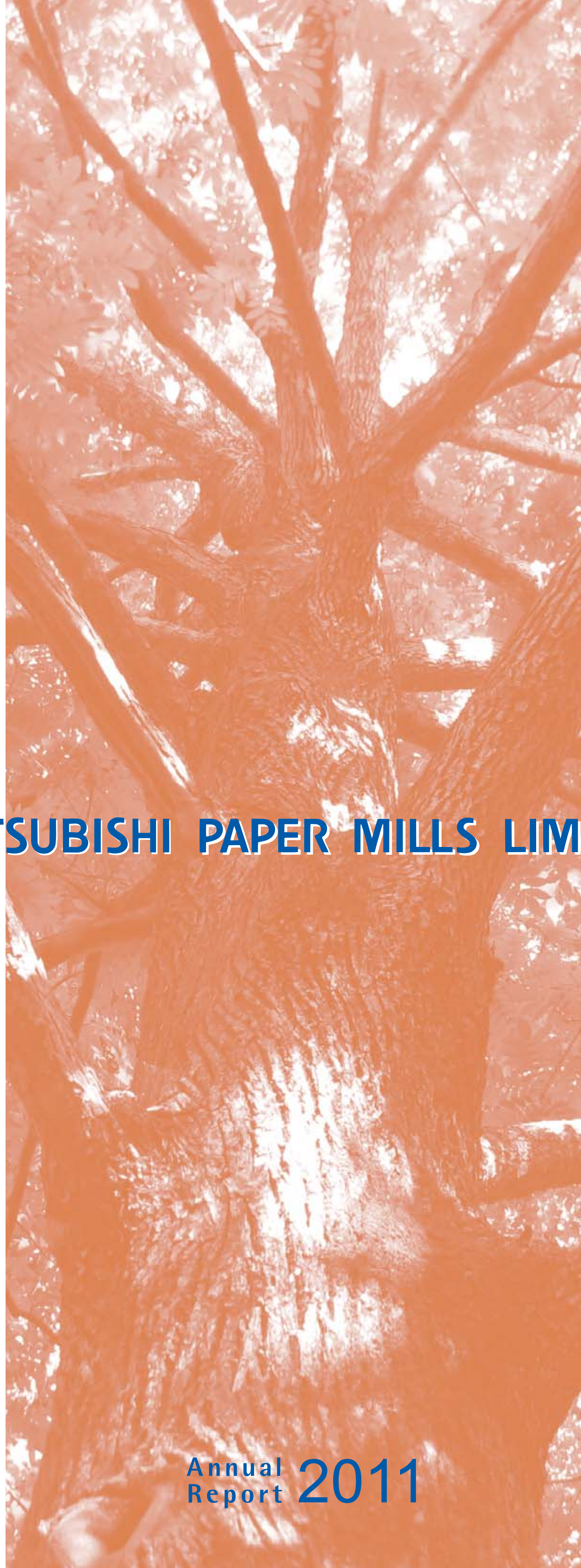
MITSUBISHI
PAPER MILLS
LIMITED



MITSUBISHI PAPER MILLS LIMITED

Annual Report 2011

Mitsubishi Paper Mills Limited was established by Mitsubishi's third president, Hisaya Iwasaki.

Since its founding, the Mitsubishi Paper Mills Group has contributed to the development of publishing, printing and photography media culture through its high value-added printing and communication paper, and products.

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

Mitsubishi Paper Mills produces and develops not only printing paper, printing plate materials and printing systems supporting offset and other printing, but also supplies the media for almost all recording formats, such as pressure-sensitive, thermal, magnetic, electrographic, silver halide photography and inkjet paper. Furthermore, we are adding functional materials such as highly functional filters to our operating business domains, and increasing emphasis on research and development in new business areas.

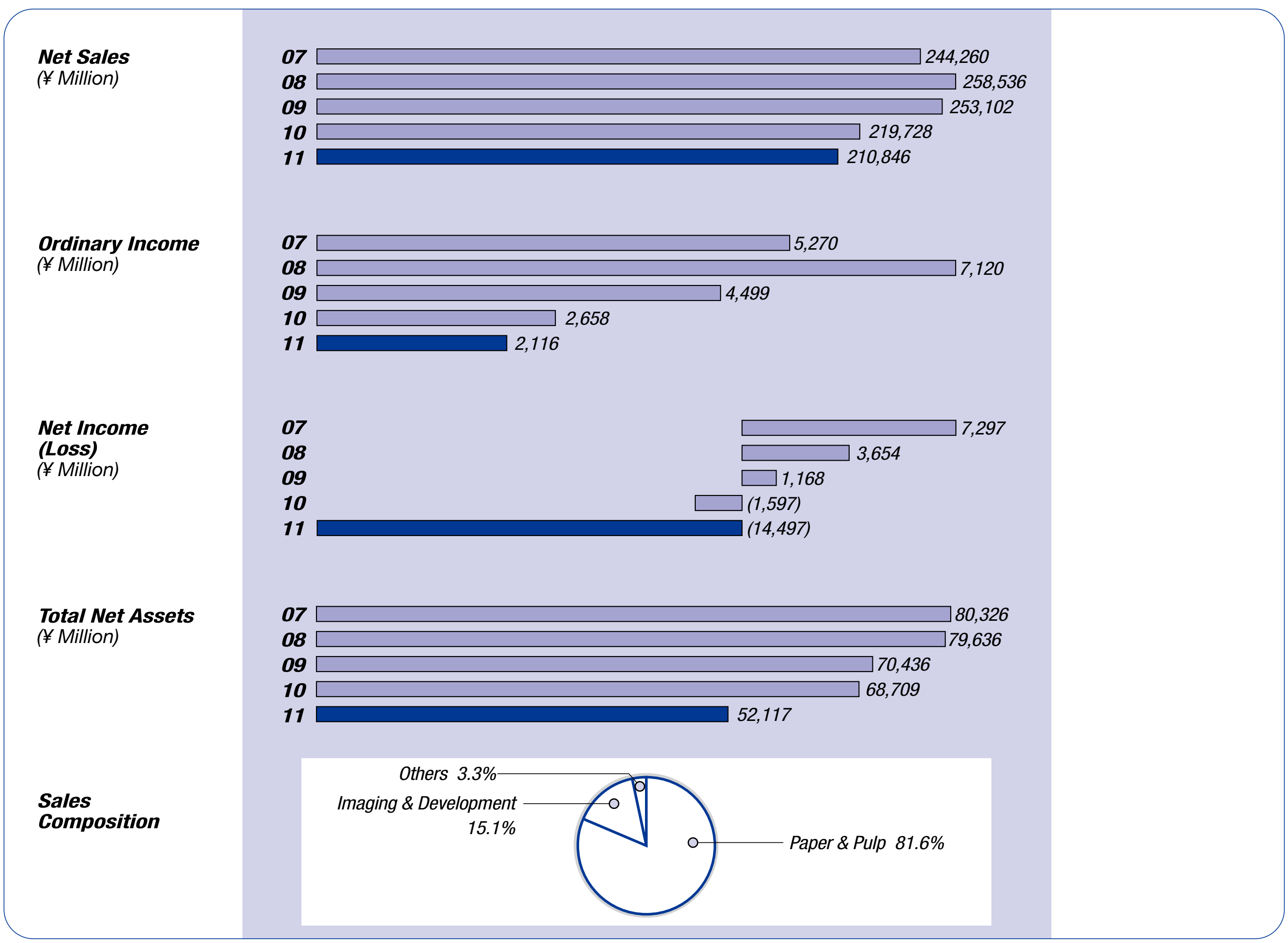
With production facilities and R&D sites mainly located in Japan and Germany, and sales sites located in Japan, Germany and the United States, we have positioned ourselves to serve global markets.

CONTENTS

FINANCIAL HIGHLIGHTS (CONSOLIDATED)

	Millions of yen *(1)*		Thousands of U.S. dollars *(1) and (2)*
	2011	2010	**2011**
For the years ended March 31			
Net sales	**¥ 210,846**	¥ 219,728	**$ 2,535,739**
Ordinary income	**2,116**	2,658	**25,452**
Net loss	**(14,497)**	(1,597)	**(174,350)**
Net loss per share (in yen and dollars)	**(42.39)**	(4.67)	**(0.51)**
Cash dividends per share (in yen and dollars)	**—**	—	**—**
As at March 31			
Total assets	**¥ 248,506**	¥ 282,131	**$ 2,988,652**
Total net assets	**52,117**	68,709	**626,785**
Common stock	**32,756**	32,756	**393,942**
Number of shareholders	**19,311**	19,740	
Number of employees	**4,304**	4,441	

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 ¥83.15 = U.S.$1, as of March 31, 2011.



Note: Effective from the year ended March 31, 2007, the Company has applied the “Accounting standards for presentation of net assets in the balance sheet,” and the “Implementation guidance for accounting standards for presentation of net assets in the balance sheet.”

Kunio Suzuki, *President & C.E.O.*

Overview of the Reporting Term

The business environment faced by the Group remains very difficult due to the continuing economic slowdown and the rise in the value of the yen. To cope with these circumstances, the Group has taken steps to thoroughly reduce costs, streamline the production system and produce high value-added products by putting into practice a set of measures we call Enhanced Countermeasures Plan.

However, because of the Tohoku Region Pacific Ocean Earthquake of March 11, 2011, we have had to suspend operations after three of our facilities were damaged. The affected facilities are the Hachinohe Mill (Aomori Prefecture), Kitakami HiTec Paper Corporation (Iwate Prefecture) and the Shirakawa Plant (Fukushima Prefecture). Notably, the first floor of our flagship Hachinohe Mill was submerged in water from the massive tsunami after the earthquake. As a result, the mill suffered incredible devastation, including damage to electrical systems and damage and loss of inventories, especially products and raw materials. Consequently, we established the Reconstruction Management Headquarters, which is headed by the president, carried out exhaustive reconstruction efforts, formulated a reconstruction plan, and took steps to achieve full reconstruction as early as possible and to minimize recent losses. Although Kitakami HiTec Paper Corporation and the Shirakawa Plant resumed operation in late March, the Hachinohe Mill will likely require more time to achieving full recovery.

In the Paper and Pulp Divisions, although demand was on track to a moderate recovery, especially for mainstay commercial printing paper, the market was soft because of paper imports and other factors. Further, sales decreased following the suspension of operations at Hachinohe Mill after the earthquake and tsunami. Sales volumes increased for the Imaging and Development (I&D) Company due to the launch of new inkjet paper products, overseas marketing activities, and sales expansion of printing plate materials, especially environment-friendly CTP printing plates. Sales volumes of specialty materials also increased following the launch of new products incorporating advanced technology. In contrast, sales volumes of photographic base paper and photographic paper remained on a downward trend because of a global shrinkage in demand.

As a result, sales in the Paper and Pulp Divisions fell 4.0%, year on year, to ¥210,846 million (US$2,535 million) on a consolidated basis.

While the cost-lowering effects of rising mill production and fixed cost cuts pushed earnings upward, consolidated ordinary income declined 20.4%, year on year, to ¥2,116 million (US$25 million), due to declining printing paper prices, our mainstay product, and sharply rising raw material and fuel prices, pushed earnings downward. A net loss of ¥14,497 million (US$174 million) was posted for the reporting term due to an extraordinary loss resulting from a loss on earthquake disaster of ¥13,314 million (US$160 million).

On a non-consolidated basis, net sales of ¥132,334 million (US$1,591 million), ordinary income of ¥462 million (US$5 million), and a net loss of ¥14,523 million (US$174 million) were posted.

Mid-term Management Strategy and Issues Facing the Company

The business environment in which the Company operates has grown increasingly harsh due to weakening domestic demand caused by the protracted economic slowdown and the changing demand structure. Other negative factors include decreasing profitability on exports due to the strong yen and the uncertain direction of the market after the earthquake. Given these conditions, the Group will institute a new mid-term management plan and present its corporate vision internally and externally with the goal of putting the Group's basic principles into practice and achieving further growth. In addition, we will continuously review measures suitable to improving our financial position.

The Tohoku Region Pacific Earthquake of March 11, 2011 inflicted the worst damage the Group has ever suffered since it was founded. Although we were forced to temporarily suspend operations at Kitakami HiTec Paper Corporation and the Shirakawa Plant due to earthquake damage, operations resumed in late March. Our mainstay Hachinohe Mill suffered tremendous damage when it was hit by the giant tsunami immediately after the earthquake. Reconstruction work began with the resumption of operations at the energy plant. In early May, in-house power generation was resumed and partial supply of electric power to the Tohoku Electric Power Company was started. In late May, we began sequential operation of production equipment and expect reconstruction to be completed by mid November.

Immediately after the earthquake, the Group established a Disaster Management Headquarters, which is headed by the president, and it has tried to determine the extent of the damage. After the extent of the damage was determined, a Reconstruction Management Headquarters was established, which is also headed by the president, and a reconstruction plan was then drawn up and implemented throughout the Company. Under the plan, we focused on the swift reconstruction of our main facilities and the minimization of recent losses. Along with the plan, we are formulating a new mid-term management plan that outlines the Group's vision (Please see pages six and seven for details).

In order to fulfill our social responsibilities to all stakeholders, we have positioned CSR activities as the foundation of our management. Activities during the fiscal year included opening the Ecosystem Academy, which conducts environmental education under the theme of "The Bounty of Forests," enhancing environment-friendly products such as environment-friendly FSC forest certified paper and waste paper pulp compound products, and obtaining Eco Rail Mark certification (the first such certification in the paper and pulp industry).

In the fiscal year ending March 31, 2012, we will recover from the disaster as quickly as possible, and make the fulfillment of our social responsibilities—including our responsibility to supply customers, contribute to local communities and economies, and ensure employment—our number one priority. In addition, we will use this massive disaster as a learning experience, and focus on developing a system for disaster risk. On that basis, we have established three basic policies of, 1) strengthening our CSR management foundation, 2) promoting environmental management, and 3) pursuing CSR activities. We will pursue activities that raise enterprise value in the areas of compliance, information disclosure, safety and quality, human and labor rights, the environment, and social contributions. This, we believe, is the path to greater enterprise value. Also, we have already begun providing assistance to earthquake and tsunami devastated areas by sending hygienic paper (toilet paper, etc.) and other goods.

On another front, Mitsubishi Paper Mills has taken over the paper chemicals business of Kohjin Co., Ltd. Specifically, Kohjin Co., Ltd. spun off its Fuji Mill and set it up as a new company. After the new company was established, Mitsubishi Paper Mills took over all of its shares. The transfer date was October 1, 2011 and KJ Specialty Paper Co., Ltd. is the new company's name. We will integrate KJ Specialty Paper's high technological capabilities with our own technological and R&D capabilities to further develop the paper chemicals business and our existing business fields, and thereby develop into a single large specialty paper business.

Forecasts

Moving forward, the harsh operating environment is expected to continue for some time due to Japan's uncertain economic future resulting from the Tohoku Region Pacific Ocean Earthquake and sharply rising raw materials and fuel prices. However, from late May we will resume operation of production equipment at the Hachinohe Mill based on the reconstruction plan instituted after the disaster, and set up a system for the production of mainstay products.

Regarding next fiscal year's consolidated business performance, although the Company will face a harsh earnings environment in the first half of fiscal 2011, we expect to be profitable in the following divisions in the second half because of the system that we have set up to achieve full production. For full fiscal 2012, we anticipate net sales of ¥200 billion (US$2,439 million), operating income of ¥3.0 billion (US$36 million) ordinary income of ¥1.0 billion (US$12 million) and a net loss of ¥3.0 billion (US$36 million). Exchange rate assumptions for the above forecast are ¥82/$1 and ¥120/€1. The Earnings forecast has been made based on information available at the time of the forecast and takes into account risk factors and uncertainties. At this juncture, although all potential risks have been factored into the forecast, actual earnings results could vary substantially from the forecast due to a variety of factors.

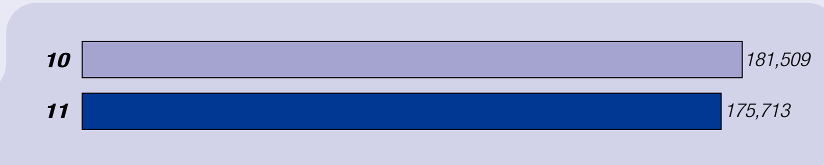
June 2011

鈴木邦夫

Kunio Suzuki
President & C.E.O.

PAPER AND PULP DIVISIONS

Net Sales *(¥ Million)*



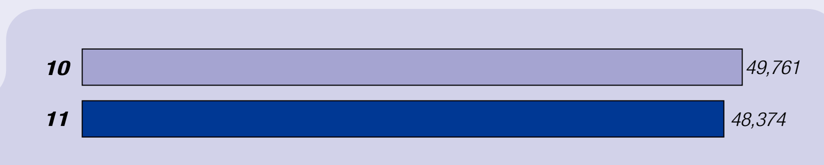
In the Paper and Pulp Divisions mainstay commercial printing paper, although demand for commercial printing paper (for flyers, catalogs and pamphlets) gradually recovered, overall demand increased only slightly owing to the rapid appreciation of the yen beginning from the second half, and environmental-related policies having run their course. Also, the market was soft due to the effects of paper imports. Subsequently, sales volumes decreased after the suspension of operations at our flagship Hachinohe Mill due to the earthquake in March. Sales in the communication paper business also decreased for the same reason.

Sales volumes at our European subsidiary were largely unchanged from the previous fiscal year, but earnings were up due to the previous fiscal year's restructuring. Sales volumes and values both increased for pulp sold on the market.

As a result, overall sales in the Paper and Pulp Divisions decreased 3.2%, year on year, to ¥175,713 million (US$2,113 million) on a consolidated basis.

IMAGING AND DEVELOPMENT DIVISION

Net Sales *(¥ Million)*

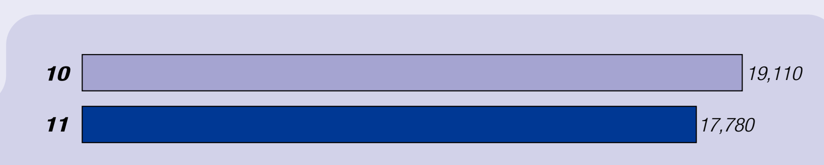


Sales volumes and values both increased for inkjet paper thanks to new product launches and overseas marketing activities. In the Photosensitive Materials Division, amid a continuing global decline in demand, as a result of focusing on overseas sales expansion of photosensitive paper, mainly in emerging countries, sales volumes decreased only slightly. Nevertheless, sales declined significantly because of price declines from the strong yen and increasing competition. Both sales volumes and values of photosensitive paper dropped substantially mainly due to the strong yen and the earthquake disaster. In printing plate materials, despite a year-on-year sales volume increase from boosting sales of our environment-friendly Thermal Digiplate®, sales declined year on year owing to the strong yen, price decreases for existing products, and other factors. In specialty materials, we increased sales by launching new products with proprietary technologies, such as filters for water treatment including reverse osmosis membranes, flame-resistant construction board material, high-performance secondary battery separators, and humidifier elements.

As a result, overall sales in the I&D Business decreased 2.8%, year on year, to ¥48,374 million (US$581 million) on a consolidated basis.

OTHER DIVISIONS

Net Sales *(¥ Million)*



Sales in Other Divisions declined 7.0%, year on year, to ¥17,780 million (US$213 million), due to lower sales at our engineering subsidiary and the earthquake disaster.

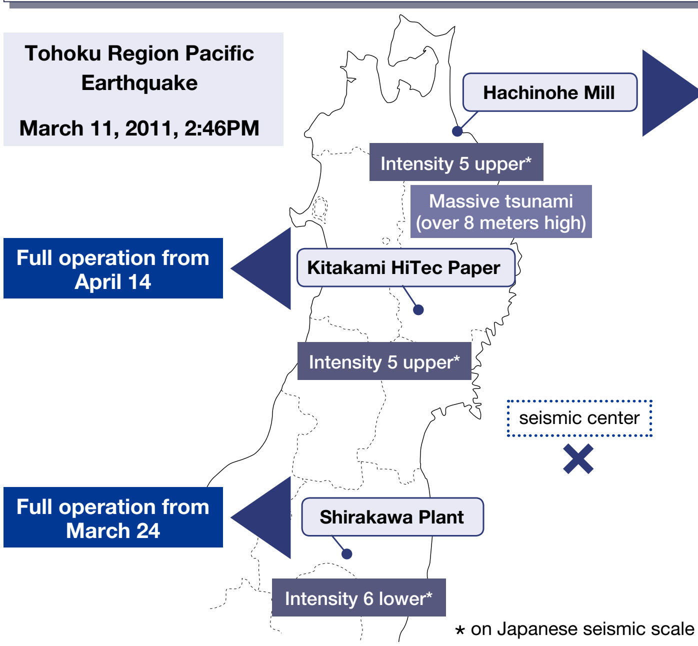
Effects of the Tohoku Region Pacific Ocean Earthquake

Because of the Tohoku Region Pacific Ocean Earthquake of March 11, 2011, we have had to suspend operations at three of our facilities that suffered damage — the Hachinohe Mill (Aomori Prefecture), Kitakami HiTec Paper Corporation (Iwate Prefecture) and the Shirakawa Plant (Fukushima Prefecture).

Below are specific time schedules for reconstruction.

(1) Major Damage and Progress in Reconstruction

Earthquake and Reconstruction Status



Massive tsunami hits Mill's ground floor, stopping all machines

Target: Full resumption of 7 paper machines and 3 coaters

		Operating status
Early Apr.	Power plant restarted	
Early May	Power supply to Tohoku Electric Power, Inc.	
End May	PM No.1, 2 and CM No.2 restarted	15%
Mid Jun.	PM No.7 restarted	35%
Mid Jul.	PM No.3 and CM No.3 restarted	55%
End Aug.	PM No.4 with on-machine coater restarted	70%
End Spt.	PM No.5 and CM No.5 restarted is planned	90%
	• **Resumption almost complete** • **Ready to begin production on main products line**	
Nov.	PM No.6 restarted is planned	100%

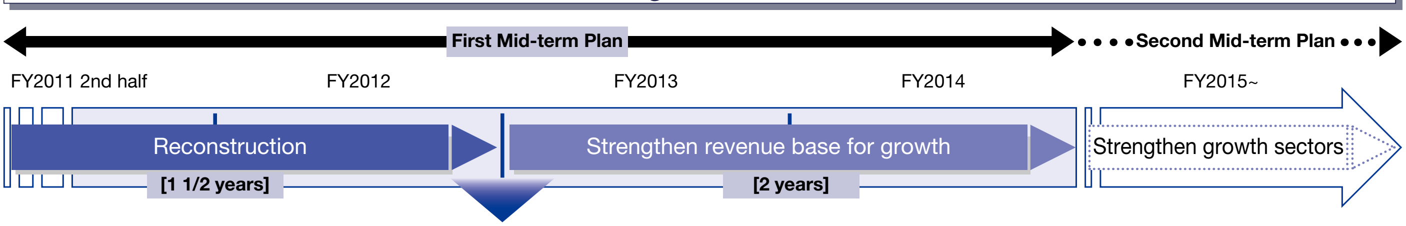
Complete resumption

Mid-term Management Plan

In the current fiscal year, our main priority has been reconstruction of facilities damaged in the Great East Japan Earthquake. With works progressing smoothly at Hachinohe Mill, we compiled the first part of our new mid-term management plan on 26 August 2011. This is a framework for establishing a firm earnings base during and after the reconstruction effort. The basic policies and numerical targets are as follows.

(2) Basic Policies

First Mid-term Management Plan – Basic Policies



① Quickly recover printing paper business market share, build efficient finishing lines

② Promptly repay sharply increased interest bearing debt (¥30 billion), normalize financial position

a) Normalization of earnings
- ◆ Sales recovery
- ◆ Reform fixed cost structure

b) Cash reserve
- ◆ Inventory reduction
- ◆ Zero-based budgeting of capital investment

③ **Policies by business segment**

- Printing paper business – Maintain profitability, expand revenue opportunities
- Imaging business – Maintain revenue structure, develop overseas markets
- New business development – Accelerate growth, prioritize business resource investments
- German operation – Maintain stable operation, increase prices
- KJ Specialty paper – Achieve synergistic effects, develop overseas markets
- Emerging countries – Invest business resources

(3) Basic Plan Values

Basic Plan Values

(Unit:100 million yen)

	1st half	2nd half	FY2011	FY2012	FY2013	FY2014
Sales	900	1,100	2,000	2,300	2,350	2,400
Operating Income	(5)	35	30	75	80	100
Ordinary Income	(15)	25	10	45	50	70
Interest Bearing Debts	–	–	1,700	1,700	1,600	1,500
D/E Ratio	–	–	3.7	3.4	3.0	2.6
Employees			4,380	4,275	4,186	4,186

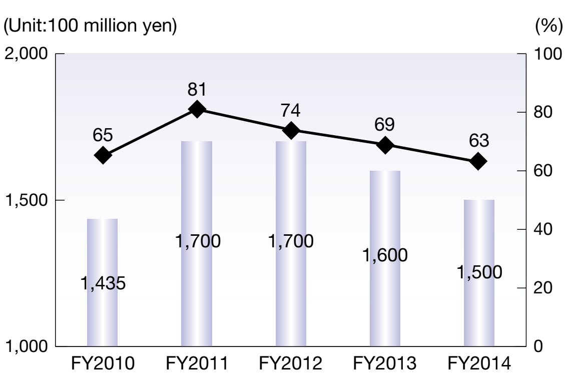
		FY2011	FY2012-FY2014
Exchange rate	US$	¥82/$	¥80/$
	€	¥120/€	¥115/€
	AUS$	¥86/A$	¥85/A$
Oil	Dubai	$115/BBL	$110/BBL

Dividend payments to be resumed

(4) Financial Summary

Financial Summary

Interest-bearing debt and interest-bearing debt/sales ratio



Hachinohe reconstruction and funds for interest-bearing debt repayment

〈Funds〉

New borrowing	265
Profit for the period	175
Depreciation	426
Total 866	

〈Purpose〉 (Unit:100 million yen)

Hachinohe reconstruction		300
Repayment		200
Maintenance / Renewal		110
Others	Additional running costs	110
	Extraordinary loss and tax	146
Total 866		

Progress under Enhanced Countermeasures

The effects of our strengthened measures are shown below. The themes of the old plan are unchanged and have been incorporated into the first part of the new mid-term plan.

Effects of Enhanced Countermeasures

Effects (¥100 million)

	Production system restructuring	Rigorous cost reductions	Overseas operations	Personnel streamlining	Other (energy, depreciation, etc.)	total
Initial targets for fiscal year ended March 31, 2011 (146th period)	5	11	6	11	10	**43**
1st half result	**2**	**8**	**6**	**9**	**3**	**28**
2nd half result	**5**	**21**	**1**	**7**	**4**	**38**
Disclosed on Nov. 16, 2010	**(5)**	**(17)**	**(2)**	**(3)**	**(7)**	**(34)**
Fiscal Year result	**7**	**29**	**7**	**16**	**7**	**66**

New challenges resulting from reconstruction plan implementation

General Overview of Enhanced Countermeasures

1. Efficient production system
   - ➡ Shut down No. 12 Paper Machine at Takasago Mill, transferred production to Hachinohe Mill
2. Thorough cost minimization
   - ➡ Relocation of I&D personnel completed
   - ➡ Achieved cost-cutting targets at Hachinohe and Takasago mills
3. Headquarter expenses sharply reduced
   - ➡ Review headquarter and affiliate organizations and achieve workforce reduction targets
   - ➡ Review research system
4. Shift to high value added products
   - ➡ Paper for digital printing, FSC certified paper, expand use of forest thinnings (further sales expansion)
5. Launch new products
   - ➡ Expand sales of Thermal Digiplate, expand development of functional non-woven fabric
6. Stabilize and capitalize on overseas operations
   - ➡ Restructuring of German operations
7. Realize benefits of alliances
   - ➡ Realize benefits of alliances with Fuji Film and Oji Paper (further strengthen alliances)

➡ Themes completed by March 31, 2011
➡ Themes carried out on a continuous basis since March 31, 2011

The Mitsubishi Paper Mills Group regards CSR activities as the core management issue to fulfill its social responsibilities to its stakeholders. In the current fiscal year, the Group has launched a range of initiatives, including the establishment of the Eco-System Academy, where the Company provides ecological education under the theme of the "gift of the forests," the enhancement of environment-friendly products, such as FSC™ certified paper and products with a high recycled pulp content, and the acquisition of Eco Rail Mark certification—a first for a company in the pulp and paper industry in Japan—as part of our commitment to environment-friendly rail transportation.

Going forward, we will place top priority on recovering from the damage wrought by the Great East Japan Earthquake as quickly as possible and fulfilling our social responsibilities, such as supplying products to customers, making contributions to local communities and the economy, and securing jobs. Learning from this disaster, we will work to counter vulnerability to disasters and other risks. On that basis, we will step up activities to bolster our corporate value in terms of compliance, disclosure, safety and quality, human rights and labor relations, the environment, and community contributions. We will do this by following three basic policies: (1) strengthening our CSR management foundations, (2) promoting environmental management, and (3) supporting community contribution activities. We have also provided support to disaster areas, such as dispatching sanitary paper products (toilet rolls, etc.).

Distinctive CSR Activities

Since 2009, when our basic CSR stance was developed, we have been working on the Distinctive CSR Activities of Mitsubishi Paper Mills program. The main theme of these activities is sustainability. We aim to become a company that fulfills its responsibilities to society and is valued through corporate activities that contribute to sustainability.

The Group operates businesses that use timber as the primary material. We have been seeking FSC certification based on our belief that sustainable forest management is necessary for wood to be a renewable resource, and have been procuring all our timber in accordance with the FSC certification standards. Also, to encourage the greater adoption of the FSC certification system in Japan, we have participated in the support system for FSC certified forests and the Forest Neighborhood Association, mainly in Iwaizumi-cho, Iwate Prefecture. In 2010, we also commenced a forest environment education program at the Eco-System Academy in Nishigo-mura, Fukushima Prefecture, to convey to the next generation the importance of properly managing forests. We also ran a booth at the COP10 exhibition and the Eco-Products 2010 exhibition. As part of our distinctive CSR activities, we hope to contribute to the sustainability initiatives of our stakeholders, including customers and local communities, through the proper management of forests from a medium- and long-term perspective.

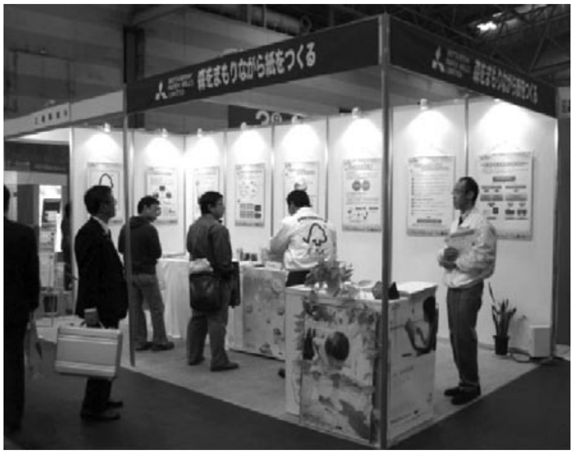
Eco-System Academy

The Eco-System Academy is an environmental education program that is based on the "gift of the forests and collaboration of nature and industry." Its focus is on forestry and wood-based manufacturing. With a principal goal of encouraging understanding of the importance of preventing global warming and preserving biodiversity, this program began its activities in May 2010 with experience-based learning, forest research, and environmental seminars as its main features, from the standpoint of forest conservation by a paper manufacturer.



COP10 Exhibition

We ran a booth together with Mitsubishi Paper Sales Co., Ltd. (Nagoya Branch), at the Messe Nagoya, an environment and energy exhibition held in the Chubu region from October 27- 30, 2010. As biodiversity efforts attracted attention in events held in conjunction with the 10th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP10) held in Nagoya, we presented our FSC certified paper and support system for FSC certified forests as an effort to support our users.



Eco-Products 2010 Exhibition

In our booth at Eco-Products 2010, one of Japan’s largest environmental exhibition, held at Tokyo Big Sight from December 9-11, we introduced the Eco-System Academy and the FSC certified paper that will contribute to the environment, for instance in forest conservation and biodiversity conservation through the use of paper.

Activities to Prevent Global Warming

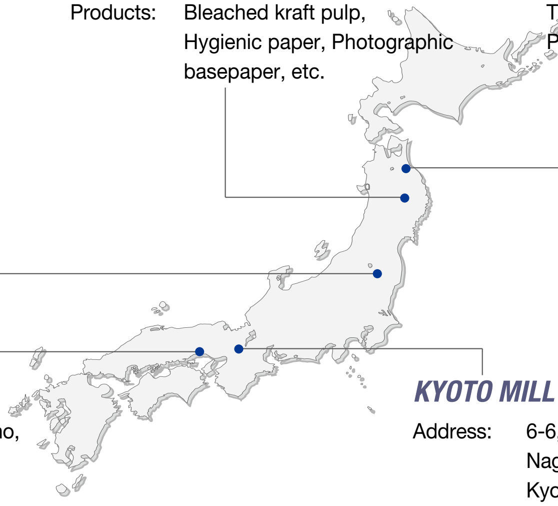
Eco Rail Mark Certification

The Eco Rail Mark is a certification given to products or companies that use Earth-friendly rail transportation systems that meet or exceed certain standards. In October 2010, Mitsubishi Paper Mills made history by becoming the first company in the pulp and paper industry in Japan to receive this certification.

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, 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, White card board, 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, Speciality paper, Non Woven Fablics, 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, Photo Inkjet paper, etc.

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 Guangdong Province, China
Telephone: +86-756-8895033
Products: Various filters
(Zhuhai, China)

	Millions of yen						Thousands of U.S. dollars
	2011	2010	2009	2008	2007	2006	**2011**
For the years ended March 31							
Net sales	**¥ 210,846**	¥ 219,728	¥ 253,102	¥ 258,536	¥ 244,260	¥ 228,495	**$ 2,535,739**
Operating income	**3,477**	4,253	7,110	9,302	7,256	6,484	**41,822**
Ordinary income	**2,116**	2,658	4,499	7,120	5,270	4,774	**25,452**
Net income (loss)	**(14,497)**	(1,597)	1,168	3,654	7,297	7,225	**(174,350)**
Net income (loss) per share (in yen and dollars)	**(42.39)**	(4.67)	3.41	10.99	22.44	22.16	**(0.51)**
As at March 31							
Total assets	**¥ 248,506**	¥ 282,131	¥ 294,254	¥ 303,052	¥ 320,603	¥ 314,869	**$ 2,988,652**
Total net assets	**52,117**	68,709	70,436	79,636	80,326	76,680	**626,785**

Note: Effective from the year ended March 31, 2007, the Company has applied the "Accounting standards for presentation of net assets in the balance sheet," and the "Implementation guidance for accounting standards for presentation of net assets in the balance sheet."
Furthermore, the Company presented its net assets in the balance sheets using the new presentation method as of March 31, 2006 to conform to the current year's presentation.

CONSOLIDATED BALANCE SHEETS

As at March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	**2011**
ASSETS			
Current assets:			
Cash and bank deposits (Note 3 (11))	**¥ 8,878**	¥ 7,269	**$ 106,779**
Receivables:			
Trade notes and accounts (Note 9)	**42,168**	48,022	**507,137**
Other	**4,276**	2,488	**51,427**
	46,444	50,510	**558,565**
Less: Allowance for doubtful accounts	**(497)**	(756)	**(5,980)**
	45,947	49,754	**552,584**
Inventories	**41,288**	50,996	**496,552**
Deferred income taxes (Note 13)	**702**	1,611	**8,446**
Other	**616**	909	**7,408**
Total current assets	**97,432**	110,540	**1,171,770**
Property, plant and equipment (Note 4)**:**			
Land	**20,941**	22,775	**251,852**
Buildings and structures	**94,007**	96,442	**1,130,581**
Machinery and equipment	**332,542**	343,461	**3,999,305**
Construction in progress	**560**	430	**6,743**
Leased assets	**2,394**	2,684	**28,797**
Other	**9,425**	9,883	**113,350**
	459,871	475,678	**5,530,631**
Less: Accumulated depreciation	**(341,504)**	(344,532)	**(4,107,092)**
Accumulated impairment losses	**(574)**	(1,712)	**(6,908)**
Net property, plant and equipment	**117,792**	129,433	**1,416,630**
Investments and other assets:			
Investments in securities (Notes 4, 9 and 10)	**21,438**	29,152	**257,832**
Investments in unconsolidated subsidiaries and affiliated companies	**1,400**	1,624	**16,848**
Long-term loans	**569**	725	**6,844**
Less: Allowance for doubtful accounts	**(479)**	(276)	**(5,762)**
Deferred income taxes (Note 13)	**2,531**	2,731	**30,450**
Other	**7,819**	8,200	**94,038**
Total investments and other assets	**33,280**	42,158	**400,251**
Total assets	**¥ 248,506**	¥ 282,131	**$ 2,988,652**

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Note 9)	**¥ 75,596**	¥ 79,902	**$ 909,156**
Commercial paper	**1,000**	9,000	**12,026**
Current portion of long-term debt (Note 9)	**12,482**	13,913	**150,119**
Lease obligations	**294**	570	**3,537**
Payables:			
Trade notes and accounts (Note 9)	**20,980**	23,239	**252,320**
Other	**3,193**	4,053	**38,404**
Accrued expenses	**8,483**	9,803	**102,030**
Income taxes payable	**227**	501	**2,735**
Reserve for loss on natural disaster (Note 3 (13))	**7,439**	—	**89,474**
Other	**3,427**	3,247	**41,214**
Total current liabilities	**133,124**	144,232	**1,601,022**
Long-term liabilities:			
Long-term debt (Note 9)	**52,251**	55,679	**628,401**
Lease obligations	**1,868**	2,573	**22,472**
Accrued retirement benefits to employees (Note 12)	**5,373**	6,526	**64,621**
Accrued retirement benefits to directors and statutory auditors	**111**	113	**1,346**
Deferred income taxes (Note 13)	**201**	1,038	**2,425**
Asset retirement obligations (Note 3 (14))	**826**	—	**9,943**
Other	**2,630**	3,258	**31,633**
Total long-term liabilities	**63,264**	69,190	**760,845**
Contingent liabilities (Note 5)			
NET ASSETS			
Shareholders' equity:			
Common stock:			
Authorized: 900,000,000 shares at March 31, 2011 and 2010			
Issued: 342,584,332 shares at March 31, 2011 and 2010	**32,756**	32,756	**393,942**
Capital surplus	**19,717**	19,717	**237,125**
Retained deficit (earnings)	**(5,577)**	8,919	**(67,078)**
Less: Treasury stock, at cost	**(136)**	(133)	**(1,647)**
Total shareholders' equity	**46,758**	61,259	**562,342**
Accumulated other comprehensive income :			
Net unrealized gains on available-for-sale securities	**1,794**	2,951	**21,578**
Translation adjustments	**378**	937	**4,555**
Total accumulated other comprehensive income	**2,173**	3,888	**26,133**
Minority interests in consolidated subsidiaries	3,185	3,560	38,309
Total net assets	**52,117**	68,709	**626,785**
Total liabilities and net assets	**¥ 248,506**	¥ 282,131	**$ 2,988,652**

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

Consolidated Statements of Operations

For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	**2011**
Net sales	**¥210,846**	¥219,728	**$2,535,739**
Cost of sales	**173,381**	177,810	**2,085,165**
Gross profit	**37,465**	41,917	**450,573**
Selling, general and administrative expenses	**33,987**	37,663	**408,751**
Operating income	**3,477**	4,253	**41,822**
Other income (expenses):			
Interest and dividend income	**561**	641	**6,750**
Interest expense	**(2,343)**	(2,742)	**(28,185)**
Gains (Losses) on disposal of property, plant and equipment (Note 6)	**1,298**	(625)	**15,613**
(Losses) Gains on sales of investments in securities	**(357)**	865	**(4,296)**
Write-downs of investments in securities	**(1,328)**	(49)	**(15,983)**
Losses on business restructuring	**—**	(646)	**—**
Impairment loss on property, plant and equipment	**—**	(1,491)	**—**
Special severance payments	**(305)**	(189)	**(3,672)**
Loss on liquidation of a subsidiary	**(28)**	(390)	**(336)**
Loss on natural disaster (Note 7)	**(13,314)**	—	**(160,132)**
Effect of adoption of accounting standard for asset retirement obligations (Note 3 (14))	**(684)**	—	**(8,236)**
Other, net	**424**	184	**5,109**
Total	**(16,078)**	(4,444)	**(193,369)**
Loss before income taxes and minority interests	**(12,601)**	(191)	**(151,547)**
Income taxes:			
Current	**442**	605	**5,319**
Deferred (Note 13)	**1,276**	517	**15,353**
	1,718	1,123	**20,672**
Loss before minority interests	**(14,320)**	(1,314)	**(172,219)**
Minority interests in losses of consolidated subsidiaries	**177**	283	**2,131**
Net loss	**¥(14,497)**	¥ (1,597)	**$ (174,350)**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	**2011**
Loss before minority interests	**¥ (14,320)**	¥ (1,314)	**$ (172,219)**
Other comprehensive income :			
Net unrealized losses (gains) on available-for-sale securities	**(1,533)**	1,721	**(18,442)**
Translation adjustments	**(525)**	117	**(6,323)**
Share of other comprehensive income of companies accounted for by the equity method	**(69)**	0	**(830)**
Other comprehensive income	**(2,128)**	1,838	**(25,597)**
Comprehensive income	**(16,448)**	524	**(197,816)**
Comprehensive income attributable to Mitsubishi Paper Mills Limited	**(16,213)**	(107)	**(194,987)**
Comprehensive income attributable to minority interests	**¥ (235)**	¥ 632	**$ (2,829)**

Additional information

Accounting Standard for Presentation of Comprehensive Income

Effective the fiscal year ended March 31, 2011, the Company has applied the “Accounting Standard for Presentation of Comprehensive Income” (Accounting Standards Board of Japan (ASBJ) Statement No. 25 issued on June 30, 2010).

	Yen		U.S. dollars (Note 2)
Amounts per share:			
Net loss — basic (Note 3 (10))	**¥ (42.39)**	¥ (4.67)	**$ (0.51)**
Cash dividends applicable to the year	**—**	—	**—**

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the years ended March 31, 2011 and 2010

		Millions of yen									
		Shareholders' equity					Total accumulated other comprehensive income				
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Translation adjustments	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2009	342,584,332	¥ 32,756	¥ 19,717	¥ 11,459	¥ (129)	¥ 63,803	¥ 1,578	¥ 821	¥ 2,399	¥ 4,234	¥ 70,436
Changes during the year:											
Net loss				(1,597)		(1,597)					(1,597)
Cash dividends				(855)		(855)					(855)
Acquisition of treasury stock					(4)	(4)					(4)
Disposal of treasury stock			(0)		0	0					0
Decrease due to change in scope of consolidation				(15)		(15)					(15)
Decrease due to change in equity				(71)		(71)					(71)
Changes in items other than shareholders' equity							1,373	115	1,489	(673)	815
Total changes during the year	—	—	(0)	(2,539)	(3)	(2,543)	1,373	115	1,489	(673)	(1,727)
Balance at March 31, 2010	342,584,332	¥ 32,756	¥ 19,717	¥ 8,919	¥ (133)	¥ 61,259	¥ 2,951	¥ 937	¥ 3,888	¥ 3,560	¥ 68,709
Changes during the year:											
Net loss				**(14,497)**		**(14,497)**					**(14,497)**
Acquisition of treasury stock					**(4)**	**(4)**					**(4)**
Disposal of treasury stock			**(0)**		**0**	**0**					**0**
Changes in items other than shareholders' equity							**(1,157)**	**(558)**	**(1,715)**	**(374)**	**(2,090)**
Total changes during the year	**—**	**—**	**(0)**	**(14,497)**	**(3)**	**(14,501)**	**(1,157)**	**(558)**	**(1,715)**	**(374)**	**(16,591)**
Balance at March 31, 2011	**342,584,332**	**¥ 32,756**	**¥ 19,717**	**¥ (5,577)**	**¥ (136)**	**¥ 46,758**	**¥ 1,794**	**¥ 378**	**¥ 2,173**	**¥ 3,185**	**¥ 52,117**

	Thousands of U.S. dollars									
	Shareholders' equity					Total accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Translation adjustments	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2010	$ 393,942	$ 237,128	$ 107,272	$ (1,603)	$ 736,739	$ 35,501	$ 11,269	$ 46,770	$ 42,816	$ 826,327
Changes during the year:										
Net loss			**(174,350)**		**(174,350)**					**(174,350)**
Acquisition of treasury stock				**(49)**	**(49)**					**(49)**
Disposal of treasury stock		**(2)**		**6**	**3**					**3**
Changes in items other than shareholders' equity						**(13,922)**	**(6,713)**	**(20,636)**	**(4,507)**	**(25,144)**
Total changes during the year	**—**	**(2)**	**(174,350)**	**(43)**	**(174,397)**	**(13,922)**	**(6,713)**	**(20,636)**	**(4,507)**	**(199,541)**
Balance at March 31, 2011	**$ 393,942**	**$ 237,125**	**$ (67,078)**	**$ (1,647)**	**$ 562,342**	**$ 21,578**	**$ 4,555**	**$ 26,133**	**$ 38,309**	**$ 626,785**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	**2011**
I Cash flows from operating activities:			
Loss before income taxes and minority interests	**¥ (12,601)**	¥ (191)	**$ (151,547)**
Depreciation and amortization	**12,241**	12,897	**147,222**
Impairment loss on fixed assets	**—**	1,491	**—**
Loss on natural disaster (Note 7)	**13,314**	—	**160,132**
Accrued post-employment benefit costs	**(1,492)**	(1,344)	**(17,946)**
Accrued retirement benefit costs for directors and statutory auditors	**(1)**	20	**(14)**
Interest and dividend income	**(561)**	(641)	**(6,750)**
Interest expense	**2,343**	2,742	**28,185**
Losses (Gains) on sales of investments in securities	**357**	(865)	**4,296**
Write-downs of investments in securities	**1,328**	49	**15,983**
Write-downs of other investments	**10**	15	**125**
Gains (Losses) on disposal of property, plant and equipment (Note 6)	**(1,298)**	69	**(15,613)**
Effect of adoption of accounting standard for asset retirement obligations (Note 3 (14))	**684**	—	**8,236**
Losses on business restructuring	**—**	646	**—**
Loss from adjustment of a subsidiary	**28**	390	**336**
Decrease in trade accounts receivable	**5,178**	213	**62,283**
Decrease in inventories	**3,969**	8,198	**47,743**
Decrease in trade accounts payable	**(1,541)**	(5,524)	**(18,536)**
Other, net	**(3,426)**	540	**(41,212)**
Sub-total	**18,536**	18,708	**222,924**
Interest and dividends received	**566**	640	**6,812**
Interest paid	**(2,376)**	(2,876)	**(28,580)**
Income taxes paid	**(683)**	(1,459)	**(8,214)**
Net cash provided by operating activities	**16,043**	15,013	**192,941**
II Cash flows from investing activities:			
Acquisition of property, plant and equipment	**(4,320)**	(10,238)	**(51,959)**
Proceeds from sales of property, plant and equipment	**3,110**	330	**37,411**
Purchases of investment securities	**(31)**	(144)	**(375)**
Proceeds from sales of investment securities	**3,474**	2,530	**41,788**
Purchases of shares in an affiliated company and subsidiaries	**(109)**	(579)	**(1,310)**
Loans made	**(909)**	(337)	**(10,942)**
Proceeds from collection of loans	**692**	29	**8,329**
Other, net	**(144)**	115	**(1,738)**
Net cash (used in) provided by investing activities	**1,763**	(8,293)	**21,203**
III Cash flows from financing activities:			
Increase or decrease in short-term bank loans	**(2,809)**	(9,883)	**(33,785)**
Increase or decrease in issuance of commercial paper	**(8,000)**	7,000	**(96,211)**
Proceeds from long-term debt	**9,330**	18,207	**112,217**
Repayment of long-term debt	**(13,760)**	(6,834)	**(165,492)**
Redemption of bonds	**(100)**	(10,100)	**(1,202)**
Repayment of lease debt	**(636)**	(707)	**(7,650)**
Acquisition of treasury stock	**(4)**	(4)	**(49)**
Payment of cash dividends by the Company	**—**	(855)	**—**
Payments of cash dividends by subsidiaries to minority shareholders	**(41)**	(84)	**(502)**
Other, net	**0**	0	**3**
Net cash used in financing activities	**(16,020)**	(3,262)	**(192,674)**
IV Effect of foreign currency translation on cash and cash equivalents	**(176)**	63	**(2,118)**
V Net increase or decrease in cash and cash equivalents	**1,609**	3,521	**19,352**
VI Cash and cash equivalents at beginning of year	**6,985**	3,464	**84,012**
VII Cash and cash equivalents at end of year (Note 3 (11))	**¥ 8,594**	¥ 6,985	**$ 103,365**

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 ¥83.15 = U.S.$1, the exchange rate prevailing as of March 31, 2011. 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, 2011 (37 as of March 31, 2010). The accompanying consolidated financial statements include the accounts of the Company and 24 (25 for 2010) of its subsidiaries for the year ended March 31, 2011 (together, hereinafter referred to as the "Companies").

Mitsubishi HiTec Paper Bielefeld GmbH (Germany) absorbed Mitsubishi HiTec Paper Flensburg (Germany) on October 15, 2010. At the same time, Mitsubishi HiTec Paper Bielefeld changed its name to Mitsubishi HiTec Paper Europe GmbH.

The accounts of the remaining 9 (12 for 2010) unconsolidated subsidiaries for the year ended March 31, 2011 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.

Mitsubishi Paper Holding (Europe) GmbH and other four (5 for 2010) subsidiaries are consolidated using the financial statements as of the respective fiscal year end which falls on December 31 and necessary adjustments are made to their adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31.

(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 an asset or a liability, as the case may be, and amortized over a period of five years on a straight-line basis.

Assets and liabilities of subsidiaries are remeasured based on the full fair value method, whereby the full portion of the assets and liabilities of the subsidiaries is marked to fair value as of the date of acquisition of control.

(3) Investments in unconsolidated subsidiaries and affiliates

The Company had 13 affiliates as of March 31, 2011 (13 for 2010). 2 affiliated companies were accounted for by the equity method.

However, the remaining 9 (12 for 2010) subsidiaries and 11 (11 for 2010) 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 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

Mainly depreciation excluding for leased assets is computed by the straight-line method for property, plant and equipment. But in part, depreciation of machinery held by the head office of the Company and certain consolidated subsidiaries is computed by the declining-balance 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 principally over the lease term by the straight-line method with no residual value except for the following transactions. Lease transactions which have been entered into before April 1, 2008 and do not stipulate the transfer of ownership of the leased assets to the lessee have been accounted for as operating leases.

(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) Accrued retirement benefits to employees

The Company and the domestic consolidated subsidiaries provide accrued retirement benefits to employees based on the estimated actuarial present value of the projected benefit obligation and the estimated fair value of plan assets.

Overseas consolidated subsidiaries provide accrued retirement benefits to employees based on the method prescribed by their respective countries' regulations.

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 (10 to 15 years). 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 (10 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, 2011 and 2010 is shown below:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and bank deposits	**¥ 8,878**	¥ 7,269	**$ 106,779**
Time deposits with maturities of over 3 months	**(283)**	(283)	**(3,413)**
Cash and cash equivalents	**¥ 8,594**	¥ 6,985	**$ 103,365**

(12) Dividends

The Corporation Law 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) Reserve for loss on natural disaster

The Company has provided a reserve for loss on natural disaster based on the estimated future costs of restoration of facilities and disposal of equipment damaged by the Tohoku region Pacific Ocean earthquake that occurred in the fiscal year ended March 31, 2011.

(14) Accounting changes

(i) Accounting Standard for Asset Retirement Obligations

Effective April 1, 2010, the Company has applied the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18 issued on March 31, 2008) and the “Implementation Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 issued on March 31, 2008). Due to the effect of adopting this new standard, both of operating income and ordinary income decreased by ¥21 million ($255 thousand), while loss before income taxes and minority interests increased by ¥706 million ($8,491 thousand).

(ii) Accounting Standard for Equity Method of Accounting for Investments

Effective April 1, 2010, the Company has applied the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16 issued on March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ Practical Issues Task Force (PITF) No. 24 issued on March 10, 2008).

There was no effect on the financial statements for the year ended March 31, 2011.

(iii) Effective April 1, 2009, the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (Accounting Standards Board of Japan (ASBJ) Statement No. 19 issued on July 31, 2008) has been applied. This change made no difference on retirement benefit obligations. Therefore, there was no material effect on the financial statements for the year ended March 31, 2010.

4. Assets Pledged as Collateral

Assets pledged as collateral primarily for short-term loans, long-term debt and debentures at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Buildings and structures	**¥ 19,664**	¥ 20,888	**$ 236,489**
Machinery and equipment	**22,671**	26,993	**272,663**
Land	**9,542**	9,542	**114,759**
Other	**47**	55	**574**
Investments in securities	**2,942**	3,526	**35,388**
	¥ 54,868	¥ 61,006	**$ 659,875**

5. Contingent Liabilities

As at March 31, 2011 the Companies were contingently liable for guarantees of loans, primarily of their employees and unconsolidated subsidiaries and affiliates, in the aggregate amount of ¥3,109 million ($37,400 thousand), and also liable for a recourse obligation of credit securitization in the aggregate amount of ¥2,886 million ($34,713 thousand).

6. 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
	2011	2010	**2011**
Land	**¥ 1,673**	¥ 234	**$ 20,126**

(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
	2011	2010	**2011**
Machinery and equipment	**¥ 118**	¥ 230	**$ 1,422**
Scrapping and removal expenses	**181**	614	**2,185**

7. Loss on Natural Disaster

The Company recorded a loss due to the Tohoku region Pacific Ocean earthquake, and the components of loss on natural disaster are as follows. The provision of reserve for loss on natural disaster is included under these expenses.

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Restoration costs	**¥ 4,510**	**$ 54,244**
Inventory valuation losses	**4,715**	**56,713**
Estimated costs of disposal of fixed assets	**2,640**	**31,758**
Fixed costs during the suspension of operations	**1,317**	**15,845**
Others	**130**	**1,570**
Total	**¥ 13,314**	**$ 160,132**

8. Leases

Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, of which transaction date is on or before March 31, 2008 were as follows:

(1) Equivalent of purchase price, accumulated depreciation and net book value of leased assets

	Millions of yen						Thousands of U.S. dollars		
	2011			2010			**2011**		
	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total
Purchase price equivalent	**¥146**	**¥184**	**¥331**	¥215	¥318	¥534	**$1,762**	**$2,221**	**$3,983**
Accumulated depreciation equivalent	**104**	**138**	**243**	144	231	376	**1,261**	**1,670**	**2,931**
Net book value equivalent	**¥ 41**	**¥ 45**	**¥ 87**	¥ 70	¥ 87	¥157	**$ 500**	**$ 550**	**$1,051**

(2) Lease commitments

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year	**¥47**	¥ 79	**$ 575**
Due after one year	**39**	78	**476**
Total	**¥87**	¥157	**$1,052**

(3) Lease expenses and depreciation equivalents

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Lease expenses	**¥84**	¥153	**$1,013**
Depreciation equivalents	**84**	153	**1,013**

Non-cancelable operating lease commitments were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year	**¥ 2**	¥4	**$26**
Due after one year	**—**	0	**—**
Total	**¥ 2**	¥4	**$26**

9. 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. These are managed at all times with the aim of maintaining them within the balance of accounts payable denominated in the same 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. Some of these obligations are denominated in foreign currencies in connection with imports of raw materials, and are exposed to exchange-rate fluctuation risk. The Company hedges against risk regarding net receivables and payables denominated in foreign currencies using forward exchange contracts.

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 11. 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, 2011 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		
	2011		
	Book value	Fair value	Difference
Trade notes and accounts receivable	¥ 42,168	¥ 42,168	¥ —
Investments in securities			
Available-for-sale securities	19,396	19,396	—
Total of assets	61,565	61,565	—
Trade notes and accounts payable	20,980	20,980	—
Short-term bank loans (excluding current portion of long-term debt)	75,596	75,596	—
Long-term debt (including current portion of long-term debt)	63,984	64,236	252
Total of liabilities	160,560	160,813	252
Derivative transactions	¥ —	¥ —	¥ —

	Thousands of U.S. dollars		
	2011		
	Book value	Fair value	Difference
Trade notes and accounts receivable	$ 507,137	$ 507,137	$ —
Investments in securities			
Available-for-sale securities	233,276	233,276	—
Total of assets	740,414	740,414	—
Trade notes and accounts payable	252,320	252,320	—
Short-term bank loans (excluding current portion of long-term debt)	909,156	909,156	—
Long-term debt (including current portion of long-term debt)	769,501	772,537	3,035
Total of liabilities	1,930,979	1,934,015	3,035
Derivative transactions	$ —	$ —	$ —

	Millions of yen		
	2010		
	Book value	Fair value	Difference
Trade notes and accounts receivable	¥ 48,022	¥ 48,022	¥ —
Investments in securities			
Available-for-sale securities	23,665	23,665	—
Total of assets	71,688	71,688	—
Trade notes and accounts payable	23,239	23,239	—
Short-term bank loans (excluding current portion of long-term debt)	79,902	79,902	—
Long-term debt (including current portion of long-term debt)	68,742	69,446	704
Total of liabilities	171,885	172,589	704
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 in Securities
Fair value of investment in 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
Because these are settled in a short period of time, fair value approximates book value. Accordingly, fair value is recognized as book value.
(iv) Short-term borrowings
Because these are settled in a short period of time, fair value approximates book value. Accordingly, fair value is recognized as book value. Current portion of long-term debt (¥12,382 million ($148,917 thousand)) is included in long-term debt.
(v) 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 ¥12,382 million ($148,917 thousand).
(vi) Derivatives
Please see Note 11.

Unlisted equity securities (in the amount of ¥3,442 million ($41,404 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.

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

	Millions of yen					
	2011					
	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Debentures	**¥ 100**	**¥ 650**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Long-term debt	**12,382**	**19,747**	**15,607**	**8,807**	**7,340**	**98**
Lease obligations	**294**	**269**	**246**	**208**	**192**	**951**
Other interest-bearing liabilities	**1,000**	**—**	**—**	**—**	**—**	**—**
Total	**¥ 13,776**	**¥ 20,667**	**¥ 15,854**	**¥ 9,015**	**¥ 7,532**	**¥ 1,050**

	Thousands of U.S. dollars					
	2011					
	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Debentures	**$ 1,202**	**$ 7,817**	**$ —**	**$ —**	**$ —**	**$ —**
Long-term debt	**148,917**	**237,494**	**187,705**	**105,920**	**88,277**	**1,187**
Lease obligations	**3,537**	**3,239**	**2,966**	**2,509**	**2,311**	**11,446**
Other interest-bearing liabilities	**12,026**	**—**	**—**	**—**	**—**	**—**
Total	**$ 165,684**	**$ 248,551**	**$ 190,672**	**$ 108,429**	**$ 90,588**	**$ 12,633**

	Millions of yen					
	2010					
	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Debentures	¥ 100	¥ 100	¥ 650	¥ —	¥ —	¥ —
Long-term debt	13,813	12,444	19,565	14,230	8,440	248
Lease obligations	570	557	538	520	489	467
Other interest-bearing liabilities	9,000	—	—	—	—	—
Total	¥ 23,483	¥ 13,101	¥ 20,754	¥ 14,751	¥ 8,929	¥ 716

Additional information

Effective the year ended March 31, 2010, “Accounting Standard for Financial Instruments” (ASBJ, Statement No. 10 issued on March 10, 2008) and “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ, Guidance No. 19 issued on March 10, 2008) have been applied.

10. Investments in 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, 2011 and 2010 are summarized as follows:

Available-for-sale securities:

	Millions of yen			
	2011			
	Acquisition	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses
Equity securities	**¥ 16,550**	**¥ 19,387**	**¥ 4,419**	**¥ 1,582**
Government bonds and local government bonds	**9**	**9**	**0**	**—**
Other	**—**	**—**	**—**	**—**
	¥ 16,560	**¥ 19,396**	**¥ 4,419**	**¥ 1,582**

	Thousands of U.S. dollars			
	2011			
	Acquisition	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses
Equity securities	**$ 199,047**	**$ 233,157**	**$ 53,146**	**$ 19,037**
Government bonds and local government bonds	**115**	**119**	**3**	**—**
Other	**—**	**—**	**—**	**—**
	$ 199,163	**$ 233,276**	**$ 53,150**	**$ 19,037**

	Millions of yen			
	2010			
	Acquisition	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses
Equity securities	¥ 18,241	¥ 23,655	¥ 7,066	¥ 1,652
Government bonds and local government bonds	9	9	0	—
Other	—	—	—	—
	¥ 18,251	¥ 23,665	¥ 7,066	¥ 1,652

11. 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
Special settlement of interest rate swap	Interest rate swap transactions, fixed payments, variable receivables	Long-term debt	¥24,414 million	¥16,416 million
			$293,619 thousand	$197,426 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.

12. Accrued Retirement Benefits

Employees of the Company and the domestic consolidated subsidiaries excluding directors and statutory auditors, with more than one year of service are generally entitled to lump-sum retirement benefits determined by reference to the current basic rate of pay, length of service and conditions under which termination occurs. In addition, the Company and certain consolidated subsidiaries have funded other defined benefit plans.

The following table sets forth a reconciliation of the projected benefit obligation, plan assets, funded status of the retirement benefit plans and net liability recognized in the accompanying consolidated balance sheets at March 31, 2011 and 2010.

In addition, in October 2006, the Company transferred a portion of its defined benefit pension plans to a defined contribution pension plan.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Projected benefit obligations	**¥ (26,399)**	¥ (27,600)	**$ (317,490)**
Fair value of plan assets	**27,387**	29,349	**329,380**
Funded status of the plans	**988**	1,749	**11,890**
Unrecognized net actuarial	**(1,357)**	(2,990)	**(16,324)**
Unrecognized prior service cost (reduction of the obligation)	**(1,119)**	(1,269)	**(13,458)**
Net retirement benefits	**(1,487)**	(2,510)	**(17,892)**
Prepaid pension cost	**3,885**	4,016	**46,728**
Accrued retirement benefits	**¥ (5,373)**	¥ (6,526)	**$ (64,621)**

The net periodic retirement benefit cost for the years ended March 31, 2011 and 2010 included the following components:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service cost	**¥ 1,687**	¥ 1,610	**$ 20,299**
Interest cost	**427**	543	**5,138**
Expected return on plan assets	**(171)**	(315)	**(2,057)**
Amortization of net actuarial loss (gain)	**(253)**	283	**(3,048)**
Amortization of prior service cost (reduction of the obligation)	**(104)**	(169)	**(1,255)**
	¥ 1,586	¥ 1,952	**$ 19,077**

Assumptions used in calculation of the above information were as follows:

	2011	2010
Discount rate	**1.5~1.9%**	1.5~1.9%
Expected rate of return on plan assets	**2.0%**	4.0%
Method of attributing the projected benefits to periods of service	**mainly on a points basis**	mainly on a points basis
Amortization of unrecognized prior service cost	**10~15 years**	10~15 years
Amortization of unrecognized net actuarial gain or loss	**10~15 years**	10~15 years

13. Deferred Income Taxes

At March 31, 2011 and 2010, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 48**	¥ 99	**$ 587**
Accrued expenses	**1,042**	1,304	**12,543**
Accrued retirement benefits to employees	**3,305**	3,690	**39,753**
Allowance for doubtful accounts	**157**	233	**1,892**
Loss on revaluation of fixed assets	**613**	1,036	**7,379**
Unrealized gains on property, plant and equipment	**171**	199	**2,065**
Loss on natural disaster	**4,527**	—	**54,451**
Tax loss carryforwards	**9,903**	8,125	**119,099**
Other	**9,484**	8,696	**114,063**
Gross deferred tax assets	**29,255**	23,386	**351,835**
Valuation allowance	**(24,780)**	(17,456)	**(298,019)**
Total deferred tax assets	**4,474**	5,929	**53,815**
Deferred tax liabilities:			
Reserve based on Special Taxation Measures Law	**(32)**	(34)	**(391)**
Consolidation adjustment to book value of subsidiaries' assets	**—**	(239)	**—**
Unrealized gains on available-for-sale securities	**(1,155)**	(2,200)	**(13,900)**
Other	**(268)**	(163)	**(3,225)**
Total deferred tax liabilities	**(1,456)**	(2,637)	**(17,517)**
Net deferred tax assets	**¥ 3,018**	¥ 3,292	**$ 36,298**

Due to the posting of a loss before income taxes and minority interests for the years ended March 31, 2011 and 2010, description regarding reconciliation of the statutory tax rate to the effective income tax rate was omitted.

14. 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 two reportable segments, identified by product portfolio, which are classified as the "Paper and Pulp Segment" and the "Imaging and Development (I&D) Segment."

The "Paper and Pulp Segment" develops writing and printing paper, premium-quality paper and pulp. The "I&D Segment" develops photo-sensitive printing plates, inkjet paper, photographic materials and other items.

	Millions of yen						
	Reportable segments						
Year ended March 31, 2011	Paper and Pulp	Imaging and Development	Total	Other	Total	Adjustments	Consolidated
Sales							
Sales to unaffiliated customers	**¥ 172,129**	**¥ 31,825**	**¥ 203,954**	**¥ 6,891**	**¥ 210,846**	**¥ —**	**¥ 210,846**
Intersegment sales and transfers	**3,584**	**16,548**	**20,133**	**10,888**	**31,021**	**(31,021)**	**—**
Total sales	**175,713**	**48,374**	**224,088**	**17,780**	**241,868**	**(31,021)**	**210,846**
Segment income (loss)	**¥ 3,180**	**¥ (37)**	**¥ 3,142**	**¥ 375**	**¥ 3,518**	**¥ (40)**	**¥ 3,477**
Segment assets	**¥ 187,821**	**¥ 51,566**	**¥ 239,387**	**¥ 12,102**	**¥ 251,490**	**¥ (2,983)**	**¥ 248,506**
Amortization	**9,453**	**2,528**	**11,981**	**305**	**12,286**	**(44)**	**12,241**
Investment in equity-method affiliates	**488**	**—**	**488**	**—**	**488**	**—**	**488**
Increase in tangible and intangible fixed assets	**2,828**	**1,331**	**4,160**	**229**	**4,389**	**(62)**	**4,326**

	Thousands of U.S. dollars						
	Reportable segments						
Year ended March 31, 2011	Paper and Pulp	Imaging and Development	Total	Other	Total	Adjustments	Consolidated
Sales							
Sales to unaffiliated customers	**$ 2,070,104**	**$ 382,749**	**$ 2,452,854**	**$ 82,884**	**$ 2,535,739**	**$ —**	**$ 2,535,739**
Intersegment sales and transfers	**43,107**	**199,024**	**242,131**	**130,946**	**373,077**	**(373,077)**	**—**
Total sales	**2,113,212**	**581,774**	**2,694,986**	**213,831**	**2,908,817**	**(373,077)**	**2,535,739**
Segment income (loss)	**$ 38,245**	**$ (446)**	**$ 37,798**	**$ 4,551**	**$ 42,309**	**$ (487)**	**$ 41,822**
Segment assets	**$ 2,258,826**	**$ 620,158**	**$ 2,878,984**	**$ 145,550**	**$ 3,024,535**	**$ (35,882)**	**$ 2,988,652**
Amortization	**113,689**	**30,405**	**144,095**	**3,668**	**147,763**	**(540)**	**147,222**
Investment in equity-method affiliates	**5,876**	**—**	**5,876**	**—**	**5,876**	**—**	**5,876**
Increase in tangible and intangible fixed assets	**34,012**	**16,018**	**50,030**	**2,762**	**52,793**	**(757)**	**52,035**

(i) The storage and transport business as well as the engineering business are included in "Other." They are not included in the reportable segments.

(ii) Adjustments are:

- Adjustments and eliminations for segment income (loss) include ¥(5) million ($(68) thousand) of elimination of inter-segment income and loss and ¥(34) million ($(418) 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 ¥17,585 million ($211,495 thousand) of corporate assets and ¥(20,569) million ($(247,377) thousand) of elimination of inter-segment assets.
- Adjustments and eliminations for increase in tangible and intangible fixed assets include ¥(62) million ($(757) thousand) of elimination of inter-segment increase in tangible and intangible fixed assets.

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

Year ended March 31, 2010	Millions of yen Reportable segments Paper and Pulp	 Imaging and Development	 Total	 Other	 Total	 Adjustments	 Consolidated
Sales							
Sales to unaffiliated customers	¥ 177,980	¥ 34,906	¥ 212,886	¥ 6,841	¥ 219,728	¥ —	¥ 219,728
Intersegment sales and transfers	3,529	14,855	18,384	12,268	30,653	(30,653)	—
Total sales	181,509	49,761	231,271	19,110	250,382	(30,653)	219,728
Segment income (loss)	¥ 4,392	¥ (640)	¥ 3,751	¥ 505	¥ 4,257	¥ (3)	¥ 4,253
Segment assets	¥ 217,468	¥ 54,976	¥ 272,445	¥ 12,898	¥ 285,343	¥ (3,212)	¥ 282,131
Amortization	10,262	2,457	12,720	218	12,938	(41)	12,897
Investment in equity-method affiliates	488	—	488	—	488	—	488
Increase in tangible and intangible fixed assets	4,657	2,819	7,476	267	7,743	(55)	7,687

(i) The storage and transport business as well as the engineering business are included in “Other.” They are not included in the reportable segments.

(ii) Adjustments are:

- Adjustments and eliminations for segment income (loss) include ¥31 million of elimination of inter-segment income and loss and ¥(34) 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 ¥17,842 million of corporate assets and ¥(21,054) million of elimination of inter-segment assets.
- Adjustments and eliminations for increase in tangible and intangible fixed assets include ¥(55) million of elimination of inter-segment increase in tangible and intangible fixed assets.

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

Additional information

Effective the fiscal year ended March 31, 2011, the Company has applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and the “Implementation Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008).

(2) Geographical information

(i) Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen 2011	 2010	Thousands of U.S. dollars 2011
Japan	**¥ 157,463**	¥ 166,765	**$ 1,893,726**
Europe	**27,691**	28,636	**333,036**
Asia	**9,431**	7,785	**113,429**
North America	**9,759**	10,234	**117,366**
Other	**6,500**	6,305	**78,180**
Consolidated	**¥ 210,846**	¥ 219,728	**$ 2,535,739**

Net sales information above are based on customer location.

(ii) Property, plant and equipment by countries or geographical areas at March 31, 2011 and 2010 are as follows:

	Millions of yen 2011	 2010	Thousands of U.S. dollars 2011
Japan	**¥ 107,182**	¥ 115,560	**$ 1,289,023**
Europe	**10,522**	13,721	**126,553**
North America	**87**	150	**1,052**
Consolidated	**¥ 117,792**	¥ 129,433	**$ 1,416,630**

(3) Impairment loss on fixed assets by reportable segments

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Paper and Pulp segment	**¥—**	¥ 1,002	**$ —**
Imaging and Development segment	**—**	275	**—**
Other	**—**	213	**—**
Consolidated	**¥—**	¥ 1,491	**$ —**

Other is impairment loss on fixed assets relating to management of sports facilities.

(4) Amortization and balance of goodwill

	Millions of yen						
	Reportable segments						
Year ended March 31, 2011	Paper and Pulp	Imaging and Development	Total	Other	Total	Adjustments	Consolidated
(Goodwill)							
Amortization	**¥ —**	**¥ 42**	**¥ 42**	**¥ —**	**¥ 42**	**¥—**	**¥ 42**
Balance as of March 31	**—**	**22**	**22**	**—**	**22**	**—**	**22**
(Negative goodwill)							
Amortization	**108**	**—**	**108**	**94**	**202**	**—**	**202**
Balance as of March 31	**¥ 353**	**¥—**	**¥ 353**	**¥ 196**	**¥ 550**	**¥—**	**¥ 550**

	Thousands of U.S. dollars						
	Reportable segments						
Year ended March 31, 2011	Paper and Pulp	Imaging and Development	Total	Other	Total	Adjustments	Consolidated
(Goodwill)							
Amortization	**$ —**	**$ 515**	**$ 515**	**$ —**	**$ 515**	**$ —**	**$ 515**
Balance as of March 31	**—**	**272**	**272**	**—**	**272**	**—**	**272**
(Negative goodwill)							
Amortization	**1,303**	**—**	**1,303**	**1,136**	**2,439**	**—**	**2,439**
Balance as of March 31	**$ 4,247**	**$ —**	**$ 4,247**	**$ 2,369**	**$ 6,616**	**$ —**	**$ 6,616**

	Millions of yen						
	Reportable segments						
Year ended March 31, 2010	Paper and Pulp	Imaging and Development	Total	Other	Total	Adjustments	Consolidated
(Goodwill)							
Amortization	¥ —	¥ 42	¥ 42	¥ —	¥ 42	¥ —	¥ 42
Balance as of March 31	—	65	65	—	65	—	65
(Negative goodwill)							
Amortization	79	—	79	97	177	—	177
Balance as of March 31	¥ 461	¥ —	¥ 461	¥ 297	¥ 759	¥ —	¥ 759

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
Mitsubishi Paper Mills Limited

We have audited the accompanying consolidated balance sheets of Mitsubishi Paper Mills Limited and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Paper Mills Limited and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 29, 2011

Board of Directors, Executive Officers and Corporate Auditors

Managing Executive Officers

Kunio Suzuki
President and Chief Executive Officer

Masami Mizuno
Director and Senior Managing Executive Officer

Takao Senga
Director and Managing Executive Officer

Kanji Itakura
Director and Managing Executive Officer

Mitsuo Ushijima
Director and Managing Executive Officer

Hiroshi Nozawa
Director and Managing Executive Officer

Fukumi Kanehama
Managing Executive Officer

President and Chief Executive Officer

Kunio Suzuki
President

Director and Senior Managing Executive Officer

Masami Mizuno
Supervisor, Purchasing Dept. & Forestry Dept.; General Manager, President's Office; In Charge of President's Office (Corporate Planning Dept. and Affiliates Managing Dept.), Internal Audit Dept.; Director Responsible for Corporate Social Responsibility

Director and Managing Executive Officers

Takao Senga
Supervisor, Technology & Environmental Dept.; In Charge of Intellectual Property Dept.; President, Imaging & Development Company

Kanji Itakura
Supervisor, Finance & Accounting Dept.

Mitsuo Ushijima
In Charge of Paper Div., German Operations and President's Office; Information Sharing Office; General Manager, Paper Div.

Hiroshi Nozawa
In Charge of General Affairs & Personnel Dept. and Information Systems Dept.; General Manager, Information Systems Dept.

Managing Executive Officer

Fukumi Kanehama
In Charge of Technology & Environmental Dept.; Head, Hachinohe Mill and General Manager, Equipment Planning Office

Director and Senior Executive Officer

Kazuhisa Taguchi
Unit Manager, Digital Imaging Unit, Imaging & Development Company

Director

Tomohisa Shinagawa

Senior Executive Officers

Kiyoshi Maeda
General Manager, Purchasing Dept. and Forestry Dept.

Naoya Tashiro
General Manager, Kitakami Div., Imaging and Development Company; President & CEO, Kitakami Hitec Paper Corp.

Kiyoharu Yamada
General Manager, Commercial Printing Paper Sales Dept., Paper Div.

Executive Officers

Motoshige Yamada
Head, Kyoto Mill, Imaging and Development Company

Shinichi Suzuki
Head, Takasago Mill

Yoshihiko Hibino
Deputy Head, Hachinohe Mill

Junji Harada
Unit Manager, New Business Development Unit, Imaging and Development Company; Head, Tsukuba R&D Center

Yutaka Oka
President, Mitsubishi Paper Holding (Europe) GmbH (Germany)

Masaki Shuto
General Manager, Finance & Accounting Dept.

Corporate Auditors

Kenji Oka
Shigeru Uemura
Yasuharu Takamatsu
Koji Kaihotsu

(as of June 29, 2011)

Established:
April 1, 1898

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+81-3-3213-3733 *(Business Communication & Specialty Paper Sales Dept. Paper Division)*
+81-3-3213-3728 *(Sales Administration Dept. Paper Division)*
+81-3-3213-3734 *(Ink Jet & Photo Sales Dept. & Marketing & Planning Dept. Imaging & Development Company)*
+81-3-3213-3743 *(Graphic Systems Sales Dept. Imaging Development Company)*
+81-3-3213-3731 *(Sales Development Dept. New Business Development Unit Imaging & Development Company)*
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+81-3-3215-8157 *(Business Communication & Specialty Paper Sales Dept. Paper Division)*
+81-3-3215-2339 *(Sales Administration Dept. Paper Division)*
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+81-3-3214-5506 *(Sales Development Dept. New Business Development Unit Imaging & Development Company)*
+81-3-3213-3804 *(Purchasing Dept.)*
+81-3-3213-3804 *(Forestry 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 Paper Sales Co., Ltd.
Ostrich Dia Co., Ltd.
Toho Tokushu Pulp Co., Ltd.
Hachinohe Paper Processing Co., Ltd.
Hachinohe Forest Products Co., Ltd.
Hachiryo Co., Ltd.
Hokuryo Forest Products Co., Ltd.
Hokuryo Co., Ltd.
Hakuryo Co., Ltd.
Takasago Paper Processing Co., Ltd.
Kitakami Hitec Paper Corp.
Diamic Co., Ltd.
Pictorico Co., Ltd.
Asahi Diazo-Sensitive Paper Co., Ltd.
Kyoryo Chemical Co., Ltd.
Naniwa Express Co., Ltd.
Mitsubishi Paper Engineering Co., Ltd.
Ryoshi Co., Ltd.
MPM Shared-service Co., Ltd.
MPM CAE Center Co., Ltd.

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

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 2011. 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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MITSUBISHI
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