

# Basic Strategy for New Mid Term Plan

Post Phoenix Plan 2008-2010

“Toward the self-revitalization”

~ ‘building solid foundation’ and  
‘preparing for the next growth’~

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## 2005-2007 Business Environment

*massive price hike of fuel and raw materials  
together with sluggish market situation*

### Measures

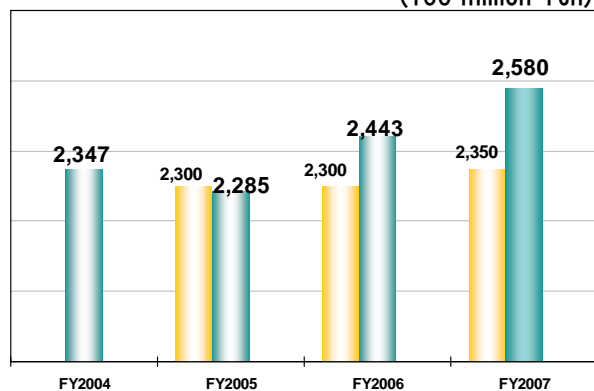
- ① Cost structure reformation
- ② Turn around of Kitakami Hi-Tech Paper
- ③ Strengthening Mitsubishi Paper Sales
- ④ Strategic Investment to Hachinohe Mill
- ⑤ Price increase of Products

**Meet the commitments**  
(Ordinary Profit 7 Billion Yen,  
Reduction of Interest Bearing Debt 40 Billion Yen)

## ~ Achievement of Phoenix Plan (3 years) ~

### Sales

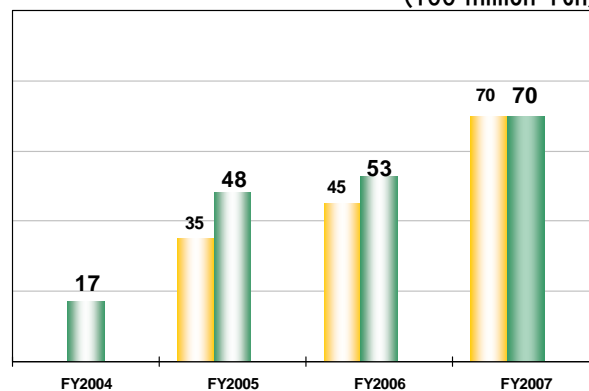
(100 million Yen)



■ Phoenix Plan ■ Actual ■ Forecast

### Ordinary Profit

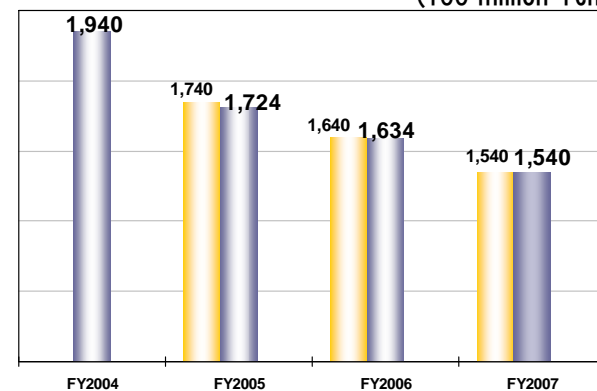
(100 million Yen)



■ Phoenix Plan ■ Actual ■ Forecast

### Interest bearing debt

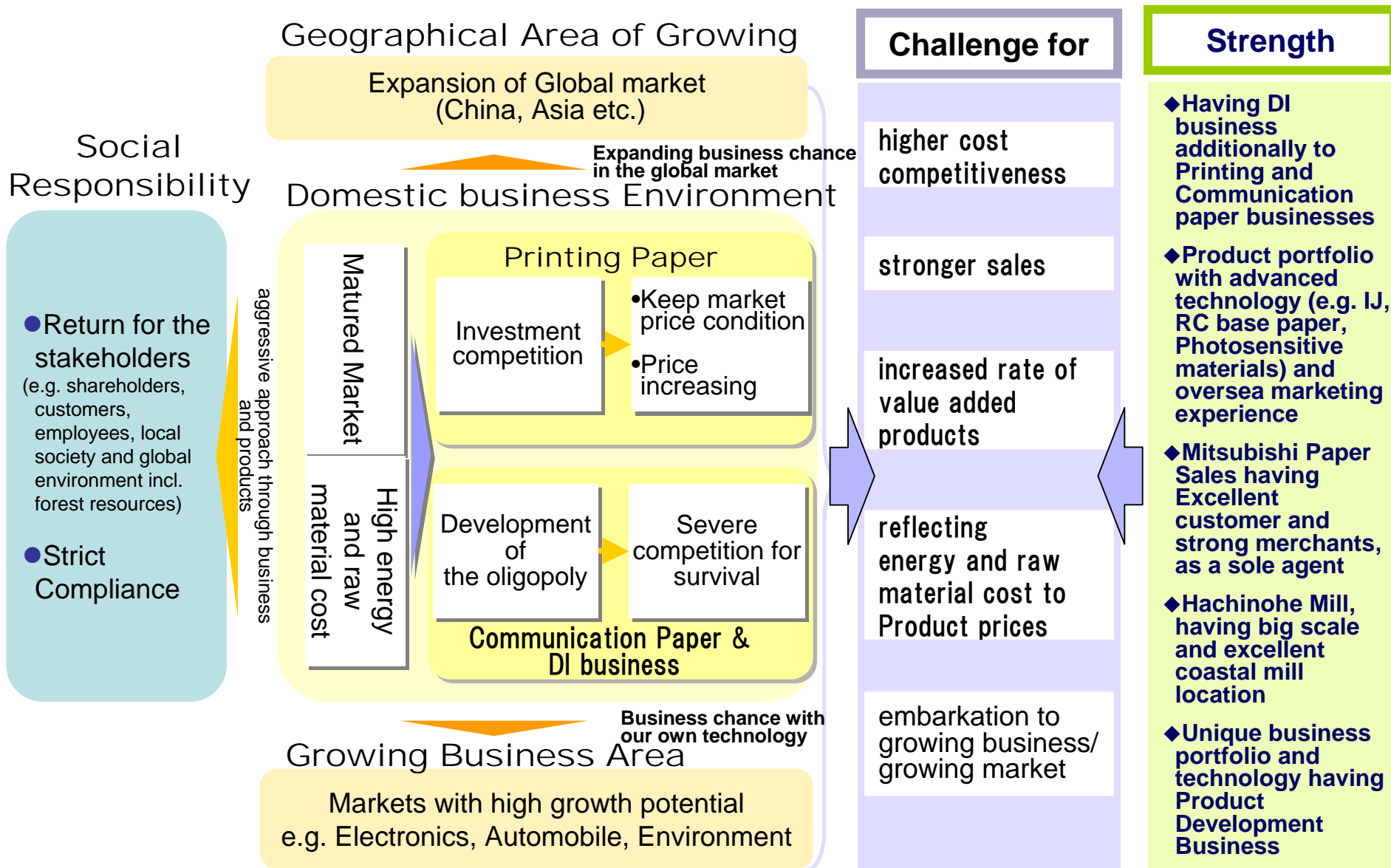
(100 million Yen)



■ Phoenix Plan ■ Actual ■ Forecast

Fiscal year	2004 Actual	2005 Actual	2006 Actual	2007 Forecast
Sales (100 Mil.Yen)	2,347	2,285	2,443	2,580
Ordinary Profit (100 Mil.Yen)	17	48	53	70
Gross Profit Margin (%)	0.7	2.1	2.2	2.7
Interest Bearing Debt (100 Mil.Yen)	1,940	1,724	1,634	1,540
Equity Ratio (%)	17.2	22.0	22.6	24.0
Year end number of Employees	4,902	4,717	4,541	4,540

# Business Environment, Strength and Necessary Challenge for MPM





# Post Phoenix Plan ('08 - '10) Basic strategy

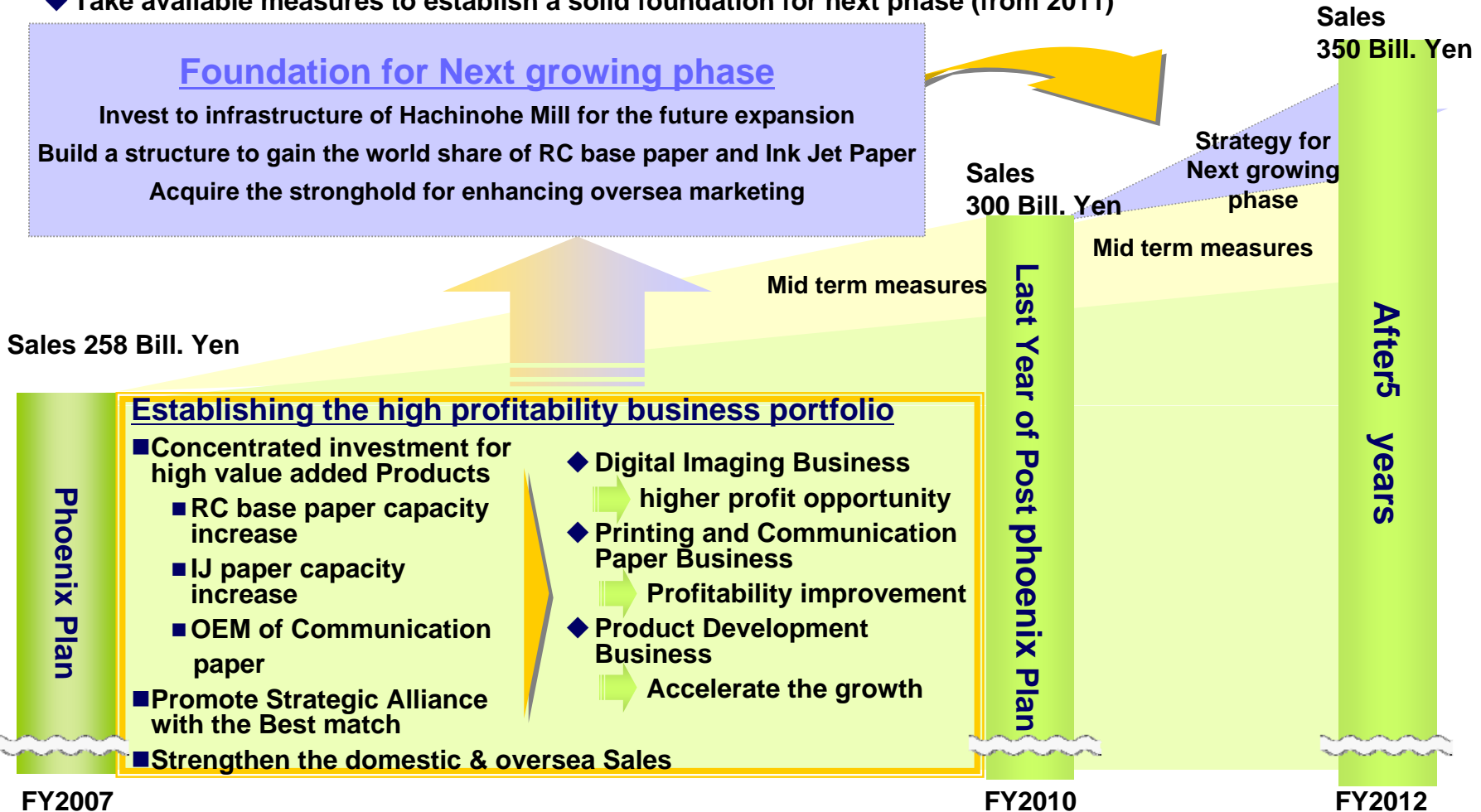


Self-Revitalization through “building solid foundation for the next growing stage” and “Realizing the growth”

- ◆ Enhance further improvement of cost structure and financial structure implemented under the Phoenix Plan
- ◆ Take available measures to establish a solid foundation for next phase (from 2011)

## Foundation for Next growing phase

Invest to infrastructure of Hachinohe Mill for the future expansion  
 Build a structure to gain the world share of RC base paper and Ink Jet Paper  
 Acquire the stronghold for enhancing oversea marketing



<u>Mid Term Basic Target</u>		
Year	FY2010	FY2012
Sales	<b>300 Bill Yen</b>	350 Bill Yen
Ordinary Profit	<b>15.0 Bill Yen</b>	17.5< Bill Yen
ROS	<b>5%</b>	5%<

## Targetted position in our Industry

Obtain the highest Profitability in our industry through establishing the unique position of MPM as “High Grade and Information Media”

## Business Portfolio

Business group with balanced growth of 3 business areas i.e. Printing & Communication Paper, DI Media, and New Products

# 7 basic principles

## Strategic Alliance

- Sales expansion of RC base paper through the alliance with FUJIFILM
- Expansion of Business communication paper through the alliance with OJI Paper
- Expansion of Printing paper supply source (Alliance of 'Mitsubishi Paper sales' with Hokuetsu Paper)
- Business expansion of New Products through Alliance

## Strengthen Domestic Sales

- Strengthen Sales of Mitsubishi Paper Sales and customer oriented service function
- Strengthen the function of Diamic as a Technology Service Supplier
- Expansion of High value added Ink Jet Media Brand
- Development and expansion of FSC certified and environment friendly products.

## Expansion in the Global Market

- Expansion of Global Ink Jet Market Share
- Obtaining Asian Production Site for Thermal Paper through Alliance to prepare for developing an Asian Market
- Profitability improvement of German Operation through shifting towards high value added products.

## Platform for Future Growth

- Investment to the Production infrastructure considering future expansion of Hachinohe Mill
- Building up the structure to expand the global share of RC base paper and Ink Jet media.
- Acquire the stronghold for market development of New products.

## Cost Structure Reformation

- Minimizing the cost of the mill to strengthen cost competitiveness
- Logistic Cost cutting including the alliance with others.
- Promotion of BPR through keeping up IT infrastructure

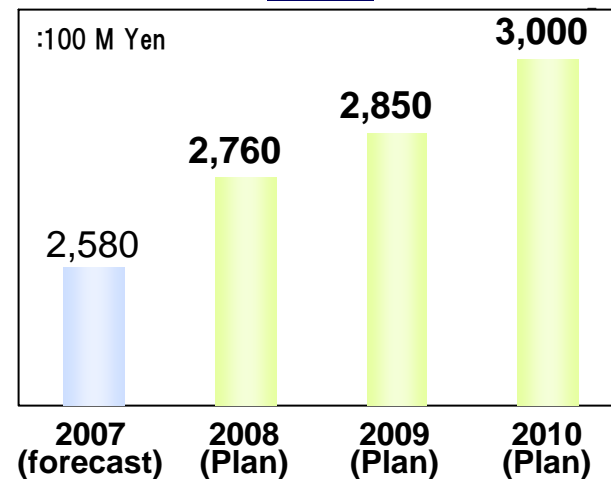
Promotion of CSR Management  
Further effort for  
Environment & Forest Resource Protection

Strengthen Group Consolidation Management

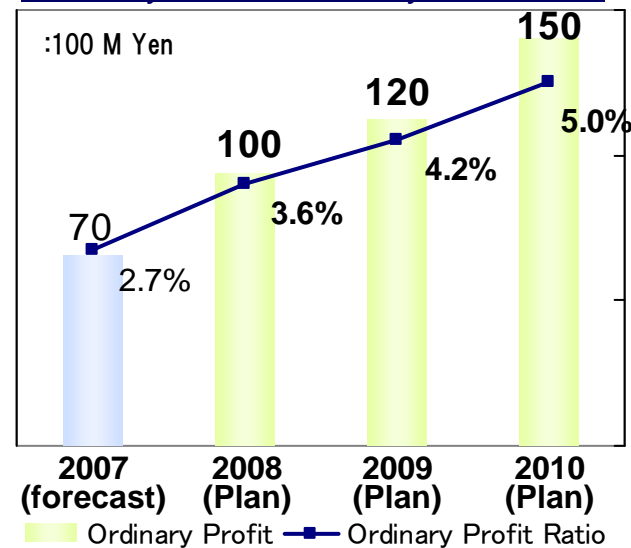
# Basic Financial Targets

	FY2007 Forecast	Project		
		FY2008	FY2009	FY2010
Sales (100 million Yen)	2,580	2,760	2,850	3,000
Operating Profit (100 million Yen)	100	133	152	184
Ordinary Profit (100 million Yen)	70	100	120	150
Ordinary Profit Ratio (%)	2.7	3.6	4.2	5.0
Investment		44.0Billion Yen (Total within 3 years)		
Interest bearing debt (100 million Yen)	1,540	→		1,440
Equity to total assets (%)	24%	→		30%<

## Sales

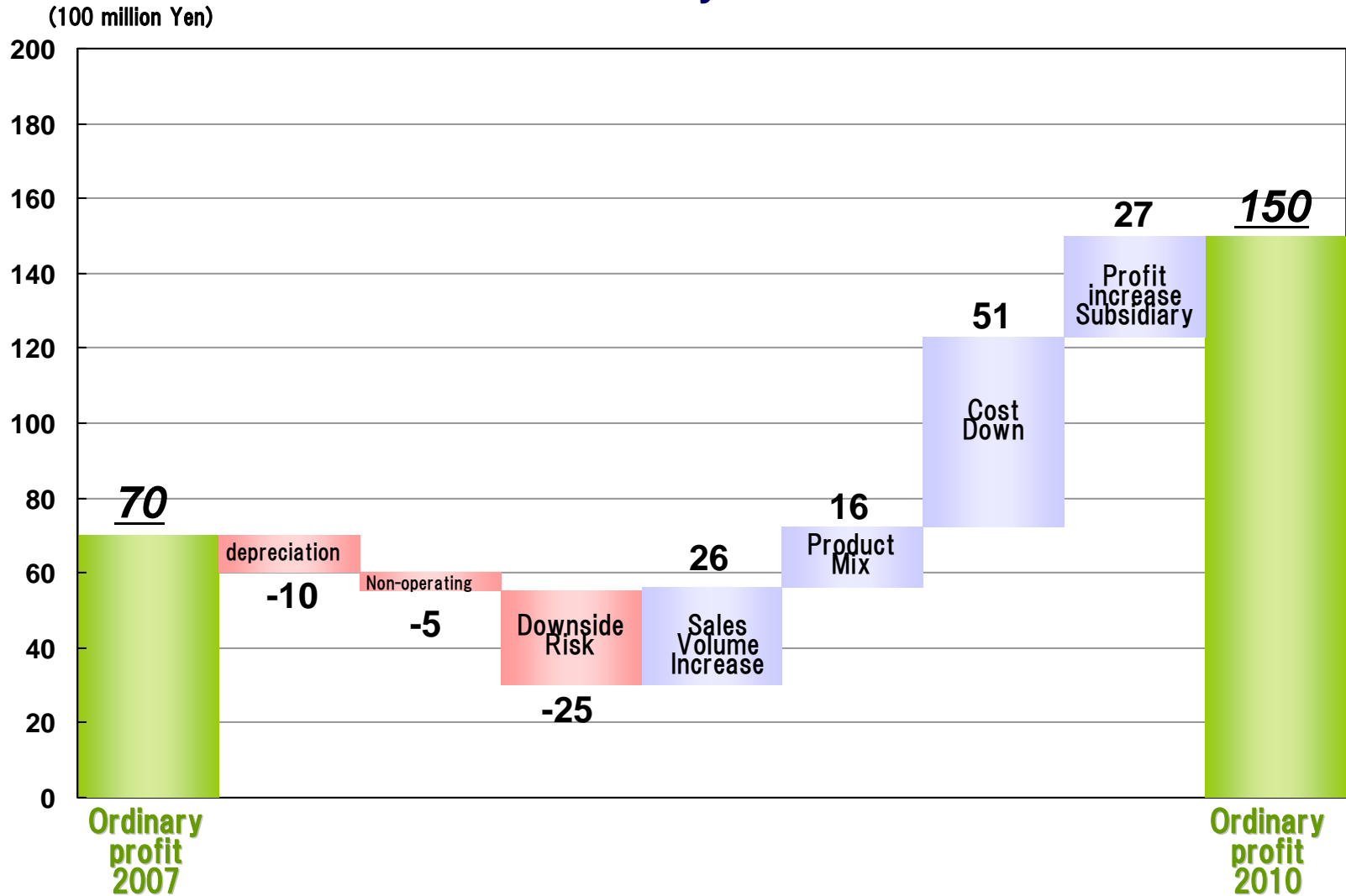


## Ordinary Profit, Ordinary Profit ratio

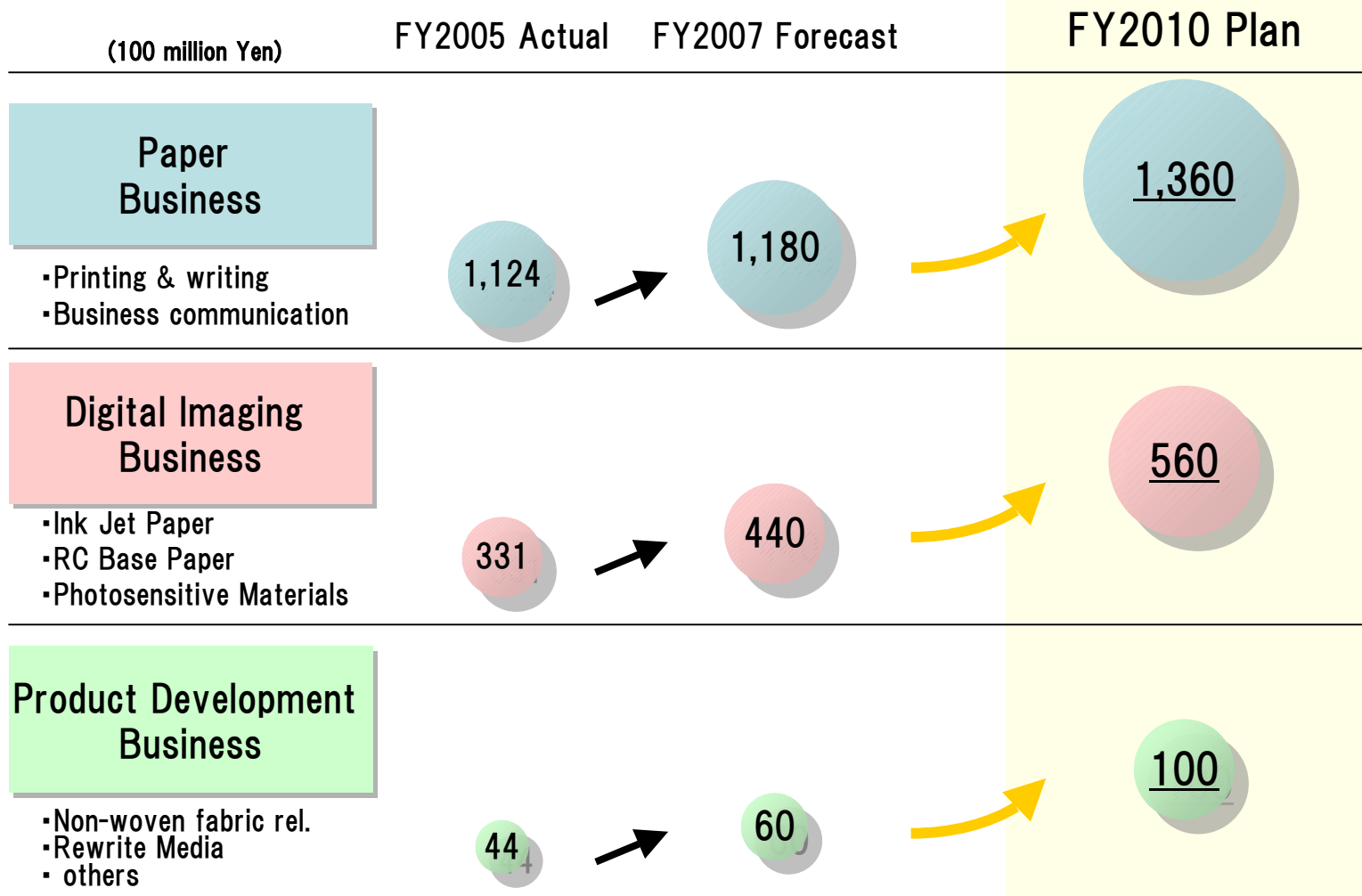




## — Breakdown of the Ordinary Profit Increase Plan —



## Acceleration of Well Balanced Growth



## Paper Business

### Printing Paper

- Strengthen the competitiveness of Hachinohe Mill, Production shift to high value added Products
- Assure the product line-ups and supply volume through Alliance with others
- Review the product logistic
- Investment to the Production infrastructure considering future expansion of Hachinohe Mill

### Business communication Paper

- Alliance with Oji paper
- Building up the foundation for strengthening the oversea business mainly of Thermal paper

### For Both

- Strengthen Sales of Mitsubishi Paper Sales and customer oriented service function



Hachinohe Mill



Takasago Mill

## Digital Imaging Business

### Ink Jet Media

- Sales expansion of High value added Brand (Pictorico, Gekko, etc.) and acquiring of new demands
- Securing the oversea Finishing Sites to expand the oversea sales
- Investment for the Capacity increase of Kyoto Mill

### RC Base Paper

- Alliance with FUJIFILM
- Expanding the supply for Ink Jet Media
- Improvement of operation rate of Kitakami Hi-tech Paper through RC Base Paper Production Capacity increase investment

### Photosensitive Materials

- Market introduction of Processless and Chemicalless Printing Plates
- Strengthen the function of Diamic as a technology service supplier



Kitakami Hitec Paper



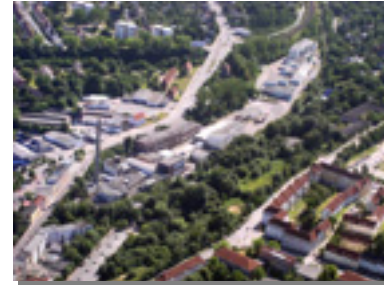
Kyoto Mill

## New Business Development

(Non-woven fabric related, Rewrite Media, and others)

- ▶ Expansion of business opportunity through integrated group business operation
  - building up the Production infrastructure for Filter Business in China
  - Own production of Rewrite Media
  - Expansion of Business including possible M&A
- ▶ Alliance with Woongjin Coway Co., Ltd. In South Korea
- ▶ Concentration of R&D towards growing market

German Operation  
MPF, MPB, etc.



MPF



MPB

Shift toward high value added products, Cost down, and Productivity improvement

## Thermal Paper

- Strengthen the sales in Europe and America
- Concentrated production of commodity grades at MPB's high efficiency Coater
- Production and market development of High value added products by MPF

## Carbonless Paper

- Selective sales of high value products and to high price market, and introduction of new products such as Carbonless for digital printing.

## Ink Jet Paper

- Cost competitiveness improvement, introduction of new products, and transfer of finishing to Poland



## CSR

### Environment and Preservation of forest resources

- Realizing the society with sustainable development through promoting the Environment management.
- Approach to Global plantation through preservation and cultivation of Forest resources
- Promotion of FSC certified paper, and approach of “FSC Forest” which allows the participation to the forest management
- Product development considering the environment friendliness

### Compliance

- Establishing Corporate Governance
- Strict compliance with laws and regulations

### Returns for Stakeholders

- Continuous contribution to all the stakeholders e.g. shareholders, employees, and local society

## Group consolidation management

Improving the profitability of subsidiary companies

- Realization of profitability improvement and growth of subsidiaries

Establishing the infrastructure of management system

- Optimization of business operation by concentrated group management and integrated operation through the group subsidiary
  - Business management on consolidation basis and strengthen the management power
  - efficiency improvement through installation of IT and consolidation of organization

## Total Investment : 2008-2010 Total of 44 Billion Yen

Aggressive investment for competitiveness improvement and for next growing phase and compress the interest bearing debt for 10 billion Yen

Financing (100 million Yen)		Usage (100 million Yen)	
Profit before tax	390	Repayment of interest bearing debt	100
		capital	400
		financial	40
Depreciation and others	370	Investment	440
		Operating expense, Dividend , etc	250
Sales of fixed assets	30		
total	790	total	790

Investment Purpose	Investment	Amount (100 thousand Yen)
Strategic	<b>DI Business:</b> RC base paper capacity increase (Kitakami Hi-tech Paper) IJ media capacity increase (Kyoto Mill)	<b>265</b>
	<b>Communication Paper:</b> OEM supply (Takasago and Hachinohe Mill) <b>Printing Paper:</b> Recovery Boiler (Hachinohe Mill)	
maintenance	4.5 billion Yen/year	<b>135</b>
Capital		<b>total 400</b>
Financial	Afforestation and others	<b>40</b>
<b>Investment Sum for 2008 - 2010</b>		<b>440</b>



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