, we have significantly reduced the cost of raw materials.

This term saw effects from a transportation adjustment payments system for paper we introduced in the previous term and a revision of prices. Nevertheless, a decrease in the volume of sales in Japan and overseas for paper and a decrease in existing products focused on the overseas imaging market resulted in consolidated net sales of ¥194,575 million (down 4.6% year-on-year) (US\$1,787 million).

As for profits and losses, consolidated operating income was ¥1,976 million (US\$18 million) and consolidated ordinary income was ¥2,696 million (US\$24 million). This was due to the effect of revising the price of paper and implementing various cost reduction measures. Net income attributable to owners of parent was ¥801 million (US\$7 million). This was because we recorded an impairment loss on the paper machine No. 4 at Hachinohe Mill.

As for non-consolidated performance, our net sales were ¥106,452 million (US\$978 million), operating income was ¥422 million (US\$3 million), ordinary income was ¥898 million (US\$8 million) and net loss was ¥971 million (-US\$8 million).

Our Goals to Address

[Impact of the Novel Coronavirus (COVID-19)]

Our corporate group has been taking measures (e.g., staggered working hours, shift work and a reduction in contact opportunities) in manufacturing sites to protect the lives and safety of our employees as the risk of novel coronavirus (COVID-19) infections increases. We have also been taking measures to prevent infections (e.g., promoting telecommuting in sales and management departments). The decline in demand for printing and communication paper has accelerated due to restrictions on going out and the cancellation of events. The imaging field for image output has also taken a hit. Therefore, it is impossible to avoid a negative impact. We will solidify the “defense” in our management to deal with this situation. For example, we will maintain a production structure that responds to demand trends while temporarily furloughing employees.

On the other hand, household and consumer paper and filter related demand has increased due to a rise in needs in terms of hygiene. Moreover, the power generation business is indispensable in supporting social infrastructure. In addition, paper, which is used in various aspects in life, has an important mission to prop up society. We will also focus our efforts on such “offense” in our management by flexibly responding to dramatic and sudden changes due to the novel coronavirus (COVID-19).

[Regarding the New Mid-Term Management Plan]

We have adopted a basic principle to “Strengthening and diversifying the business base for a new stage” in our New Mid-Term Management Plan (April 2019 to March 2022). We will establish strong management foundations through an alliance with the Oji Group, make structural reforms and enrich existing businesses, and diversify our business base by fostering new profit pillars. With this, we will aim to achieve the sound and sustainable growth of the company and to maximize mid- to long-term corporate value.

Period

FY 2020 to FY 2022 (3 years)

Basic Principle

Strengthening and diversifying the business base for a new stage

Key strategies

- 1 To establish a robust management base through the alliance with Oji Group
- 2 To make structural reforms and enrich existing businesses
- 3 To diversify the business base by fostering new profit pillars

[To establish a robust management base through the alliance with the Oji Group]

By mutually utilizing the managerial resources and know-how of the Oji Group and our corporate group, we will foster a firm cooperative relation in all business fields, including manufacturing, sale, procurement of raw materials, distribution, engineering, equipment investment, R&D, and back-office operation, to streamline our business operation and reduce costs as soon as possible and then enhance our competitiveness.

Especially for the paper business, we will reinforce the mutual OEM with the Oji Group, enhance the sales structure of agents, reduce distribution costs through the mutual utilization of warehouses and logistics facilities, develop manufacturing systems for foreseeing demand, improve production efficiency, further cut down on the expenses for buying raw materials and fuels, and so on, in order to stabilize our revenue.

[To make structural reforms and enrich existing businesses]

For the imaging business, while striving to strengthen the operation base through the alliance with FUJIFILM Corporation for photographic materials base paper, etc., we will further enhance our existing products which are already maturing by actively expanding the business in foreign markets.

For the speciality materials business, we strive to expand sales in Asia with focus on China, the U.S. and Europe and will make steady progress in the businesses of non-woven fabric which handles water treatment membrane supporting body, thermo rewrite, decorative laminate base paper and tape base paper by utilizing our own technologies.

[To diversify the business base by fostering new profit pillars]

We are aiming to stabilize our earnings base while transforming our business structure in our Hachinohe Mill. For example, we have started manufacturing barrier paper aimed at doing away with plastics. This is in addition to the household and consumer paper business and biomass power generation business we have been operating jointly with the Oji Group there.

We will expand our business in promising fields, such as functional films and IJ transfer paper based on the imaging technology and battery separators and inorganic fiber paper that have excellent quality, and work on the growth and diversification of new businesses.

We have made the following progress in our alliance with the Oji Group in this term – the first year of our New Mid-Term Management Plan. We will continue to work to expand our alliance with the

Oji Group in the future.

April 2019	MPM Oji Home Products Co., Ltd. Started operations (household and consumer paper business)
September 2019	MPM Oji Eco Energy Co., Ltd. Started operations (biomass power generation business)
November 2019	Mitsubishi Oji Paper Sales Co., Ltd. Strengthened handling of Oji brand products by changing the trade name from Mitsubishi Paper Sales Co., Ltd.
November 2019	OCM Fiber Trading Co., Ltd. Started joint procurement with capital participation in the procurement company to import chip of Oji Holdings Corporation and Chuetsu Pulp & Paper Co., Ltd.
November 2019	Decided to accept production and sales of carbonless paper from Oji Imaging Media Co., Ltd.
From July 2020	Plan to accept the carbonless business of Oji Imaging Media Co., Ltd.'s Kanzaki Mill to the Company's Takasago Mill

CSR (Corporate Social Responsibility)

Our corporate group recognizes that the purpose of CSR is to improve our corporate value by winning the trust and sympathy of stakeholders and solve problems from the aspects of the environment, society, and finance, and considers CSR as an important management issue to address in our business activities.

In FY 2020, we worked on "enhancement of activity on safety and health" and "product development for coexisting with society" as the most important missions. We also strived to enrich environmentally friendly products, including FSC® forest certified products, which would help attain UN Sustainable Development Goals (SDGs).

In the 156th term, too, we aim to keep improving our corporate value and carry out unique CSR activities with the two important missions: "enhancement of activity on safety and health" and "product development for coexisting with society."

Forecast

It is expected that the Japanese and global economies will be seriously impacted by the spread of novel coronavirus (COVID-19) infections in our forecast for the next term. Therefore, it appears that the outlook remains uncertain.

It is predicted that demand for printing paper and communication paper will decrease (e.g., event cancellation and decrease in demand for offices), and that demand for photo and IJ for image output will also decrease due to worldwide restrictions on going out in addition to the sluggish demand accompanying the shrinkage in economic activities in general. Nevertheless, it is difficult to make a reasonable earnings forecast at the present time. Therefore, we will not yet announce our forecast figures.

June 2020

立藤 幸博
Y. Tachifuji

Yukihiko Tachifuji,
President & C.E.O.

FSC® C021528

Breakdown of Operations by Business

Paper and Pulp Business

Net sales (¥ Millions)



As for the domestic market, we strived to maintain prices. However, demand for both printing paper and communication paper continued to decline further. This led to a reduction in both the volume and monetary amount of sales. Regarding exports, the volume of sales increased with a focus on printing paper for Asia. Nevertheless, the monetary amount of sales decreased due to the slump in market conditions. We have already stopped the paper machine No. 4 at Hachinohe Mill to establish a production structure that responds to demand trends. However, in response to a decline in demand that has been accelerating greater than we expected, we looked to further decrease production in the third quarter onward to respond to the supply and demand situation.

European subsidiaries have been experiencing the effect of a revision to prices since the last year. Nevertheless, we were impacted by the exchange rate in addition to the decrease in

sales volume of thermal paper and pressure-sensitive paper. Consequently, the monetary amount of sales decreased. As for commercial pulp, both the volume of sales and the monetary amount of sales decreased. This was due to the sharp deterioration in international market conditions. As a result of the above, the total net sales of the paper and pulp business were ¥146,413 million (US\$1,345 million). Operating income was ¥1,140 million (US\$10 million) due to the effect of the revision to the prices of paper. We will continue to aim to stabilize earnings as soon as possible in the future. We will do this by looking to transform our portfolio through sales promotions of new products (e.g., barrier coated paper and bleached kraft paper) as business to do way with plastic and through strengthened collaboration with the Oji Group, in addition to the efforts we have taken so far.

Imaging Business

Net sales (¥ Millions)

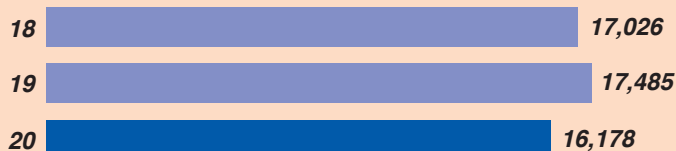


As for the domestic market, the monetary amount of sales increased thanks mainly to the strong sales of photographic sensitive materials. In the overseas market, orders for photographic sensitive materials were steady due to the effect of our alliance. Furthermore, demand for inkjet paper expanded in emerging countries and for business applications. Nevertheless, there was a significant impact from a decline in demand for existing products. This led to a decrease in the monetary amount of sales. As a result of the above, the total net sales of the imaging business were ¥33,607 million (US\$308 million). Operating loss was ¥330 million (-US\$3 million). We saw a drop in both revenue and profit. This was due to the weak prices and rising production costs resulting from the strong yen in addition to the decrease in the volume of sales in overseas markets accompanying a drop in demand of existing products. We

attempted to improve profitability by securing the quantity of photographic materials base paper through an enhancement of our alliance with FUJIFILM Corporation and by enhancing our sales strengths and reviewing transactions following the construction of a direct sales system overseas for existing products. Together with this, we strove to improve productivity and reduce fixed costs. However, we were not able to cover for the factors responsible for the decrease in revenue and profit in the end. We will continue to work on securing profits in the future. We will do this by striving to optimize our production structure through further strengthening of our business foundations from our alliance with FUJIFILM Corporation. We will also establish electronics-related product business and enhance our sales strengths to build a collaborative structure with overseas customers.

Speciality Materials Business

Net sales (¥ Millions)



As for speciality materials, there was an increase in the monetary amount of sales for battery separators, but a decrease for thermo rewrite and water treatment membrane supporting body. As for chemical paper, the monetary amount of sales decreased for wallpaper lining paper and tape base paper in addition to our mainstay product of decorative laminate base paper. As a result of the above, the total net sales of the speciality materials business overall were ¥16,178 million (US\$148 million). Operating income was ¥953 million (US\$8

million). Profit increased. This was thanks to a revision in the price of some products in addition to the effect of low raw material and fuel prices and decreased mill costs. We will continue to focus on acquiring new users for water treatment membrane supporting body, expanding into membrane bio-reactor (MBR) applications, promoting the sale of heat-resistant battery separators, attracting new customers (e.g., decorative laminate base paper and tape base paper) and reducing costs.

Warehouse and Transportation Business

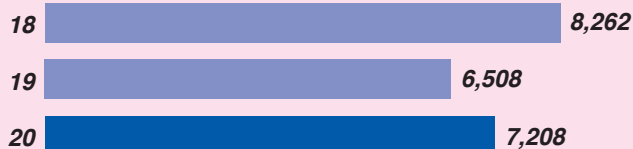
Net sales (¥ Millions)



Net sales of the warehouse and transportation business were ¥8,087 million (US\$74 million), down 2.9% year on year.

Others

Net sales (¥ Millions)



Net sales were ¥7,208 million (US\$66 million), up 10.8% year on year, due to the increase in sales of engineering-related subsidiaries, etc.

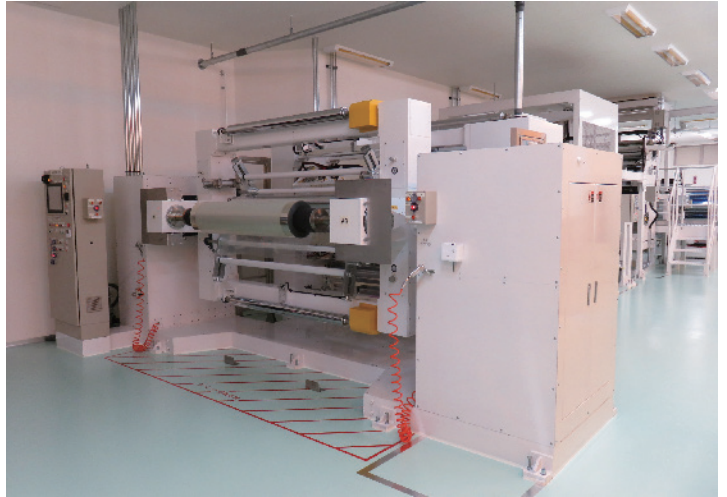
barricote® and barrisherpa™ Coated Paper for Packaging

We commercialized barricote® in our German subsidiary of Mitsubishi HiTec Paper Europe GmbH. It has been adopted by major European food manufacturers since the spring of 2019. We started sales of barricote® and barrisherpa™ in May 2020 with production of these products in our Japanese mills. The aim of this is to widely support diverse packaging needs in the Japanese and Asian markets toward a plastic-free society. We have been promoting sales with the aim of acquiring a wide range of customers in the Japanese and Asian markets. We will expand our product portfolio and establish a stable production structure for barricote® and barrisherpa™. At the same time, we will develop and sell these products by linking up with Mitsubishi HiTec Paper Europe GmbH. With this, we will develop this business globally.



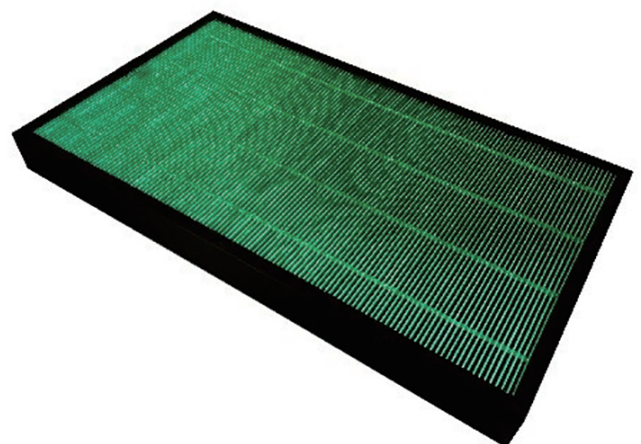
Operation of the No. 10 Coater in our Kyoto Mill

We successfully started operation of the new No. 10 coater that we installed last year in our Kyoto Mill. We have mainly used this to produce new electronics industry material products. We have also been utilizing it in development and trial manufacture to greatly contribute to an increase in our development speed. We exhibited new products and development products at the Asia' s leading electronics technology show (34th NEPCON Japan), which was held in January this year. In particular, our positive type dry film resist attracted a great deal of attention.



Support for an Increase in Production of Functional Filters

We have been receiving an increase in inquiries about our functional filters (product name: Aller Sweep) from Japanese and overseas air cleaner manufacturers since February of this year. This filter holds plant extracts (e.g., ginkgo leaves). Therefore, it has the effect of suppressing bacteria, allergens and viruses trapped in the filter. There is interest in particular about the effect of suppressing viruses. We are currently reinforcing the production structure in the mill of our Chinese subsidiary to meet the increased demand from Japan and overseas.



Our Mills and Their Product Lines



SHIRAKAWA SITE

Address: 3, Maeyamanishi, Nishigo-mura,
Nishi-Shirakawa-gun,
Fukushima 961-8054
Telephone: +81-248-22-8111
Products: Transformer board



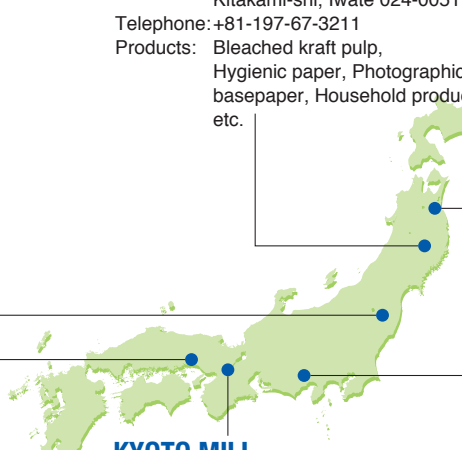
KITAKAMI HITEC PAPER CORP.

Address: 35, Sasanagane, Aisari-cho,
Kitakami-shi, Iwate 024-0051
Telephone: +81-197-67-3211
Products: Bleached kraft pulp,
Hygienic paper, Photographic
basepaper, Household products
etc.



HACHINOHE MILL

Address: Kawaragi-Aomoriyachi,
Hachinohe-shi,
Aomori 039-1197
Telephone: +81-178-29-2111
Products: Bleached kraft pulp,
Coated printing paper,
Uncoated printing paper, Carbonless
paper, White card board, Household
products etc.



TAKASAGO MILL

Address: 105, Sakae-machi, Takasago-cho,
Takasago-shi, Hyogo 676-8677
Telephone: +81-794-42-3101
Products: Carbonless paper, Thermal paper,
Inkjet paper, Specialty paper, Non
Woven Fabrics, etc.

KYOTO MILL

Address: 6-6, Kaiden 1-chome,
Nagaokakyo-shi, Kyoto 617-8666
Telephone: +81-75-951-1181
Products: Color photographic paper, Graphic arts
materials, Inkjet photo paper, etc.

KJ SPECIALTY PAPER CO., LTD. FUJI MILL

Address: 7-1, Shinbashicho, Fuji-shi,
Shizuoka 417-0004
Telephone: +81-545-52-4075
Products: Base paper for decorative
laminates, Impregnated
decorative sheet,
Base paper for wall paper,
Stencil paper



Overseas

Mitsubishi HiTec Paper Europe GmbH Bielefeld Mill

Address: Niedernholz 23, D-33699 Bielefeld,
Germany
Telephone: +49-521-2091-401
Products: Carbonless paper, Thermal paper,
Inkjet paper

(Bielefeld, Germany)



Mitsubishi HiTec Paper Europe GmbH Flensburg Mill

Address: Husumer Strasse 12 D-24941
Flensburg, Germany
Telephone: +49-461-8695-204
Products: Thermal paper, etc.
(Flensburg, Germany)



MP Juarez LLC

Address: Ave. Valle del Cedro #1551 Paraq. Ind Intermex
C.P. 32690 Cd. Juarez. Chih., Mexico
Telephone: +1-915-534-8230 (U.S. Head Office)
Products: Inkjet paper
(Juarez, Mexico)



Zhuhai MPM Filter, Ltd.

Address: #17 Yijing Lane, Pingsha Town, Jinwan District,
Zhuhai, Guangdong, China
Telephone: +86-756-8895033
Products: Various filters
(Zhuhai, China)

Five-Year Summary (Consolidated)

	Millions of yen					Thousands of U.S. dollars
	2020	2019	2018	2017	2016	2020
For the years ended March 31						
Net sales	¥194,575	¥ 203,997	¥201,492	¥201,955	¥216,340	\$1,787,880
Operating income (loss)	1,976	(40)	1,790	4,313	3,872	18,161
Net income attributable to owners of parent	801	351	3,198	1,152	2,217	7,369
Net income per share (in yen and dollars)	17.96	10.04	93.57	33.72	64.85	0.17
As of March 31						
Total assets	¥212,217	¥ 232,758	¥237,379	¥234,891	¥240,681	\$1,949,990
Total net assets	60,527	67,004	61,077	56,631	51,492	556,169

Notes: (1) On October 1, 2016, the share consolidation was executed at a ratio of 1share per 10 shares.

Net income per share is calculated based on the assumption that the share consolidation was executed at the beginning of the fiscal year ended March 31, 2016.

(2) From the beginning of the fiscal year ended March 31, 2019, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting"(AS-BJ Statement No.28, February 16, 2018), which has been applied to main management indicators of previous periods, retroactively.

Consolidated Balance Sheets

As of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
ASSETS			
Current assets:			
Cash and deposits (Note 3 (11))	¥9,260	¥11,617	\$85,095
Receivables:			
Trade notes and accounts (Note 10)	31,358	37,686	288,145
Other	1,646	2,307	15,132
	33,005	39,993	303,278
Less: Allowance for doubtful accounts	(157)	(175)	(1,448)
	32,848	39,818	301,830
Inventories	48,484	44,557	445,509
Other	1,982	3,696	18,214
Total current assets	92,576	99,689	850,649
Non-current assets:			
Property, plant and equipment (Note 4):			
Land	21,898	21,913	201,216
Buildings and structures	97,214	95,872	893,269
Machinery, equipment and vehicles	370,506	365,551	3,404,455
Construction in progress	467	9,446	4,299
Leased assets	3,704	2,718	34,041
Other	9,345	9,349	85,876
	503,138	504,852	4,623,158
Less: Accumulated depreciation	(407,482)	(402,871)	(3,744,214)
Accumulated impairment losses	(1,946)	(789)	(17,886)
Net property, plant and equipment	93,708	101,191	861,056
Investments and other assets:			
Investment securities (Notes 4, 10 and 11)	13,303	16,479	122,243
Investments in unconsolidated subsidiaries and affiliated companies	2,459	1,262	22,601
Long-term loans receivable	2,115	2,118	19,435
Net defined benefit asset (Note 13)	962	5,331	8,847
Less: Allowance for doubtful accounts	(74)	(54)	(683)
Deferred tax assets (Note 14)	4,318	2,965	39,679
Other	2,846	3,775	26,159
Total investments and other assets	25,932	31,877	238,283
Total assets	¥212,217	¥232,758	\$1,949,990

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Note 10)	¥49,407	¥49,599	\$453,989
Current portion of long-term debt (Note 10)	14,860	15,575	136,544
Commercial Paper	4,000	7,000	36,754
Lease obligations (Note 10)	334	367	3,077
Payables:			
Trade notes and accounts (Note 10)	22,082	25,347	202,905
Electronically recorded obligations (Note 10)	3,934	5,390	36,148
Other	833	989	7,657
Accrued expenses	6,509	7,185	59,809
Income taxes payable	431	366	3,965
Other	3,126	9,038	28,732
Total current liabilities	105,519	120,860	969,584
Non-current liabilities:			
Long-term debt (Note 10)	33,495	32,855	307,778
Lease obligations (Note 10)	901	424	8,287
Provision for directors' retirement benefits	50	60	466
Net defined benefit liability (Note 13)	9,423	8,718	86,592
Deferred tax liabilities (Note 14)	119	696	1,102
Asset retirement obligations	883	882	8,119
Other	1,293	1,254	11,888
Total non-current liabilities	46,169	44,893	424,235
Total liabilities	¥151,689	¥165,754	\$1,393,820
NET ASSETS			
Shareholders' equity:			
Capital stock			
Authorized: 90,000,000 shares at March 31, 2020			
Issued: 44,741,433 shares at March 31, 2020	¥36,561	¥36,561	\$335,951
Capital surplus	8,555	9,682	78,616
Retained earnings	13,719	13,145	126,063
Treasury shares	(152)	(150)	(1,399)
Total shareholders' equity	58,684	59,240	539,231
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	1,206	3,635	11,082
Foreign currency translation adjustment	1,095	1,209	10,067
Remeasurements of defined benefit plans	(461)	2,265	(4,238)
Total accumulated other comprehensive income	1,840	7,110	16,911
Non-controlling interests	2	654	26
Total net assets	¥60,527	¥67,004	\$556,169
Total liabilities and net assets	¥212,217	¥232,758	\$1,949,990

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Operations

For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Net sales	¥194,575	¥203,997	\$1,787,880
Cost of sales	164,492	174,602	1,511,465
Gross profit	30,082	29,394	276,415
Selling, general and administrative expenses	28,105	29,435	258,254
Operating income (loss)	1,976	(40)	18,161
Other income (expenses):			
Interest and dividend income	542	622	4,982
Equity in gains (losses) of affiliates	1,196	(142)	10,997
Interest expenses	(991)	(1,372)	(9,108)
Royalty income	120	168	1,107
Foreign exchange gains (losses)	(167)	89	(1,543)
Insurance income	240	497	2,213
Gain on sales of investment securities	123	1,562	1,133
Gain (loss) on disposal of non-current assets (Note 7)	(615)	(463)	(5,654)
Loss on tax purpose reduction entry of non-current assets	(1,740)	–	(15,996)
Subsidy income	1,740	146	15,996
Advisory fee	(0)	(275)	(0)
Special retirement expenses	–	(576)	–
Loss on disaster	(168)	(697)	(1,549)
Impairment loss (Note 8)	(1,159)	(124)	(10,656)
Other, net	(96)	(239)	(891)
Total	(976)	(804)	(8,968)
Net income (loss) before income taxes and non-controlling interests	1,000	(845)	9,192
Income taxes:			
Current	503	252	4,623
Deferred (Note 14)	(246)	(1,567)	(2,266)
Net income	743	470	6,835
Net income (loss) attributable to non-controlling interests	(58)	118	(533)
Net income attributable to owners of parent	¥801	¥351	\$7,369

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Net income	¥743	¥470	\$6,835
Other comprehensive income:			
Valuation difference on available-for-sale securities	(2,428)	(1,673)	(22,316)
Foreign currency translation adjustments	(121)	(307)	(1,118)
Remeasurements of defined benefit plans, net of tax	(2,692)	1,052	(24,737)
Share of other comprehensive income of entities accounted for using equity method	(11)	(15)	(109)
Total other comprehensive income	(5,254)	(944)	(48,281)
Comprehensive income	(4,510)	(474)	(41,445)
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	(4,467)	(564)	(41,053)
Comprehensive income attributable to non-controlling interests	(¥42)	¥89	(\$392)

	Yen		U.S. dollars (Note 2)
	2020	2019	2020
Amounts per share:			
Net income — basic (Note 3 (10))	¥17.96	¥10.04	\$0.17
Cash dividends applicable to the year	5.00	5.00	0.05

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2020 and 2019

	Millions of yen											
	Shareholders' equity						Total accumulated other comprehensive income					
	Number of shares in issue	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2018	34,258,433	¥32,756	¥6,132	¥12,965	¥(148)	¥51,706	¥5,204	¥1,511	¥1,309	¥8,025	¥1,345	¥61,077
Changes during the year:												
Issurance of new shares	10,483,000	3,805	3,805			7,610						7,610
Dividends of surplus				(170)		(170)						(170)
Net income attributable to owners of parent				351		351						351
Acquisition of treasury stock					(1)	(1)						(1)
Disposal of treasury stock												
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(255)			(255)						(255)
Changes in items other than shareholders' equity							(1,568)	(302)	955	(915)	(691)	(1,606)
Total changes during the year	10,483,000	3,805	3,549	180	(1)	7,534	(1,568)	(302)	955	(915)	(691)	5,927
Balance at April 1, 2019	44,741,433	¥36,561	¥9,682	¥13,145	¥(150)	¥59,240	¥3,635	¥1,209	¥2,265	¥7,110	¥654	¥67,004
Cumulative effect of changes in accounting policies				(4)		(4)					(1)	(6)
Balance at the beginning of the term reflecting the change of accounting policies		36,561	9,682	13,140	(150)	59,235	3,635	1,209	2,265	7,110	653	66,998
Changes during the year:												
Issurance of new shares												
Dividends of surplus				(223)		(223)						(223)
Net income attributable to owners of parent				801		801						801
Acquisition of treasury stock					(2)	(2)						(2)
Disposal of treasury stock				(0)	0	0						0
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(1,127)			(1,127)						(1,127)
Changes in items other than shareholders' equity							(2,429)	(113)	(2,726)	(5,269)	(650)	(5,920)
Total changes during the year			(1,127)	578	(2)	(550)	(2,429)	(113)	(2,726)	(5,269)	(650)	(6,470)
Balance at March 31, 2020	44,741,433	¥36,561	¥8,555	¥13,719	¥(152)	¥58,684	¥1,206	¥1,095	(¥461)	¥1,840	¥2	¥60,527

	Thousands of U.S. dollars											
	Shareholders' equity						Total accumulated other comprehensive income					
	Number of shares in issue	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2019	44,741,433	\$335,951	\$88,972	\$120,792	\$(1,380)	\$544,335	\$33,406	\$11,109	\$20,817	\$65,334	\$6,011	\$615,680
Cumulative effect of changes in accounting policies				(45)		(45)					(10)	(55)
Balance at the beginning of the term reflecting the change of accounting policies		\$335,951	\$88,972	\$120,747	\$(1,380)	\$544,290	\$33,406	\$11,109	\$20,817	\$65,334	6,001	615,625
Changes during the year:												
Issurance of new shares												
Dividends of surplus				(2,052)		(2,052)						(2,052)
Net income attributable to owners of parent				7,369		7,369						7,369
Acquisition of treasury stock					(19)	(19)						(19)
Disposal of treasury stock				(0)	1	0						0
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(10,355)			(10,355)						(10,355)
Changes in items other than shareholders' equity							(22,324)	(1,042)	(25,055)	(48,423)	(5,973)	(54,397)
Total changes during the year			(10,355)	5,316	(18)	(5,058)	(22,324)	(1,042)	(25,055)	(48,423)	(5,973)	(59,455)
Balance at March 31, 2020	44,741,433	\$335,951	\$78,616	\$126,063	\$(1,399)	\$539,231	\$11,082	\$10,067	\$(4,238)	\$16,911	\$26	\$556,169

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
I Cash flows from operating activities:			
Net income (loss) before income taxes and non-controlling interests	¥1,000	(¥845)	\$9,192
Depreciation	9,824	10,116	90,274
Loss on disaster	168	697	1,549
Impairment loss (Note 8)	1,159	124	10,656
Decrease (increase) in net defined benefit asset (Note 13)	1,210	632	11,122
Increase (decrease) in net defined benefit liability (Note 13)	340	238	3,124
Increase (decrease) in provision for directors' retirement benefits	(10)	4	(94)
Interest and dividend income	(542)	(622)	(4,982)
Equity in gains (losses) of affiliates	(1,196)	142	(10,997)
Interest expense	991	1,372	9,108
Loss (gain) on sales of short-term and long-term investment securities	(123)	(1,562)	(1,133)
Loss (gain) on disposal of non-current assets (Note 7)	615	463	5,654
Loss on tax purpose reduction entry of non-current assets	1,740	–	15,996
Subsidy income	(1,740)	(146)	(15,996)
Decrease (increase) in trade notes and accounts receivable	6,229	8,533	57,240
Decrease (increase) in inventories	(4,273)	(1,469)	(39,266)
Increase (decrease) in trade notes and accounts payable	(4,537)	4,190	(41,690)
Other, net	(1,018)	(1,937)	(9,362)
Sub-total	9,837	19,933	90,395
Subsidy income received	885	146	8,139
Payments for loss on disaster	(213)	(84)	(1,957)
Interest and dividend income received	552	619	5,078
Interest expenses paid	(998)	(1,378)	(9,176)
Income taxes paid	(87)	(171)	(803)
Net cash provided by (used in) operating activities	9,976	19,066	91,674
II Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets	(7,243)	(10,223)	(66,561)
Proceeds from sales of property, plant and equipment and intangible assets	139	12	1,284
Purchase of investment securities	(33)	(22)	(310)
Proceeds from sales of investment securities	416	2,633	3,824
Payments of loans receivable	(450)	(1,035)	(4,138)
Collection of loans receivable	822	14	7,554
Other, net	(222)	(359)	(2,039)
Net cash provided by (used in) investing activities	(6,571)	(8,979)	(60,387)
III Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(52)	(1,370)	(478)
Net increase (decrease) in commercial paper	(3,000)	4,000	(27,565)
Proceeds from long-term debt	16,000	2,775	147,018
Repayments of long-term debt	(16,075)	(19,618)	(147,711)
Repayments of lease obligations	(570)	(374)	(5,245)
Proceeds from issuance of shares	–	7,610	–
Proceeds from sales of treasury shares	0	–	0
Dividends paid	(223)	(170)	(2,052)
Purchase of treasury shares	(0)	(1)	(8)
Dividends paid to non-controlling shareholders	(58)	(112)	(541)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,673)	(922)	(15,376)
Net cash provided by (used in) financing activities	(5,655)	(8,185)	(51,962)
IV Effect of exchange rate change on cash and cash equivalents	(106)	(28)	(978)
V Net increase (decrease) in cash and cash equivalents	(2,356)	1,873	(21,653)
VI Cash and cash equivalents at beginning of period	11,617	9,744	106,749
VII Cash and cash equivalents at end of period (Note 3 (11))	¥9,260	¥11,617	\$85,095

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements of Mitsubishi Paper Mills Limited (the "Company") and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau (a regional branch organization of the Ministry of Finance in Japan) have been reclassified for the convenience of readers outside Japan.

2. United States Dollar Amounts

The Company maintains its accounting records in yen. The dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥108.83 = U.S.\$1, the exchange rate prevailing as of March 31, 2020. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rate.

3. Summary of Significant Accounting Policies

(1) Scope of consolidation

The Company had 33 subsidiaries as of March 31, 2020 (33 as of March 31, 2019). The accompanying consolidated financial statements include the accounts of the Company and 26 (26 for 2019) of its subsidiaries for the year ended March 31, 2020 (together, hereinafter referred to as the "Companies").

The accounts of the remaining 7 (7 for 2019) unconsolidated subsidiaries for the year ended March 31, 2020 have been excluded from consolidation since the aggregate amounts of these subsidiaries in terms of combined assets, net sales, retained earnings and net income were immaterial in relation to those of the consolidated financial statements of the Companies.

The fiscal year end of Mitsubishi Paper Holding (Europe) GmbH and other 5 (5 for 2019) consolidated subsidiaries is December 31. For the purpose of preparing the consolidated financial statements, the Company used their financial statements as of their respective fiscal year end. The Company made adjustments for the purpose of consolidation as necessary for the material transactions that occurred between such fiscal year-end dates and the consolidated account closing date.

(2) Consolidation and elimination

For the purposes of preparing the accompanying consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated.

Elimination of investments in shares of consolidated subsidiaries, together with the underlying equity in net assets of such subsidiaries, has been made to include equity in net income of subsidiaries subsequent to the respective dates of acquisition in the consolidated statements of income. Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary, unless specifically identified and reclassified to the applicable accounts from which the value originates, is treated as goodwill or negative goodwill. Goodwill and negative goodwill (only incurred before March 31, 2010) are amortized over five years on a straight line basis.

Assets and liabilities of subsidiaries are remeasured based on their fair value at the date of acquisition of control of the subsidiaries.

(3) Investments in unconsolidated subsidiaries and affiliates

The Company had 10 affiliates as of March 31, 2020 (10 for 2019). 3 affiliated companies were accounted for by the equity method.

However, the remaining 7 (7 for 2019) subsidiaries and 7 (7 for 2019) affiliates did not have a material effect on net income and retained earnings in the accompanying consolidated financial statements and, therefore, these investments have been carried at cost.

(4) Financial instruments

(i) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net income or loss for the year in which they arise, except for those that are designated as "hedging instruments."

(ii) Securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Marketable securities classified as other securities are carried at fair value with changes in

unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(iii) Hedge Accounting

Unrealized gains or losses arising from changes in fair value of derivative financial instruments designated as “hedging instruments” are carried as an asset or a liability until the losses or gains on the hedged items or transactions are recognized.

In accordance with the exceptional measure under the Japanese Accounting Standard for Foreign Currency Translations, the Companies do not record certain forward exchange contracts at market value but translate the underlying foreign currency denominated assets or liabilities using the contractual rate under these contracts as long as such contracts meet the criteria for applying hedge accounting under the Japanese Accounting Standard for Financial Instruments.

Furthermore, in accordance with the special measure under the Accounting Standard for Financial Instruments, the Companies do not record certain interest rate swap arrangements at market value but charge or credit net cash flows arising from the swap arrangements to interest arising from the hedged borrowings, as long as these arrangements meet the specific criteria under the standard.

(5) Inventories

Finished products, merchandise and work in process are primarily stated at lower of cost or market, cost being determined by the weighted average method and other inventories are stated at lower of cost or market, cost being determined by the moving average method.

(6) Property, plant and equipment

Depreciation of buildings (excluding for leased assets) is computed by the straight-line method. Depreciation of other property, plant and equipment (excluding for leased assets) is mainly computed by the straight-line method, but in part, the declining-balance method is used at the head office of the Company and certain consolidated subsidiaries. However, depreciation of structures acquired after April 1, 2016 is computed by the straight-line method.

Estimated useful lives of assets used in computing depreciation are as follows:

Buildings and structures.....	31 to 47 years
Machinery and equipment.....	12 years

Leased assets under finance lease agreements of the Company and its domestic consolidated subsidiaries, which do not stipulate the transfer ownership of the leased assets to the lessee, are depreciated over the lease term by the straight-line method with no residual value.

(7) Allowance for doubtful accounts

The Company and the domestic consolidated subsidiaries provide the allowance for doubtful accounts based on the bad debt loss ratio derived from their own loss history plus the amount of uncollectible receivables estimated on an individual basis.

Overseas consolidated subsidiaries provide the allowance for doubtful accounts based on methods prescribed by their respective countries' regulations.

(8) Accounting method for retirement benefits

(i) Method of attributing the projected benefits to periods of service

As for the calculation of retirement benefit obligation, the benefit formula basis is used for including estimated retirement benefits in a period till the end of this consolidated fiscal year. Some consolidated subsidiaries adopt the simplified method for calculating the liabilities and costs for retirement benefits, while defining the term-end privately necessary payment for retirement benefits as retirement benefit obligation for the lump-sum severance pay plan, and defining the actuarial obligation in the latest pension finance calculation as retirement benefit obligation for the corporate pension plan.

(ii) Amortization of unrecognized prior service cost

Unrecognized prior service cost is amortized on a straight-line basis over a term that does not exceed the average remaining service period of the employees who are expected to receive benefits under the plans (8 to 15 years).

(iii) Amortization of unrecognized net actuarial gain or loss

Unrecognized net actuarial gains or losses are amortized from the year following the year in which such gains or losses are recognized on a straight-line basis over a term that does not exceed the average remaining service period of the employees who are expected to receive benefits under the plans (8 to 15 years).

(9) Translation of foreign currency financial statements (accounts of overseas subsidiaries and affiliates)

The financial statements of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates prevailing at the respective balance sheet dates of those subsidiaries for assets and liabilities, and at the historical exchange rate for capital accounts and retained earnings. All income and expense accounts are translated at the average rates of exchange during the fiscal year of those subsidiaries. The resulting translation adjustments are included in net assets.

(10) Net income or loss per share

Net income or loss per share is based on the weighted average-number of common shares outstanding less the number of treasury stock during each year, appropriately adjusted for subsequent free distributions of common shares.

(11) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits that are able to be withdrawn on demand and short-term investments with original maturities of three months or less that are exposed to a minor risk of fluctuation in value.

A reconciliation of cash and cash equivalents in the accompanying consolidated statements of cash flows and cash and bank deposits in the accompanying consolidated balance sheets at March 31, 2020 and 2019 is shown below:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and bank deposits	¥9,260	¥11,617	\$85,095
Cash and cash equivalents	¥9,260	¥11,617	\$85,095

(12) Dividends

The Companies Act of Japan (the "Law") provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock amount. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, however neither the capital reserve nor the legal reserve is available for distributions.

(13) Reclassification

Certain reclassification have been made to the prior years' consolidated financial statements to conform to the presentation for the year ended March 31, 2020.

(14) Changes in accounting policies

At foreign subsidiaries and affiliates, International Financial Reporting Standards 16, "Leases" (hereinafter called "IFRS 16") have been adopted since the beginning of the fiscal year ended March 31, 2020. In line with this adoption, the Company generally recognizes all leases as a lessee as assets or liabilities on the consolidated balance sheet. As a result, the balance of property, plant and equipment, lease obligations included in current liabilities, and lease obligations included in long-term liabilities at the end of the fiscal year ended March 31, 2020 increased by ¥662 million, ¥184 million, and ¥457 million, respectively. The effects of these revisions on the consolidated statements of income for the fiscal year ended March 31, 2020 are immaterial.

(15) Additional information

The effect of COVID-19 to the economy and cooperate activities is extensive. the Group is making accounting estimations of collectability for deferred tax assets etc. based on the assumption that effects of COVID-19 will continue until the end of September, 2020.

4. Assets Pledged as Collateral

Assets pledged as collateral primarily for short-term loans, long-term debt and debentures at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Buildings and structures	¥12,981	¥13,974	\$119,281
Machinery and equipment	15,370	19,215	141,234
Land	9,131	10,408	83,907
Investment securities	2,222	4,269	20,421
Other	45	49	416
	¥39,751	¥47,916	\$365,260

5. Contingent Liabilities

As of March 31, 2020 the Companies were contingently liable for guarantees of loans, primarily of their employees and unconsolidated subsidiaries and affiliates, in the aggregate amount of ¥375 million (\$3,446 thousand), and also liable for a recourse obligation of credit securitization in the aggregate amount of ¥1,558 million (\$14,315 thousand).

6. The accumulated reduced-value entry

The accumulated reduced-value entry deducted from the acquisition cost by acceptance of government subsidies at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Buildings and structures	¥678	¥ –	\$6,236
Machinery and equipment	1,059	–	9,739
Software	2	–	21
	¥1,740	¥ –	\$15,996

7. Disposal of Property, Plant and Equipment

(1) Gains on disposal of property, plant and equipment

Main items under gains on disposal of property, plant and equipment were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Machinery and equipment	¥12	¥7	\$114
Land	–	0	0
Other	1	1	17

(2) Losses on disposal of property, plant and equipment

Main items under losses on disposal of property, plant and equipment were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Scrapping and removal expenses	¥318	¥254	\$2,924
Machinery and equipment	257	195	2,370
Buildings and structures	25	7	236
Land	1	–	16
Other	25	15	237

8. Impairment Loss

Consolidated fiscal year under review (April 1, 2019 – March 31, 2020)

Millions of yen

Application	Location	Category	Impairment loss	
Idle assets	Aomori	Machinery and equipment, etc.	¥1,159	10,656

Our group's main business assets are the factories that are used as production bases. Idle assets are grouped per individual unit. The book values of assets to be disposed of and idle assets are reduced to recoverable values. Such loss is reported as an impairment loss under extraordinary losses. Furthermore, the recoverable value is measured with the net sale value. Machinery and equipment, etc. are reduced their book value to the residual value.

Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)

Millions of yen

Thousands of
U.S. dollars

Application	Location	Category	Impairment loss	
Idle assets	Aomori	Land	¥61	\$551
Idle assets	Aomori	Machinery and equipment, etc.	41	373
Idle assets	Tochigi	Land	22	199

Our group's main business assets are the factories that are used as production bases. Idle assets are grouped per individual unit. The book values of assets to be disposed of and idle assets are reduced to recoverable values. Such loss is reported as an impairment loss under extraordinary losses. Furthermore, the recoverable value is measured with the net sale value. Land is evaluated based on the values by real estate appraisers, and other assets are reduced their book value to the residual value.

9. Other Comprehensive Income

The following table shows reclassification adjustment for each component of other comprehensive income for the year ended March 31, 2020:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net unrealized gain (loss) on available-for-sale securities			
Amount arising during the year	¥(3,013)	¥(1,036)	\$(27,692)
Reclassification adjustments for gain and losses included in net income	(104)	(1,404)	(964)
Amount before tax effect	(3,118)	(2,440)	(28,656)
Tax effect	689	767	6,340
Total	¥(2,428)	¥(1,673)	\$(22,316)
Foreign currency translation adjustment			
Amount arising during the year	¥(121)	¥(307)	\$(1,118)
Remeasurements of defined benefit plans			
Amount arising during the year	¥(4,763)	¥953	\$(43,767)
Reclassification adjustments for gains and losses included in net income	1,072	310	9,854
Amount before tax effect	(3,690)	1,263	(33,913)
Tax effect	998	(211)	9,175
Total	¥(2,692)	¥1,052	\$(24,737)
Share of other comprehensive income of affiliates accounted for by the equity method			
Amount arising during the year	(11)	(15)	(109)
Total other comprehensive income	¥(5,254)	¥(944)	\$(48,281)

10. Financial Instruments

(1) Summary of Financial Instruments

(i) Policy regarding financial instruments

To carry out its capital expenditure plans to develop its paper, pulp, photosensitive material products and other manufacturing activities, the Group raises the funds it needs principally through bank loans and issuance of corporate bonds. Temporary surpluses are managed as short-term deposits, and temporary working capital is procured through bank loans and issuance of commercial paper. The Company has a policy of not entering into any speculative derivative transactions and only enters into derivative transactions to avoid exposure to interest-rate risk on loans.

(ii) Details of financial instruments and related risk and management of risk

Trade notes and accounts receivable are exposed to the credit risk of customers. In accordance with the internal policy for credit risk management regulations, the Group manages both the due dates and balance of such transactions by customer, and has systems to accurately assess the credit status of its major customers at any time.

Receivables in foreign currencies originating overseas businesses are exposed to foreign exchange-rate risk. The majority of these risks are diminished through the use of a balance of accounts payable denominated in foreign currencies.

Investment securities are exposed to risks of changes in market prices. However, market prices of the shares held for operational purposes are periodically reviewed.

Trade notes and accounts payable are obligations due within one year.

Short-term borrowings are raised mainly in connection with business activities, while long-term debt, corporate bonds and lease obligations related to finance lease transactions are the main means for procurement of funds needed for capital expenditures. In most cases, the repayment date is within five years from the balance sheet date. For some long-term debt with floating interest rates exposed to interest-rate fluctuation risk, the Company uses derivative transactions (interest-rate swaps) for hedging purposes.

For derivative transactions, the Company uses forward exchange contracts to hedge against exchange-rate risk affecting trade notes and accounts receivable and payable denominated in foreign currencies, and interest rate swap transactions to hedge interest rate fluctuation risks on loans. We do not assess the effectiveness of our hedging strategies, since all derivative transactions meet the conditions for special accounting treatment for interest rate swaps. For carrying out and managing derivative transactions, the Company adheres closely to internal policies delimiting the authority for engaging in such transactions. To reduce credit risk in using derivatives, the Company works only with the financial institutions with good credit-ratings.

The Company is exposed to liquidity risk in its payables and borrowings. Risk-management methods including compilation of a monthly cash flow plan are used to mitigate the risks by each Group company.

(iii) Additional notes on the fair value of financial instruments, etc.

Calculations of the fair value of financial instruments are based on their quoted market prices, as well as their reasonably estimated fair value when the quoted market prices are not available. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the contract values of derivatives in Note 12. Derivatives are not necessarily indicative of the actual market risk involved in derivative transactions.

(2) Fair value of financial instruments

Book value, fair values and differences between them as of March 31, 2020 are as follows. The following table does not include financial instruments for which the fair value is extremely difficult to determine (please refer to note below).

	Millions of yen		
	2020		
	Book value	Fair value	Difference
Trade notes and accounts receivable	¥31,358	¥31,358	¥-
Investment securities			
Available-for-sale securities	12,638	12,638	-
Total of assets	43,997	43,997	-
Trade notes and accounts payable	22,082	22,082	-
Electronically recorded obligations	3,934	3,934	-
Short-term loans payable (excluding current portion of long-term debt)	49,407	49,407	-
Commercial Paper	4,000	4,000	-
Long-term debt (including current portion of long-term debt)	48,355	48,767	411
Total of liabilities	127,779	128,191	411
Derivative transactions	¥-	¥-	¥-
	Thousands of U.S. dollars		
	2020		
	Book value	Fair value	Difference
Trade notes and accounts receivable	\$288,145	\$288,145	\$-
Investment securities			
Available-for-sale securities	116,127	116,127	-
Total of assets	404,273	404,273	-
Trade notes and accounts payable	202,905	202,905	-
Electronically recorded obligations	36,148	36,148	-
Short-term loans payable (excluding current portion of long-term debt)	453,989	453,989	-
Commercial Paper	36,754	36,754	-
Long-term debt (including current portion of long-term debt)	444,323	448,106	3,783
Total of liabilities	1,174,121	1,177,905	3,783
Derivative transactions	\$-	\$-	\$-
	Millions of yen		
	2019		
	Book value	Fair value	Difference
Trade notes and accounts receivable	¥37,686	¥37,686	¥-
Investment securities			
Available-for-sale securities	15,822	15,822	-
Total of assets	53,509	53,509	-
Trade notes and accounts payable	25,347	25,347	-
Electronically recorded obligations	5,390	5,390	-
Short-term loans payable (excluding current portion of long-term debt)	49,599	49,599	-
Commercial Paper	7,000	7,000	-
Long-term debt (including current portion of long-term debt)	48,431	49,041	610
Total of liabilities	135,769	136,380	610
Derivative transactions	¥-	¥-	¥-

(i) Trade notes and accounts receivable

Because these are settled in a short period of time, fair value approximates book value. Accordingly, fair value is recognized as book value.

(ii) Investment securities

Fair value of investment securities is based on quoted share prices at stock exchanges, and bond prices are based on indicative published prices in the papermaking sector.

(iii) Trade notes and accounts payable, (iv) Electronically recorded obligations

Because these are settled in a short period of time, fair value approximates book value. Accordingly, fair value is recognized as book value.

(v) Short-term loans payable

Because these are settled in a short period of time, fair value approximates book value. Accordingly, fair value is recognized as book value.

(vi) Commercial Paper

Because these are settled in a short period of time, fair value approximates book value. Accordingly, fair value is recognized as book value.

(vii) Long-term debt

The fair value of long-term debt is calculated by discounting the total principal and interest using the assumed interest rate given equivalent new borrowings.

For long-term debt with floating interest rates, loans are subject to special settlement for interest swaps. The fair value is calculated by discounting the total principal and interest (including interest-rate swap) using the interest rate reasonably estimated given equivalent new borrowings. The amount also includes the total current portion of long-term debt of ¥14,860 million (\$136,544 thousand).

(viii) Derivatives

Please see Note 12.

Unlisted equity securities (in the amount of ¥3,125 million (\$28,717 thousand) on the consolidated balance sheet) are not included in available-for-sale securities, due to the difficulty of measuring their fair value as the stock has no quoted share price and future cash flow cannot be predicted.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unlisted equity securities	¥3,125	¥1,919	\$28,717

Planned repayment of debentures, long-term debt, lease obligations and other interest-bearing liabilities after the balance sheet date (consolidated basis)

	Millions of yen					
	2020					
	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	¥49,407	¥-	¥-	¥-	¥-	¥-
Long-term debt	14,860	11,798	6,882	4,742	8,692	1,378
Lease obligations	334	287	260	206	127	20
Other interest-bearing debt	4,000	-	-	-	-	-
Total	¥68,602	¥12,086	¥7,143	¥4,948	¥8,819	¥1,399

	Thousands of U.S. dollars					
	2020					
	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	\$453,989	\$-	\$-	\$-	\$-	\$-
Long-term debt	136,544	108,416	63,241	43,577	79,873	12,670
Lease obligations	3,077	2,643	2,393	1,895	1,169	186
Other interest-bearing debt	36,754	-	-	-	-	-
Total	\$630,365	\$111,059	\$65,634	\$45,473	\$81,042	\$12,856

	Millions of yen					
	2019					
	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	¥49,599	¥-	¥-	¥-	¥-	¥-
Long-term debt	15,575	13,963	10,798	5,882	742	1,467
Lease obligations	367	118	98	83	60	63
Other interest-bearing debt	7,000	-	-	-	-	-
Total	¥72,542	¥14,082	¥10,897	¥5,965	¥803	¥1,530

11. Investment Securities

The acquisition cost, carrying amount, gross unrealized holding gains and gross unrealized holding losses for securities with fair value by security type at March 31, 2020 and 2019 are summarized as follows:

Available-for-sale securities:

	Millions of yen			
	2020			
	Acquisition	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses
Equity securities	¥10,546	¥12,638	¥3,417	¥1,326
	¥10,546	¥12,638	¥3,417	¥1,326
	Thousands of U.S. dollars			
	2020			
	Acquisition	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses
Equity securities	\$96,910	\$116,127	\$31,404	\$12,188
	\$96,910	\$116,127	\$31,404	\$12,188
	Millions of yen			
	2019			
	Acquisition	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses
Equity securities	¥10,594	¥15,822	¥5,644	¥416
	¥10,594	¥15,822	¥5,644	¥416

12. Derivatives

(1) Transactions not subject to hedge accounting

No applicable transactions

(2) Transactions subject to hedge accounting

(i) Currency-related

No applicable transactions

(ii) Interest-rate related

	Hedge accounting method	Type of derivative transaction, etc.	Main targets of hedging	Contract value	Contract value of instruments due within more than a year
2020	Special settlement of interest rate swap	Interest rate swap transactions, fixed payments, variable receivables	Long-term debt	¥8,383 million	¥3,500 million
				\$77,031 thousand	\$32,160 thousand
2019	Special settlement of interest rate swap	Interest rate swap transactions, fixed payments, variable receivables	Long-term debt	¥12,210 million	¥3,883 million
				\$110,009 thousand	\$34,988 thousand

Transactions subject to special settlement for interest rate swaps are settled as a combined sum with the long-term debt being hedged so the fair value is included in the fair value of the long-term debt.

13. Retirement and Pension Plans

(1) Outline of retirement benefit plan

The Company and consolidated subsidiaries adopt reserve-type and non-reserve-type defined benefit and defined contribution plans for the retirement benefits of our employees.

In the defined benefit pension plan (reserve-type), employees will receive lump-sum payments or pensions, which are calculated based on their salaries and employment periods.

In the lump-sum retirement benefit plan (non-reserve-type), employees will receive lump-sum retirement benefits, which are calculated based on their salaries and employment periods. The Company and some consolidated subsidiaries establish retirement benefit trusts for the lump-sum retirement benefit plan to make it reserve-type.

In addition, additional retirement benefits may be paid, at the time of the retirement, etc. of our employees.

In the defined benefit pension and lump-sum retirement benefit plans adopted by some consolidated companies, the simplified method is used for calculating the liabilities and costs for retirement benefits.

As for defined contribution plans, the Company and some consolidated subsidiaries establish the defined contribution pension plan, while the other consolidated subsidiaries subscribe to Smaller Enterprise Retirement Allowance Mutual Aid System.

(2) Defined benefit plans

(i) The schedule of the defined benefit obligation at 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at the beginning of the year (period)	¥22,490	¥22,882	\$206,656
Current service cost	988	1,052	9,087
Interest cost	122	125	1,121
Actuarial gain and loss	762	43	7,006
Benefit paid	(914)	(1,263)	(8,404)
Other	(194)	(351)	(1,790)
Balance at the end of the year (period)	¥23,254	¥22,490	\$213,676

(ii) The schedule of the pension assets at 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at the beginning of the year (period)	¥19,819	¥19,516	\$182,114
Expected return on pension assets	14	14	134
Actuarial gain and loss	(4,028)	931	(37,020)
Contributions by the employer	49	53	458
Benefit paid	(346)	(697)	(3,181)
Balance at the end of the year (period)	¥15,508	¥19,819	\$142,505

(iii) The schedule of the net defined benefit liability for simplified method at 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at the beginning of the year (period)	¥715	¥698	\$6,574
Benefit cost	90	105	832
Retirement benefit paid	(17)	(71)	(158)
Contribution to systems	(73)	(17)	(674)
Balance at the end of the year (period)	¥715	¥715	\$6,574

- (iv) The reconciliation of the defined benefit obligations and pension assets to the liabilities and assets on retirement benefits recognized in the consolidated balance sheet as of 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded defined benefit obligations	¥15,394	¥15,211	\$141,451
Pension assets	(15,862)	(20,181)	(145,758)
	(468)	(4,969)	(4,307)
Unfunded defined benefit obligations	8,929	8,355	82,052
Net amount of liabilities and assets recognized in consolidated balance sheet	8,461	3,386	77,745
Retirement benefit liabilities	9,423	8,718	86,592
Retirement benefit asset	(962)	(5,331)	(8,847)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥8,461	¥3,386	\$77,745

- (v) The profits and losses related to retirement benefits for fiscal period ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current service cost	¥988	¥1,052	\$9,087
Interest cost	122	125	1,121
Expected return on pension assets	(14)	(14)	(134)
Actuarial gain and loss recognized in the year	1,086	345	9,986
Prior service cost recognized in the year	(14)	(34)	(131)
Periodic benefit cost in simplified method	90	105	832
Periodic benefit costs of retirement benefit plan	¥2,259	¥1,579	\$20,761

In addition to the above, the premium severance payment has been reported as extraordinary losses of ¥576 million for the consolidated fiscal year ended March 31, 2019.

- (vi) The breakdown of items in other comprehensive income for fiscal period ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial gain and loss	¥(3,676)	¥1,298	\$(33,781)
Prior service cost	(14)	(34)	(131)
Total	¥(3,690)	¥1,263	\$(33,913)

- (vii) The breakdown of items in accumulated other comprehensive income for fiscal period ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized actuarial gain and loss	¥(343)	¥3,333	\$(3,155)
Unrecognized prior service cost	14	28	131
Total	¥(329)	¥3,361	\$(3,023)

(viii) The breakdown of pension assets by major category as of March 31, 2020 and 2019 were as follows:

	2020	2019
Equities	34%	36%
Bonds	40%	39%
General account of life insurance	24%	23%
Other	2%	2%
	100%	100%

(ix) The items of actuarial assumptions as of fiscal period ended March 31, 2020 and 2019 were as follows:

	2020	2019
Discount rate	0.0~1.3%	0.0~2.1%
Expected long-term return on plan assets	0.0~2.0%	0.0~2.1%
Assumed wage increase rate	1.5~4.0%	1.7~4.0%

(3) Defined contribution plan

The necessary contribution to the defined contribution plan of our company and consolidated subsidiaries is ¥342 million (\$3,147 thousand) and ¥351 million for the consolidated fiscal year ended March 31, 2020 and 2019, respectively.

14. Deferred Income Taxes

(1) At March 31, 2020 and 2019, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Accrued enterprise taxes	¥96	¥69	\$891
Accrued expenses	547	551	5,031
Net defined benefit liability	3,751	2,313	34,467
Allowance for doubtful accounts	43	33	395
Loss on revaluation of fixed assets	676	324	6,211
Unrealized gains on property, plant and equipment	255	135	2,350
Tax loss carry forwards	8,523	9,918	78,315
Other	2,603	2,325	23,922
Gross deferred tax assets	16,497	15,671	151,585
Valuation allowance for tax loss carry forward	(7,347)	(7,946)	(67,513)
Valuation allowance for total deductible temporary difference	(2,740)	(2,548)	(25,176)
Gross valuation allowance	(10,087)	(10,494)	(92,690)
Total deferred tax assets	6,409	5,177	58,895
Deferred tax liabilities:			
Gain on securities contributed to retirement benefit trust	(1,121)	(1,121)	(10,301)
Return of securities contributed to retirement benefit trust	(163)	(163)	(1,504)
Reserve based on Special Taxation Measures Law	(14)	(15)	(129)
Unrealized gains on available-for-sale securities	(653)	(1,343)	(6,003)
Other	(258)	(264)	(2,379)
Total deferred tax liabilities	(2,211)	(2,908)	(20,318)
Net deferred tax assets	¥4,198	¥2,269	\$38,577

(2) For the year ended March 31, 2020 and 2019, a reconciliation of the statutory tax rate to the effective tax rates was as follows:

	2020	2019
Statutory tax rate	30.6%	-
Permanently non-deductible expenses	3.5	-
Permanently non-taxable income	(7.5)	-
Per capita inhabitants' taxes	5.1	-
Valuation allowance	42.0	-
Unrealized gains (losses)	(15.0)	-
Equity in gains (losses) of affiliates	(36.6)	-
Other	3.5	-
Effective tax rates	(25.6)%	-

For the year ended March 31, 2019, notes were omitted due to the posting of loss before income taxes and non-controlling interests.

15. Asset Retirement Obligations

Asset retirement obligations recorded in the consolidated balance sheets

(1) Summary of the asset retirement obligations

The Company recognized the asset retirement obligations with regard to the obligations to remove asbestos which was used in property, plant and equipment.

(2) Method of calculating the amount of the asset retirement obligations

The asset retirement obligations are calculated based on the expected period of use of 12 years and at a discount rate of 1.3%, mainly.

(3) Increase or Decrease of the amount of the asset retirement obligations

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at the beginning of the year	¥882	¥888	\$8,113
Adjustment of the passage of time	0	0	6
Effect of the execution of the asset retirement obligations	-	(6)	-
Balance at the end of the year	¥883	¥882	\$8,119

16. Real Estate for Lease

The importance of the amount of real estate for lease is not significant, and so its notes are omitted.

17. Segment Information

(1) Reportable segment information

The Company's reportable segments are components for which discrete financial information is available and which are regularly reviewed by the Board of Directors to determine resource allocation and evaluate business results.

The Company's businesses are divided into segments, which handle specific products and carry out comprehensive strategy planning in Japanese and overseas markets.

The Company consists of four reportable segments, identified by product portfolio, which are classified as the "Paper and Pulp Segment," the "Imaging Segment," the "Speciality Materials Segment," and the "Warehouse and Transportation Segment."

The "Paper and Pulp Segment" develops writing and printing paper, premium-quality paper and pulp. The "Imaging Segment" handles product portfolios, including photo-sensitive printing plates, inkjet paper, photographic materials. The "Speciality Materials Segment" handles speciality and other product portfolios. The "Warehouse and Transportation Segment" handles warehousing and carrying service.

Consolidated fiscal year under review (April 1, 2019–March 31, 2020)

Year ended March 31, 2020	Millions of yen									
	Reportable segments					Total	Other	Total	Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Warehouse and Transportation	Total					
Sales										
Sales to unaffiliated customers	¥143,845	¥28,503	¥13,487	¥5,117	¥190,953	¥3,621	¥194,575	¥–	¥194,575	
Intersegment sales and transfers	2,568	5,104	2,691	2,970	13,334	3,586	16,920	(16,920)	–	
Total sales	146,413	33,607	16,178	8,087	204,287	7,208	211,495	(16,920)	194,575	
Segment income (loss)	¥1,140	¥(330)	¥953	¥136	¥1,900	¥133	¥2,034	¥(57)	¥1,976	
Segment assets	¥151,651	¥35,972	¥16,388	¥4,395	¥208,407	¥7,957	¥216,364	¥(4,147)	¥212,217	
Amortization	7,313	1,730	628	122	9,794	134	9,929	(104)	9,824	
Investment in equity-method affiliates	1,460	–	–	–	1,460	1,440	2,901	–	2,901	
Increase in tangible and intangible fixed assets	4,092	794	540	138	5,566	42	5,609	(84)	5,524	

Year ended March 31, 2020	Thousands of U.S. dollars									
	Reportable segments					Total	Other	Total	Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Warehouse and Transportation	Total					
Sales										
Sales to unaffiliated customers	\$1,321,741	\$261,907	\$123,933	\$47,020	\$1,754,602	\$33,278	\$1,787,880	\$–	\$1,787,880	
Intersegment sales and transfers	23,597	46,900	24,726	27,297	122,522	32,956	155,479	(155,479)	–	
Total sales	1,345,339	308,808	148,659	74,317	1,877,124	66,235	1,943,360	(155,479)	1,787,880	
Segment income (loss)	\$10,482	\$(3,034)	\$8,762	\$1,256	\$17,467	\$1,225	\$18,692	\$(530)	\$18,161	
Segment assets	\$1,393,471	\$330,540	\$150,584	\$40,384	\$1,914,981	\$73,116	\$1,988,097	\$(38,107)	\$1,949,990	
Amortization	67,199	15,898	5,779	1,123	90,000	1,238	91,238	(963)	90,274	
Investment in equity-method affiliates	13,421	–	–	–	13,421	13,235	26,656	–	26,656	
Increase in tangible and intangible fixed assets	37,607	7,300	4,970	1,270	51,150	394	51,544	(780)	50,763	

(i) The engineering business and others are included in "Other." They are not included in the reportable segments.

(ii) Adjustments are:

- Adjustments and eliminations for segment income include ¥(57) million (\$526 thousand) of elimination of inter-segment income and loss and ¥(0) million (\$3 thousand) of corporate expenses, which are general and administrative expenses and are not allocable to the reportable segments.
- Adjustments and eliminations for segment assets include ¥14,002 million (\$128,659 thousand) of corporate assets and ¥(18,149) million (\$166,766 thousand) of elimination of inter-segment assets.
- Adjustments and eliminations for amortization of ¥(104) million (\$963 thousand) is elimination of inter-segment.
- Adjustments and eliminations for increase in tangible and intangible fixed assets include ¥(84) million (\$780 thousand) of elimination of inter-segment increase in tangible and intangible fixed assets.

(iii) Segment income (loss) is adjusted with consolidated operating income.

Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)

Year ended March 31, 2019	Millions of yen								
	Reportable segments				Total	Other	Total	Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Specialty Materials	Warehouse and Transportation					
Sales									
Sales to unaffiliated customers	¥152,860	¥29,499	¥14,449	¥5,093	¥201,903	¥2,093	¥203,997	¥–	¥203,997
Intersegment sales and transfers	3,919	5,787	3,035	3,239	15,982	4,414	20,396	(20,396)	–
Total sales	156,780	35,287	17,485	8,333	217,886	6,508	224,394	(20,396)	¥203,997
Segment income (loss)	¥(1,427)	¥537	¥653	¥184	¥(51)	¥98	¥46	¥(87)	¥(40)
Segment assets	¥165,791	¥37,987	¥17,724	¥4,528	¥226,032	¥9,561	¥235,593	¥(2,834)	¥232,758
Amortization	7,597	1,753	610	123	10,085	133	10,218	(101)	10,116
Investment in equity-method affiliates	1,456	–	–	–	1,456	262	1,719	–	1,719
Increase in tangible and intangible fixed assets	9,618	1,823	985	137	12,565	44	12,609	(127)	12,481

(i) The engineering business and others are included in "Other." They are not included in the reportable segments.

(ii) Adjustments are:

- Adjustments and eliminations for segment income include ¥(61) million of elimination of inter-segment income and loss and ¥(25) million of corporate expenses, which are general and administrative expenses and are not allocable to the reportable segments.
- Adjustments and eliminations for segment assets include ¥14,633 million of corporate assets and ¥(17,468) million of elimination of inter-segment assets.
- Adjustments and eliminations for amortization of ¥(101) million is elimination of inter-segment.
- Adjustments and eliminations for increase in tangible and intangible fixed assets include ¥(127) million of elimination of inter-segment increase in tangible and intangible fixed assets.

(iii) Segment income(loss) is adjusted with consolidated operating loss.

(2) Geographical information

(i) Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥131,121	¥131,855	\$1,204,825
Europe	33,153	36,755	304,632
Asia	13,624	16,390	125,188
North America	13,572	15,205	124,713
Other	3,103	3,791	28,520
Consolidated	¥194,575	¥203,997	\$1,787,880

Net sales information above are based on customer location.

(ii) Property, plant and equipment by countries or geographical areas at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥84,672	¥92,148	\$778,028
Europe	8,685	8,621	79,805
Asia	300	337	2,763
North America	49	83	458
Consolidated	¥93,708	¥101,191	\$861,056

(3) Impairment loss on fixed assets by reportable segments

Consolidated fiscal year under review (April 1, 2019 – March 31, 2020)

	Millions of yen								
	Reportable segments				Total	Other	Total	Corporate and Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Warehouse and Transportation					
Year ended March 31, 2020									
Impairment losses	¥1,159	¥–	¥–	¥–	¥1,159	¥–	¥1,159	¥–	¥1,159

	Thousands of U.S. dollars								
	Reportable segments				Total	Other	Total	Corporate and Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Warehouse and Transportation					
Year ended March 31, 2020									
Impairment losses	\$10,656	\$–	\$–	\$–	\$10,656	\$–	\$10,656	\$–	\$10,656

Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)

	Millions of yen								
	Reportable segments				Total	Other	Total	Corporate and Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Warehouse and Transportation					
Year ended March 31, 2019									
Impairment losses	¥124	¥–	¥–	¥–	¥124	¥–	¥124	¥–	¥124

Independent Auditor's Report

The Board of Directors
Mitsubishi Paper Mills Limited

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Paper Mills Limited and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Audit and Supervisory Board Member and the Audit and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Board Member and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board Member and the Audit and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Board Member and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 25, 2020

/s/Akira Sato
Designated Engagement Partner
Certified Public Accountant

/s/Chihiro Yasunaga
Designated Engagement Partner
Certified Public Accountant

Board of Directors, Executive Officers and Audit & Supervisory Board Members

Managing Executive Officers



Kunio Suzuki
Director, Chairman



Yukihiro Tachifuji
President and Chief Executive Officer



Yoshiaki Takeda
Director and Senior Executive Vice President



Naoki Okawa
Director and Managing Executive Officer



Nobuhiro Sato
Director and Managing Executive Officer



Shimpei Yamada
Director and Managing Executive Officer



Kazuyoshi Ando
Director and Managing Executive Officer



Shigeharu Sanada
Director and Managing Executive Officer

Director, Chairman
Kunio Suzuki

President and Chief Executive Officer
Yukihiro Tachifuji
President

Director and Senior Managing Executive Officers
Yoshiaki Takeda
In charge of Finance & Accounting Dept.

Naoki Okawa
In charge of General Affairs & Personnel Dept., Legal Dept. and Shirakawa Office
;Director responsible for Corporate Social Responsibility

Nobuhiro Sato
In charge of Paper Div.
;General Manager, Paper Div.

Shimpei Yamada
In charge of Functional Materials Div, German Operations and Kitakami Div
; General Manager, Functional Materials Div.

Kazuyoshi Ando
In charge of Corporate Planning Dept., ;dupty charge of German Operations

Shigeharu Sanada
In charge of Raw Materials & Purchasing Dept. and Internal Audit Dept.

Outside Directors
Soumitsu Takehara

Yoshihiro Kataoka

Senior Executive Officers
Takeshi Sunakawa
President & CEO, KJ SPECIALTY PAPER Co., Ltd.

Keiichi Sato
President & CEO, MPM Operation Co., Ltd.; Head, Hachinohe Mill; Deputy General Manager, Paper Div.;

Executive Officers
Masaya Sawada
Deputy General Manager, Functional Materials Div.

Teiji Ota
President & CEO, Kitakami HiTec Paper Corp.
General Manager, Kitakami Div
Deputy General Manager, Functional Materials Div.

Yuji Takagami
Deputy General Manager, Functional Materials Div.
General Manager, Imaging Media Dept.

Hiroaki Kobayashi
In charge of Research and Development Div., Energy Business Dept, Technology & Environmental Dept
General Manager, Energy Business Dept
General Manager, Technology & Environmental Dept

Takao Fujiura
Deputy General Manager, Paper Div.

Hironori Oikawa
General Manager, Finance & Accounting Dept.

Audit & Supervisory Board Member
Koichi Nakayama

Outside Audit & Supervisory Board Members

Hiroaki Tonooka
Takayuki Nakazato
Takeshi Kobayashi

(as of June 26, 2020)

Company Data

Established:

April 1, 1898

Head Office:

2-10-14, Ryogoku, Sumida-ku, Tokyo 130-0026, Japan

Telephone:

- +81-3-5600-1488 (*Information*)
- +81-3-5600-1481 (*Corporate Planning Dept.*)
- +81-3-5600-1459 (*Commercial Printing & Business Communication Paper Sales Dept. Paper Division*)
- +81-3-5600-1460 (*Home & Industry Products Sales Dept. Paper Division*)
- +81-3-5600-1465 (*Sales Administration Dept. Paper Division*)
- +81-3-5600-1536 (*International Sales Dept. Paper Division*)
- +81-3-5600-1478 (*Imaging Media Dept. Functional Materials Division*)
- +81-3-5600-1471 (*Specialty Materials Dept. Functional Materials Division*)
- +81-3-5600-1472 (*Industrial Materials Dept. Functional Materials Division*)
- +81-3-5600-1471 (*Strategy & Management Dept. Functional Materials Division*)
- +81-48-912-0010 (*Filter Dept. Functional Materials Division*)
- +81-3-5600-1453 (*Raw Materials & Purchasing Dept.*)

Facsimile:

- +81-3-5600-1489 (*Information*)
- +81-3-5600-1489 (*Corporate Planning Dept.*)
- +81-3-5600-1467 (*Commercial Printing & Business Communication Paper Sales Dept. Paper Division*)
- +81-3-5600-1467 (*Home & Industry Products Sales Dept. Paper Division*)
- +81-3-5600-1469 (*Sales Administration Dept. Paper Division*)
- +81-3-5600-1539 (*International Sales Dept. Paper Division*)
- +81-3-5600-1418 (*Imaging Media Dept. Functional Materials Division*)
- +81-3-5600-1419 (*Specialty Materials Dept. Functional Materials Division*)
- +81-3-5600-1419 (*Industrial Materials Dept. Functional Materials Division*)
- +81-3-5600-1419 (*Strategy & Management Dept. Functional Materials Division*)
- +81-48-912-0012 (*Filter Dept. Functional Materials Division*)
- +81-3-5600-1451 (*Raw Materials & Purchasing Dept.*)

Sales Branch:

Osaka

Corporate Research Center:

Tsukuba R&D Laboratory
Kyoto R&D Laboratory
Process Development Laboratory

Mills:

Takasago
Kyoto
Hachinohe

Major Affiliates:

Domestic

Mitsubishi Oji Paper Sales Co., Ltd.
Toho Tokushu Pulp Co., Ltd.
MPM OJI Home Products Co., Ltd.
MPM Operation Co., Ltd.
Hachinohe Paper Processing Co., Ltd.
Hachiryō Co., Ltd.
Takasago Paper Processing Co., Ltd.
Hakuryo Paper Technology Co., Ltd.
Shin-Hokuryo Forest Products Co., Ltd.
Kitakami HiTec Paper Corp.
Kyoryo Chemical Co., Ltd.
Diamic Co., Ltd.
Hokuryo Co., Ltd.
KJ Specialty Paper Co., Ltd.
NAMITSU Co., Ltd.
Mitsubishi Paper Engineering Co., Ltd.
Ryoko Co., Ltd.
Ryoshi Co., Ltd.
MPM CAE Center Co., Ltd.
MPM OJI Eco-Energy Co., Ltd.

Overseas

Mitsubishi Paper Holding (Europe) GmbH (Germany)
Mitsubishi HiTec Paper Europe GmbH (Germany)
Mitsubishi Imaging (MPM), Inc. (U.S.A.)
MP Juarez LLC (Mexico)
Zuhai MPM Filter, Ltd. (China)
MPM Hong Kong Limited

Disclaimer Regarding Forward-Looking Statements

This material contains forward-looking statements relating to the businesses and prospects of the Company. These statements are based on our expectations at MAY 2020, and are subject to the risks and uncertainties that may affect our businesses, which could cause actual results to differ materially from those anticipated.

We will not be liable for any damage or loss incurred by you arising out of or in connection with this material.

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