

Year-Ended March 31, 2009

Annual Business Report

Part - 1 : Financial Review

Part - 2 : Changes in business environment & Countermeasures

May 15, 2009
Mitsubishi Paper
Mills Limited

Part - 1



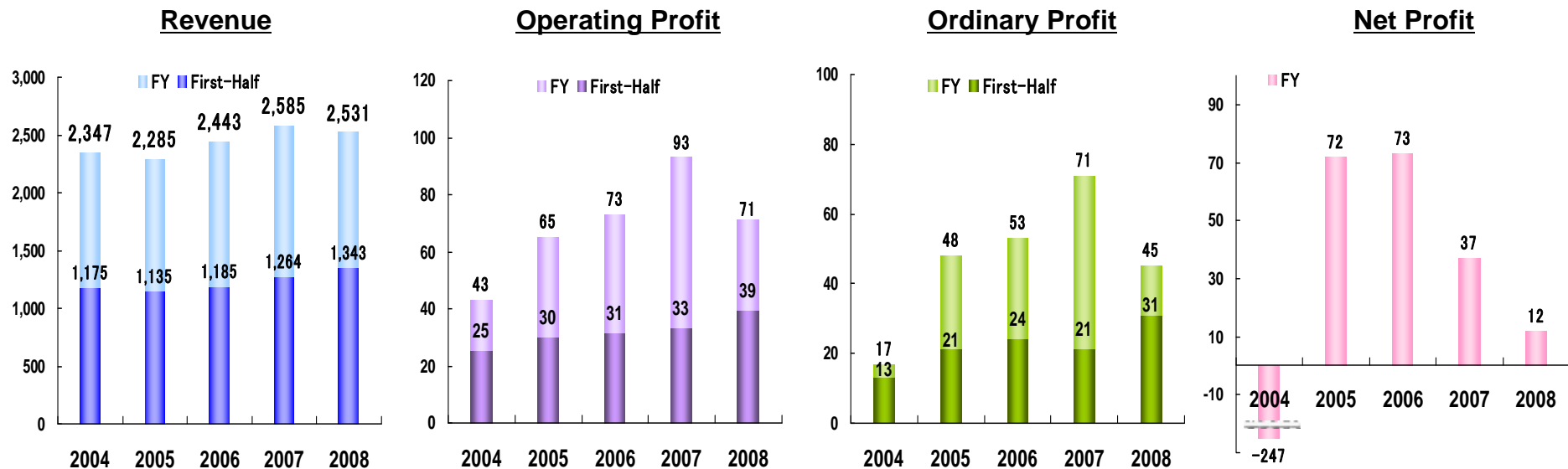
Financial Review for the Year-Ended March 31, 2009

Key Figures <Consolidated>



(Unit: 100 million yen)

	FY2007		FY2008		Increment	
	Amount	Sales Ratio (%)	Amount	Sales Ratio (%)	Amount	(%)
Revenue	2,585	—	2,531	—	▲54	▲ 2.1
Operating Profit	93	3.6	71	2.8	▲22	▲23.6
Ordinary Profit	71	2.8	45	1.8	▲26	▲36.8
Net Profit	37	1.4	12	0.5	▲25	▲68.0



Segment Information by Product <Consolidated>

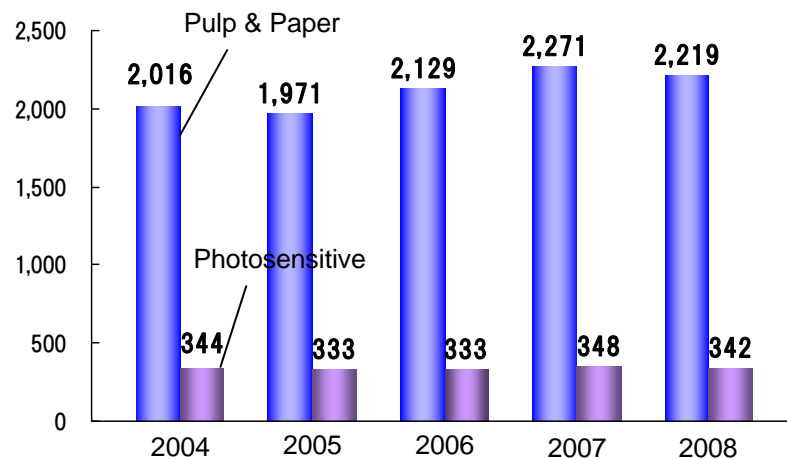


(Unit: 100 million yen/%)

		FY2007	FY2008	Increment	%
Revenue	Pulp & Paper	2,271	2,219	▲ 52	▲ 2.3
	Photosensitive	348	342	▲ 6	▲ 1.8
	Others	231	216	▲ 15	▲ 6.6
	Internal Transfer	▲265	▲ 246	19	—
	Total	2,585	2,531	▲ 54	▲ 2.1
Operating Profit	Pulp & Paper	67	65	▲ 2	▲ 2.2
	Photosensitive	21	▲ 1	▲ 22	—
	Others	7	5	▲ 2	▲20.0
	Internal Transfer	▲ 2	2	4	—
	Total	93	71	▲ 22	▲23.6

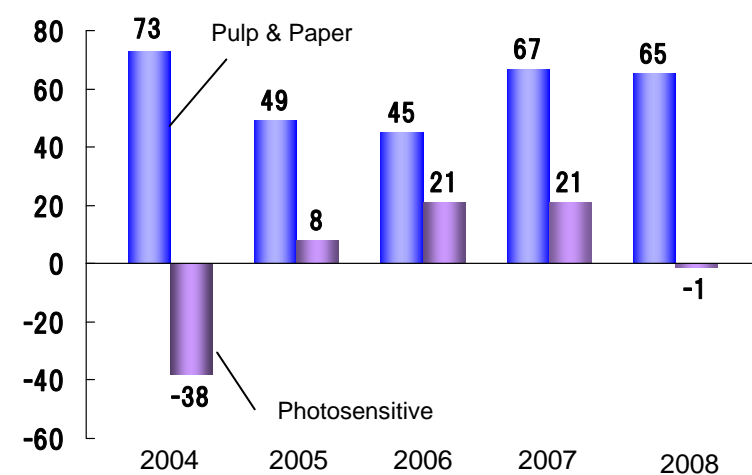
Revenue

(Unit: 100 million yen/)



Operating Profit

(Unit: 100 million yen/)



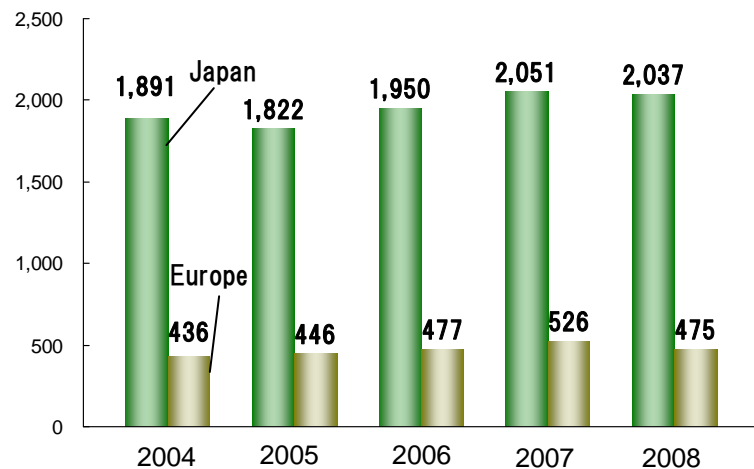
Segment Information by Product <Consolidated>



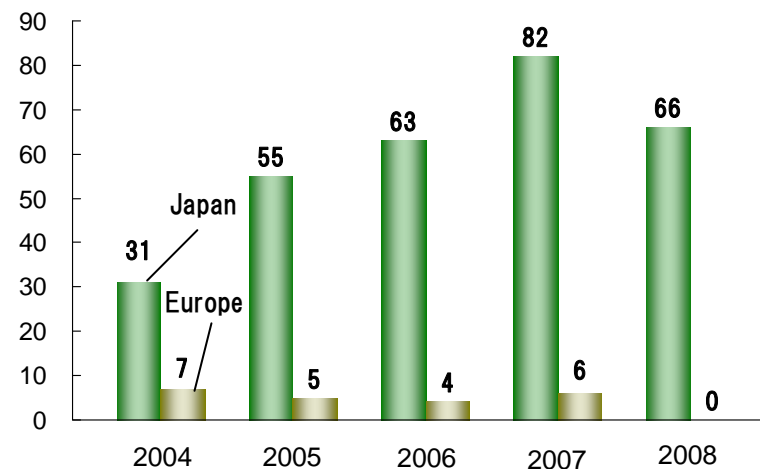
(Unit: 100 million yen/%)

		FY2007	FY2008	Increment	%
Revenue	Japan	2,051	2,037	▲ 14	▲ 0.7
	Europe	526	475	▲ 51	▲ 9.7
	U.S.A.	103	81	▲ 22	▲21.8
	Internal Transfer	▲ 95	▲ 62	33	—
	Total	2,585	2,531	▲ 54	▲ 2.1
Operating Profit	Japan	82	66	▲ 16	▲19.7
	Europe	6	0	▲ 6	▲95.7
	U.S.A.	2	1	▲ 1	▲57.5
	Internal Transfer	3	4	1	—
	Total	93	71	▲ 22	▲23.6

Revenue (Unit: 100 million yen/)



Operating Profit (Unit: 100 million yen/)



Ordinary Profit FY2008 : Analysis of profit and loss

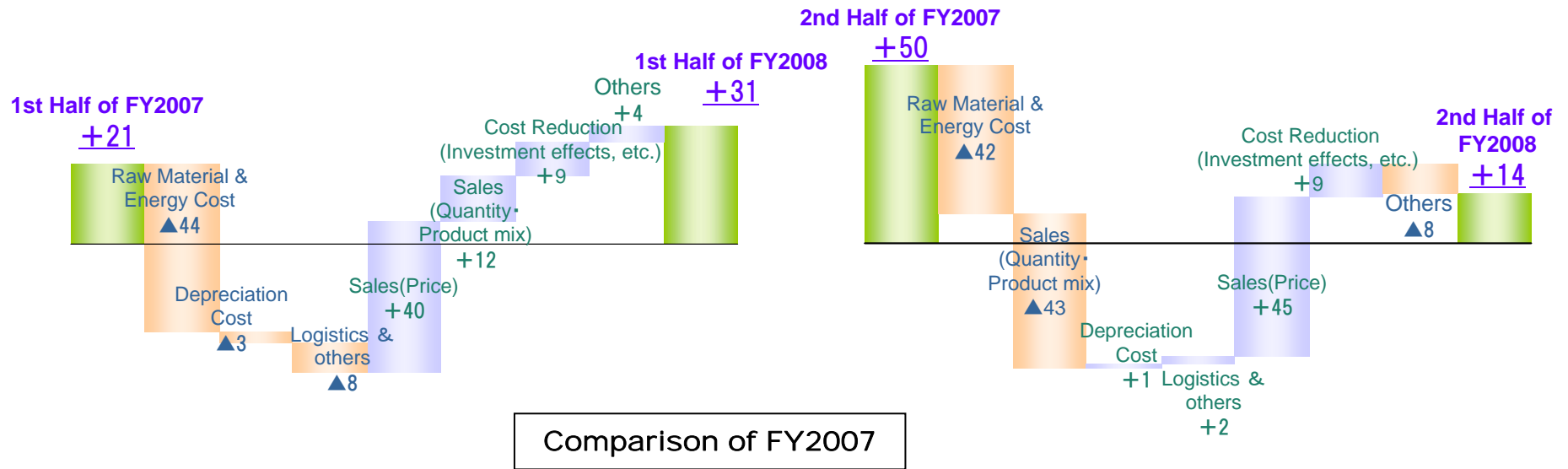
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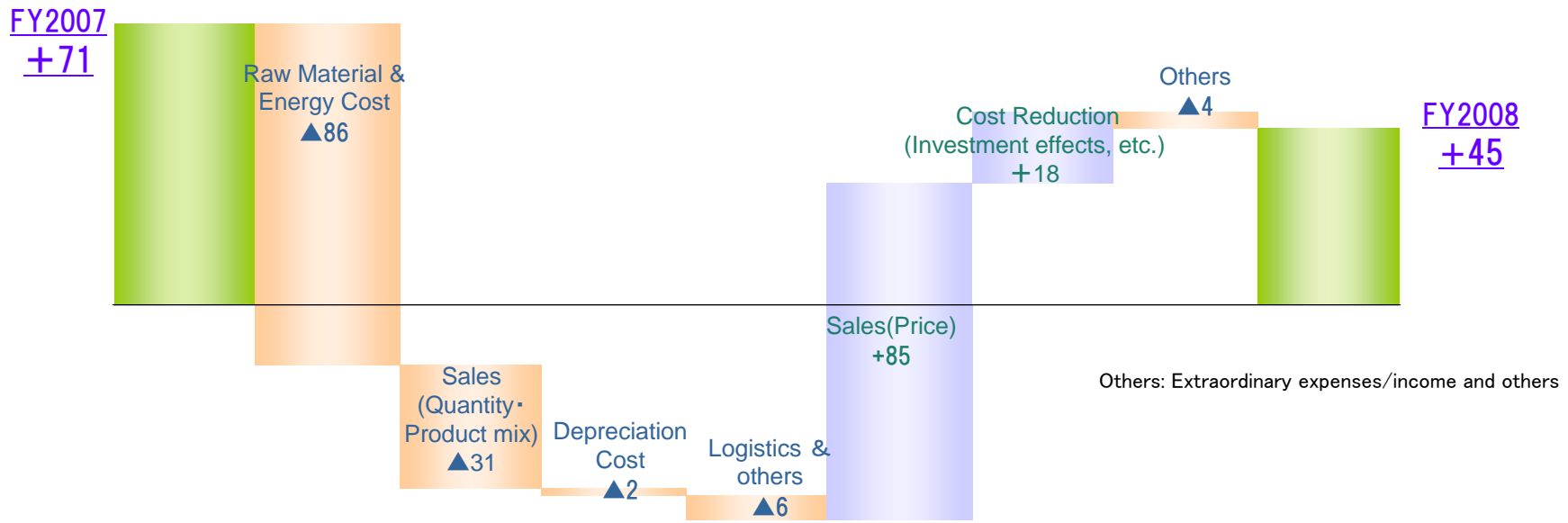
Comparison of the 1st Half

(Unit: 100 million yen)

Comparison of the 2nd Half



Comparison of FY2007



Balance Sheet <Consolidated>



(Unit: 100 million yen/%)

	FY2007		FY2008		Increment
	Amount	%	Amount	%	Amount
Assets	3,031	100.0	2,943	100.0	▲ 88
Current Assets	1,162	38.3	1,166	39.6	4
Fixed Assets	1,869	61.7	1,777	60.4	▲ 92
Tangibles	1,346	44.4	1,362	46.3	16
Intangibles	21	0.7	14	0.5	▲ 7
Investment and Others	502	16.6	401	13.6	▲ 101
Liabilities	2,234	73.7	2,238	76.1	4
Current Liabilities	1,605	52.9	1,588	54.0	▲ 17
Long-Term Liabilities	629	20.8	650	22.1	21
Net Assets	797	26.3	705	23.9	▲ 92
Interest Bearing Debts *	1,530	—	1,635	—	105

*Note: As of the reporting term ended March 2009, lease obligations are included in the scope of interest-bearing debt due to a change in accounting standards. Consequently, an increase of ¥3.7 billion was posted compared to the previous accounting standards.

Statement of Cash Flow <Consolidated>



(Unit: 100 million yen)

	FY2007	FY2008	Increment
	Amount	Amount	Amount
Cash Flow from Operating Activities	188	42	▲146
Cash Flow from Investing Activities	▲177	▲123	54
Cash Flow from Financing Activities	▲90	81	171
Effect of Exchange Rate Fluctuation on Cash & Cash Equivalents	0	12	12
Net Increase/Decrease in Cash and Cash Equivalents	▲79	12	91
Cash and Cash Equivalents at the Beginning of the Year	102	23	▲79
Cash and Cash Equivalents at the End of the Year	23	35	12

Key Indices <Consolidated>



(Unit: 100 million yen)

	FY2007	FY2008	FY2009 (Forecast)
Interest Bearing Debts *	1,530	1,635	1,680
Depreciation	127	129	134
Investments	181	155	80
Number of Employees	4,574	4,597	4,470

*Note: As of the reporting term ended March 2009, lease obligations are included in the scope of interest-bearing debt due to a change in accounting standards. Consequently, an increase of ¥3.7 billion was posted compared to the previous accounting standards.

Key Indices <Non-Consolidated>



(Unit: '000tons · 100 million yen)

Sales Data		FY2007				FY2008			
		1st Half		Fiscal Year		1st-Half		Fiscal Year	
		Sales Qty	Sales Amt.	Sales Qty.	Sales Amt.	Sales Qty.	Sales Amt.	Sales Qty.	Sales Amt.
Paper	Uncoated (Wood-free, etc.)	84	95	177	206	92	113	179	221
	Coated (Coated & IJ Paper, etc.)	319	400	649	821	328	446	616	826
	Business Communication Paper (Thermal, Carbonless Paper, etc.)	48	100	95	203	47	105	87	202
	White Card Board	24	26	48	53	24	27	45	53
	Others (Leaf Paper, Hygiene Paper, Non-Woven Fabric, etc.)	10	53	19	105	9	50	17	98
Total		485	674	988	1,388	500	741	944	1,400

	FY2007	FY2008
Exchange Rate	¥113.80/US\$	¥100.62/US\$
Annual Usage of Woodchips (Import Ratio)	1,162 Tt (68%)	1,217 Tt (66%)
Annual Usage of Purchased Pulp (Purchase Ratio)	104 Tt (13%)	71 Tt (9%)
Annual Usage of Oil	49 Tkl	47 Tkl
Annual Usage of Coal	303 Tt	301 Tt
Purchase Electric Power (Self-Generation Ratio)	215MWH (86%)	276MWH (80%)

RE: The raw materials & energy usage quantities are included Kitakami High Tech Paper Usage.

Forecast for FY2009

Forecast



(Unit: 100 million yen/%)

	FY2008			Forecast of FY2009			Increment					
	1st Half	2nd Half	FY2008	1st Half (Forecast)	2nd Half (Forecast)	FY2009 (Forecast)	1st Half		2nd Half		FY	
							Amt	%	Amt	%	Amt	%
Revenue	1,343	1,188	2,531	1,150	1,250	2,400	▲193	▲14.3	62	5.2	▲131	▲5.2
Pulp & Paper	1,189	1,030	2,219	990	1,080	2,070	▲199	▲16.7	50	4.9	▲149	▲6.7
Photo sensitive	174	168	342	170	180	350	▲ 4	▲ 2.3	12	7.1	8	2.3
Others	114	102	216	100	110	210	▲ 14	▲12.3	8	7.8	▲ 6	▲2.8
Internal Transfer	▲134	▲112	▲246	▲110	▲120	▲230	24	—	▲ 8	—	16	—
Operating Profit	39	32	71	20	50	70	▲19	▲48.2	18	54.5	▲1	▲1.6
Ordinary Profit	31	14	45	5	35	40	▲26	▲83.7	21	140.7	▲5	▲11.1
Net Profit	32	▲20	12	▲10	25	15	▲42	—	45	—	3	28.4

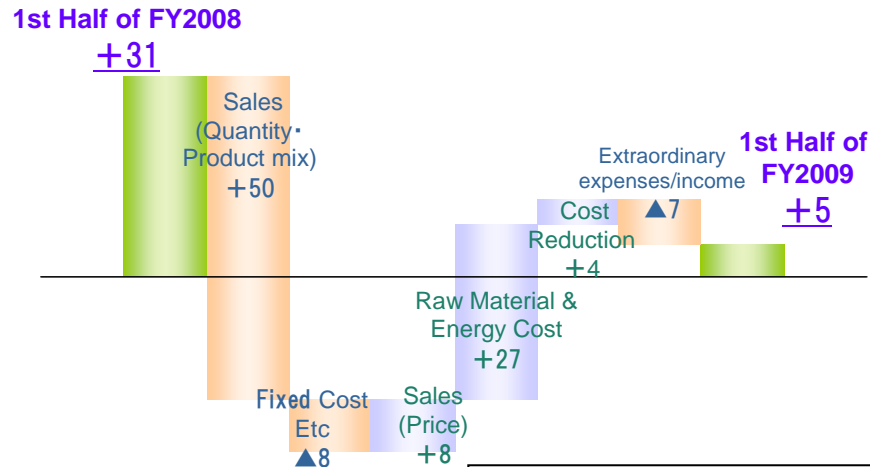
Assumption : ¥100/US\$, ¥130/€, Dubai crude oil \$55/barrel

Ordinary Profit FY2009 (Forecast) : Analysis of profit and loss

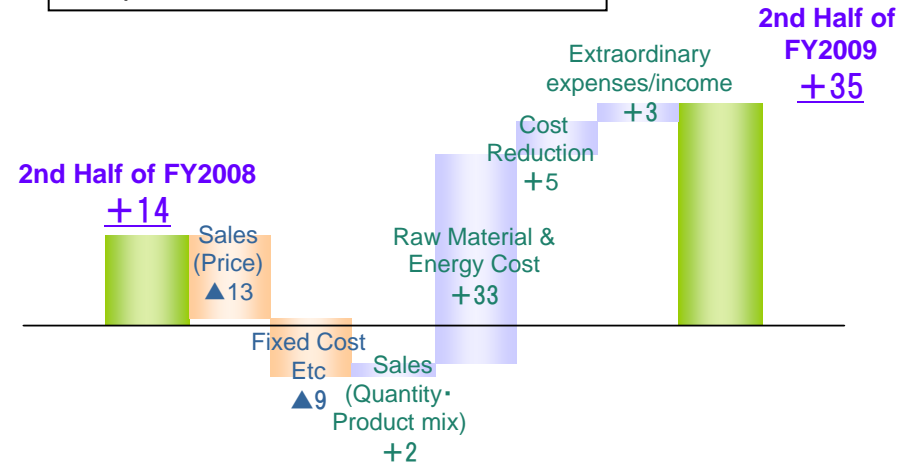


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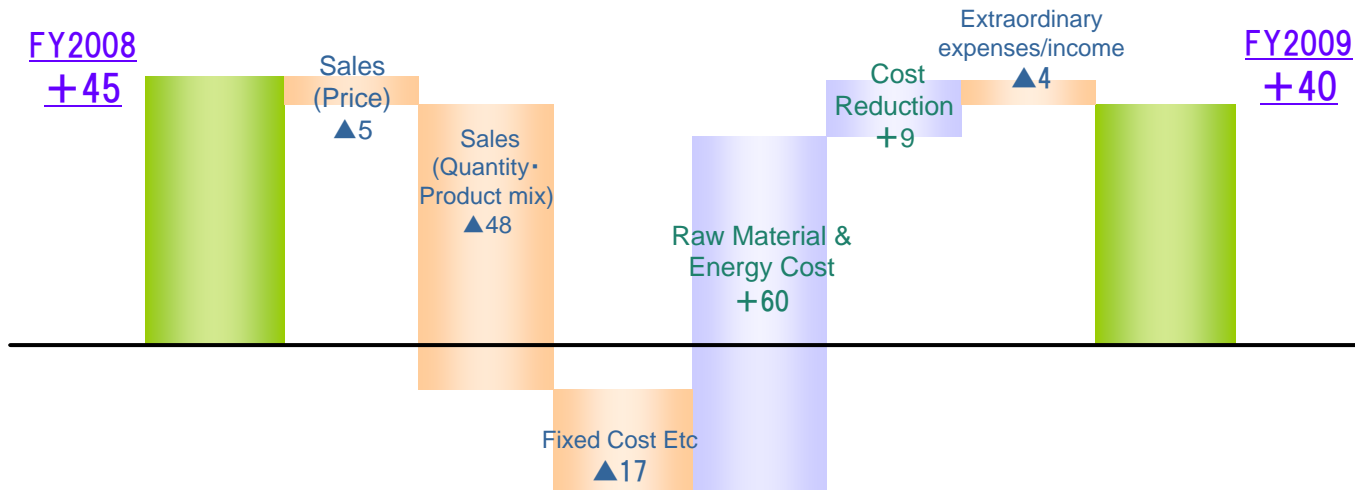
Comparison of the 1st Half (Forecast) (Unit: 100 million yen)



Comparison of the 2nd Half (Forecast)

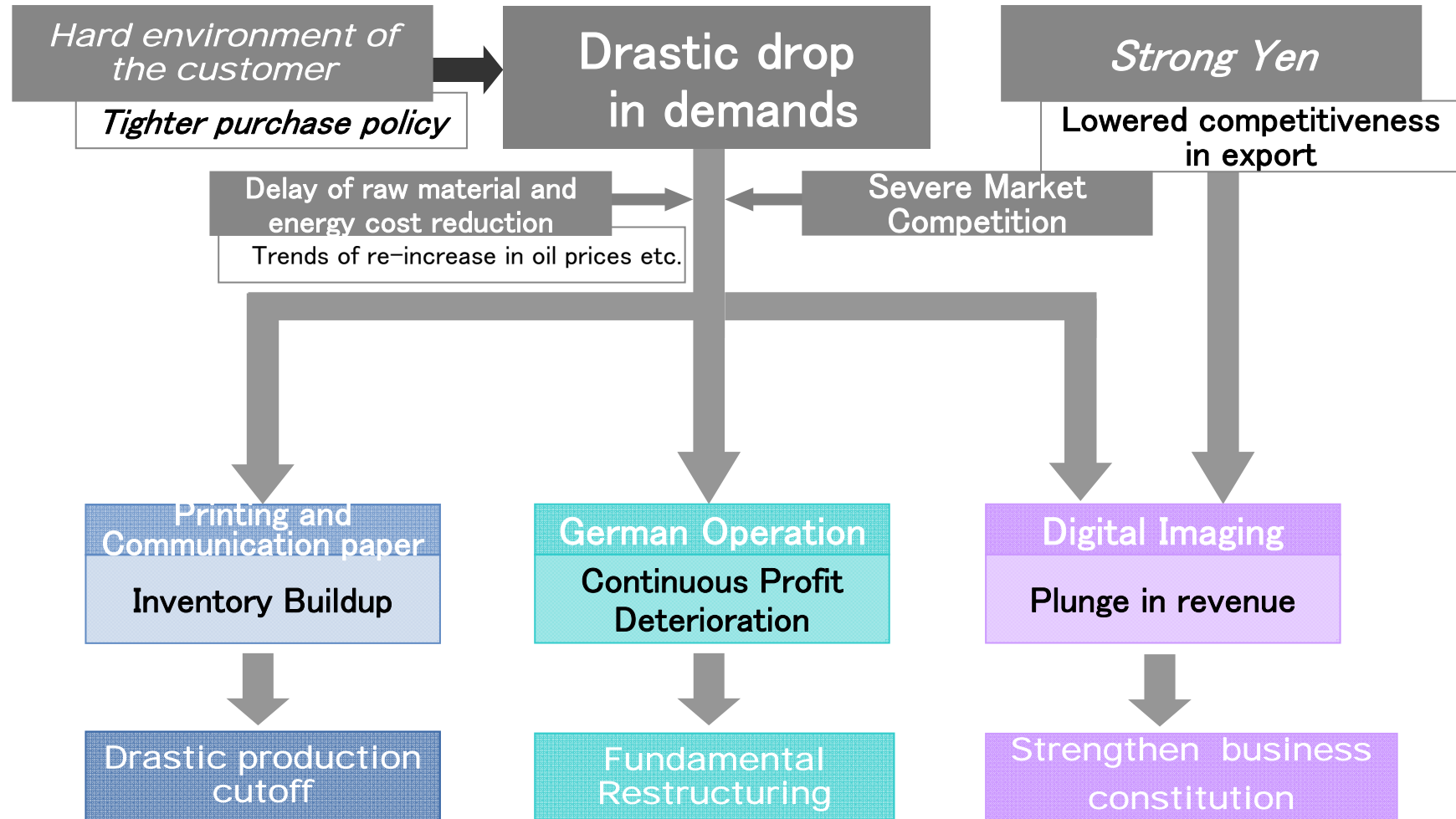


Comparison of FY2008 and FY2009(Forecast)



Changes in business environment
and
Countermeasures

Changes in environment since 2008 and countermeasures



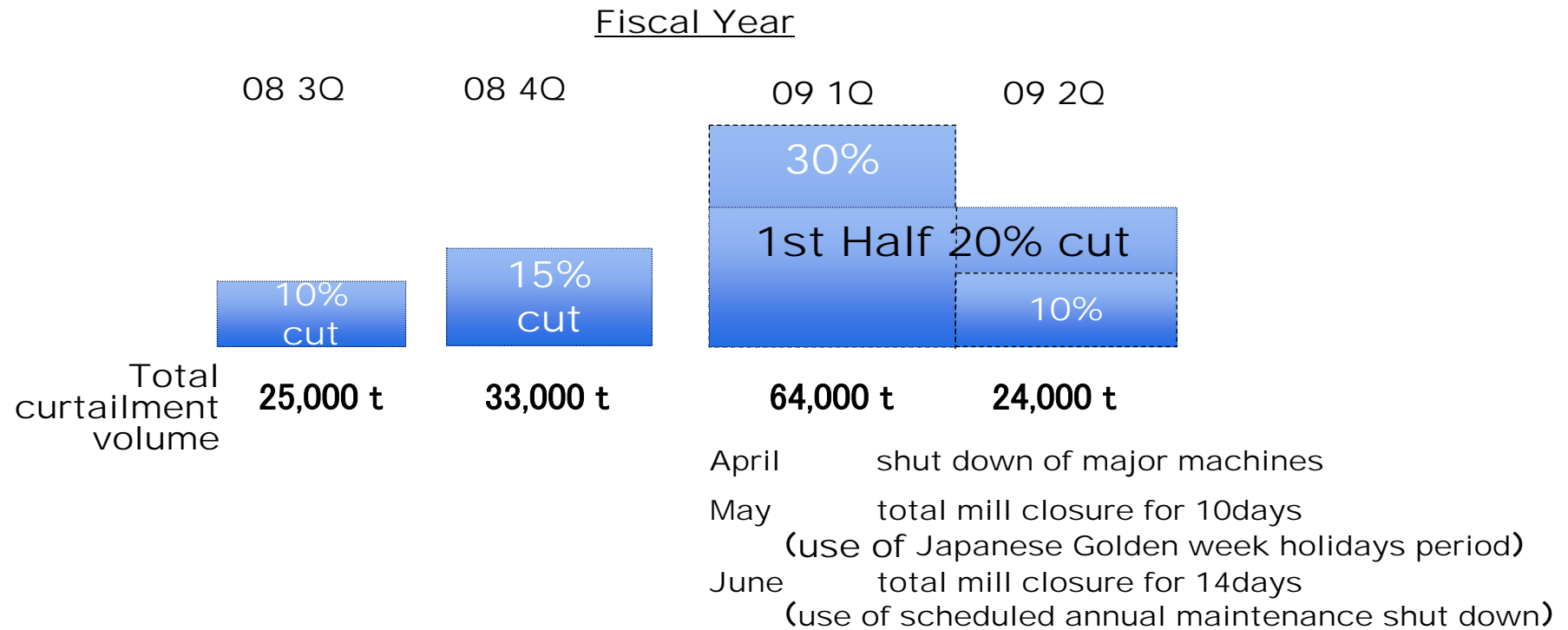
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Printing and Communication paper (Hachinohe Mill)

Production Cutoff

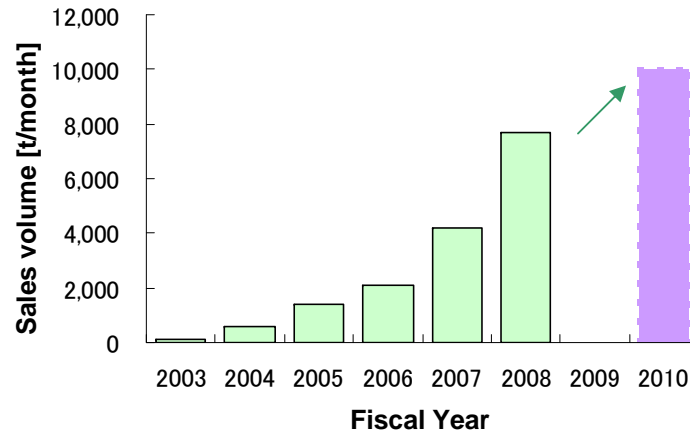


Further production curtailment of Printing and Communication Paper



- Build up profitable constitution under low capacity utilization
Production planning and operation fit to the Sales

1. Sales volume of FSC Certified Paper (as of customer delivery volume)



FY 2008 Actual 7,000t/month
(+85% from previous year)



Target FY2010 10,000t/month

■ Leading supplier of FSC Paper

2. Copy paper complied with the “New standard for Green Purchase Law”

- Launch of 2 grades containing over 70% of recycled fiber
- Sales volume now : 500 t/month → future : 2,000 t/month

3. Promotion of “The Morino Chonai-Kai (Forest Neighborhood Association)” Project

~Enrichment of domestic forest by utilizing the forest thinning materials ~

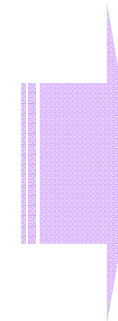
- Paper is sold with forest thinning promoting fee and this fee is given to the forest owner
- Today we sell approx. 360 t/year (4 times of the previous year) of such printing paper including “Morino Chonai-Kai matte coated paper”
- “Morino Chonai-Kai copy paper” was newly developed (launched this April)
(contains more than 10 % long fiber and more than 70 % recycled fiber)

Fundamental Restructuring

- **Severe competition and over-capacity in the business communication paper market (e.g. Carbonless and Thermal paper)**
- **Continuation of high cost e.g. natural gas and paper chemicals**
- **Low profitability of export to outside EU**



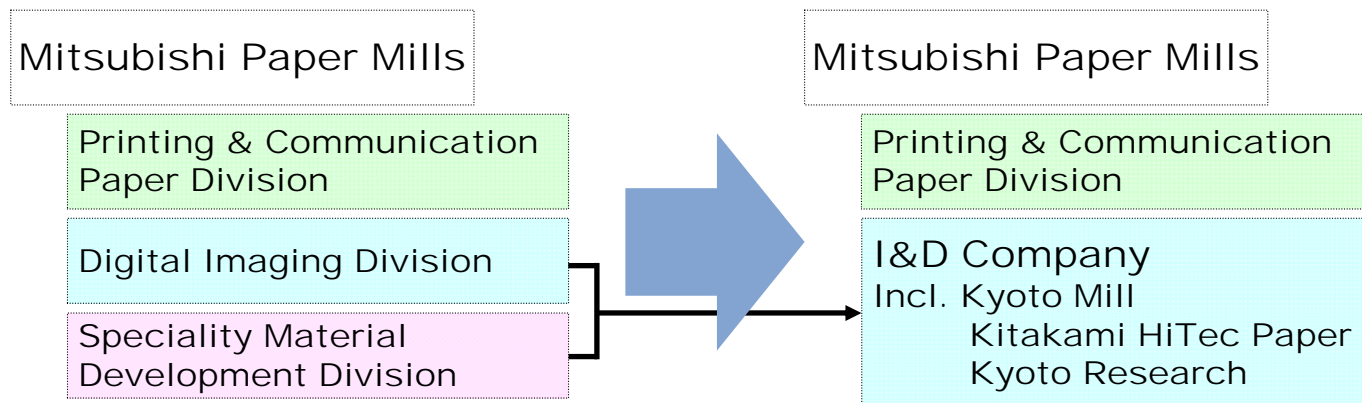
1. **Shut down No.1 Paper Machine**
(→consolidation to No.3 Paper machine)
2. **Shut down of 4 cast coater machines**
3. **150 personnel cuts**
(121 employees were already notified)
4. **Review product portfolio, improve Product mix**
5. **Drastic organization reform, consolidation (MPF & MPB)**
 - ① **Improvement of sales, purchase and logistic organization**
 - ② **Consolidation and improvement of product development organization**
 - ③ **Consolidation of management and controlling organizations**



Target 2009

Profit Improvement
1.5 billion Yen

Consolidation of Digital Imaging division and Speciality Material Development division, introduction of internal company system



* I&D: Imaging & Development

- Both “Digital Imaging business” and “Speciality Material Development business” are Development Intensive business
- Organization and resource input in accordance with the changes in business environment

Strengthen Marketing

Swift decision making and
Clear responsibility

- High profit business integrating R&D, Production and Sales
- Quick profit recovery
Target : 2 billion Yen

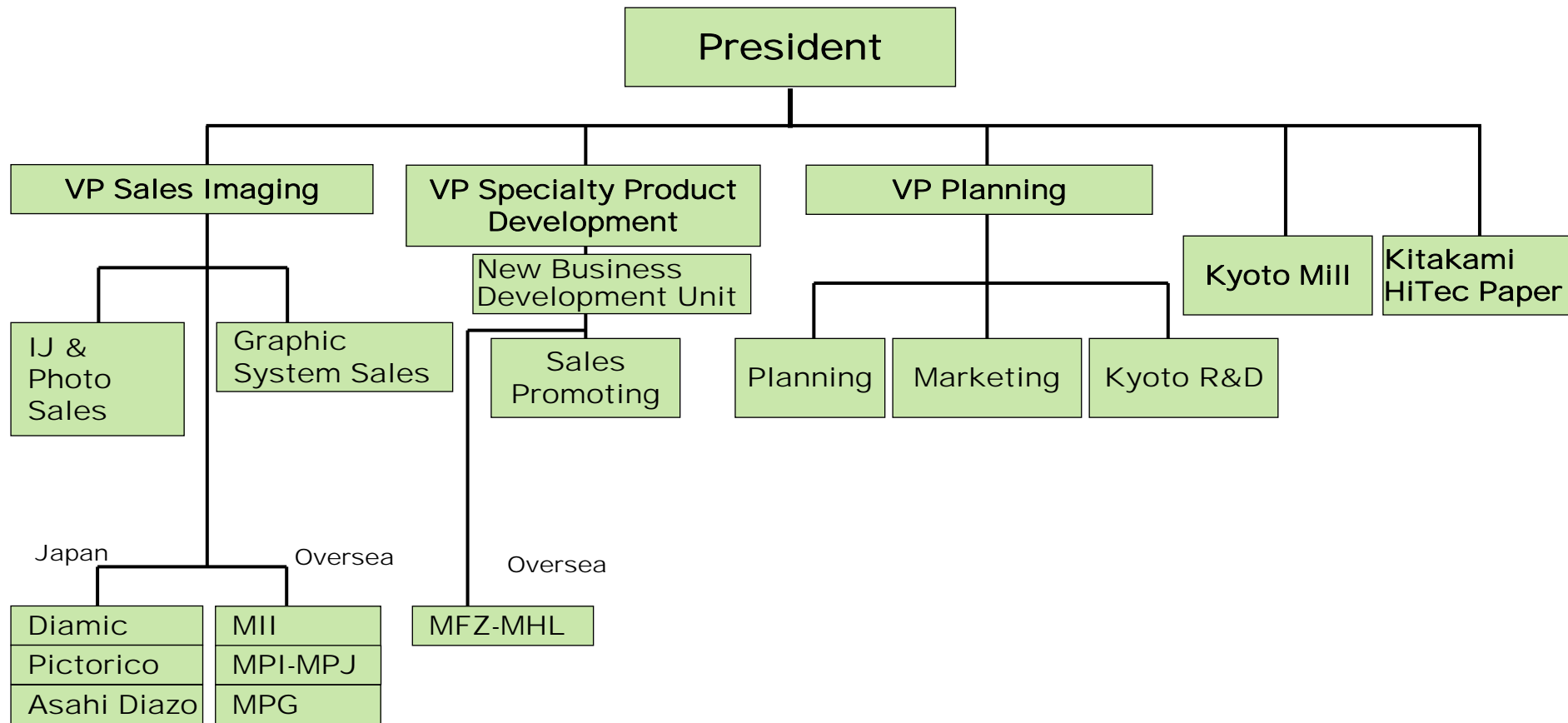
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Strengthen the Digital Imaging Business and others

(Organization Chart)



【 I & D Company 】 Imaging and Development company



VP: Vice President

Keep the Target of Post Phoenix Plan unchanged



Building solid foundation

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

Basic Target

Sales	300 Bill Yen
Ordinary Profit	15.0 Bill Yen
ROS	5%

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