

First Half of Year-Ended March 31, 2010

Business Report

Part-1: Financial Review, 2010 First half

Part-2: Enhanced Countermeasures

November 17, 2009
Mitsubishi Paper Mills Ltd.

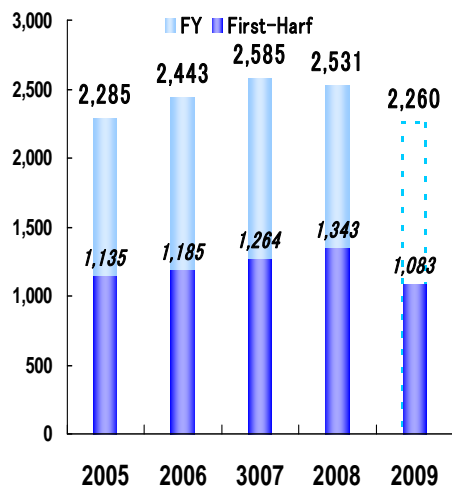
Financial Review for the First Half of The Fiscal Year-ended March 31. 2010

Key Figures <Consolidated>

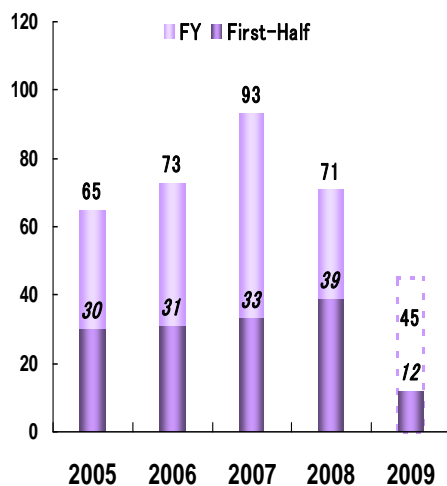
(unit:100million yen)

	FY2008First-Half		FY2009First-Half		Increment		Original Forecast (published5/8/09)
	Amount	Sales Profit %	Amount	Sales Profit %	Amount	%	Amount
Revenue	1,343	—	1,083	—	▲260	▲19.3	1,150
Operating Profit	39	2.9	12	1.1	▲ 27	▲68.8	20
Ordinary Profit	31	2.3	2	0.2	▲ 29	▲92.1	5
Net Profit	32	2.4	▲16	▲1.5	▲ 48	—	▲10

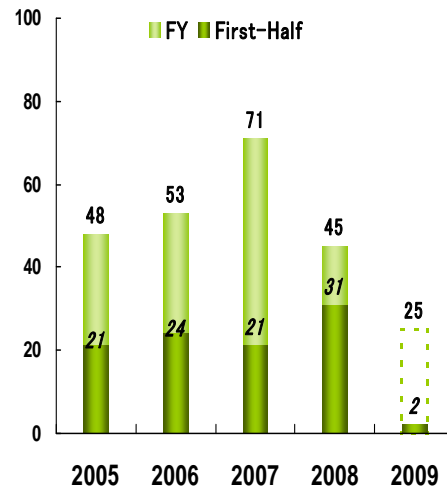
Revenue



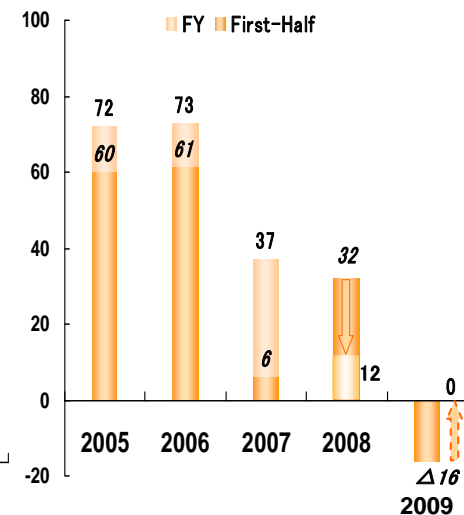
Operating Profit



Ordinary Profit



Net Profit



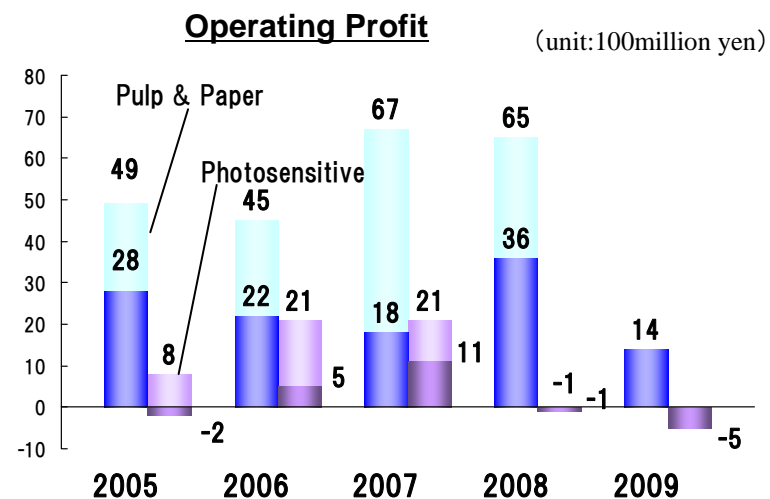
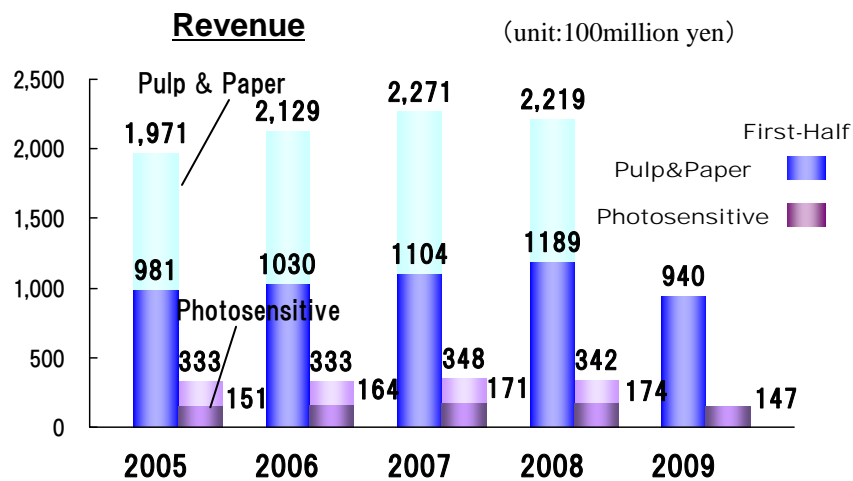
Segment Information by Product

< Consolidated >



(unit:100million yen/%)

		FY2008First-Half	FY2009First-Half	Increment	%
Revenue	Pulp & Paper	1,189	940	▲249	▲21.0
	Photosensitive	174	147	▲ 27	▲15.2
	Others	114	107	▲ 7	▲ 5.7
	Internal Transfer	▲134	▲111	23	—
	Total	1,343	1,083	▲260	▲19.3
Operating Profit	Pulp & Paper	36	14	▲ 22	▲61.4
	Photosensitive	▲ 1	▲ 5	▲ 4	—
	Others	3	3	0	2.8
	Internal Transfer	1	0	▲ 1	—
	Total	39	12	▲ 27	▲68.8



Segment Information by Regions <Consolidated>

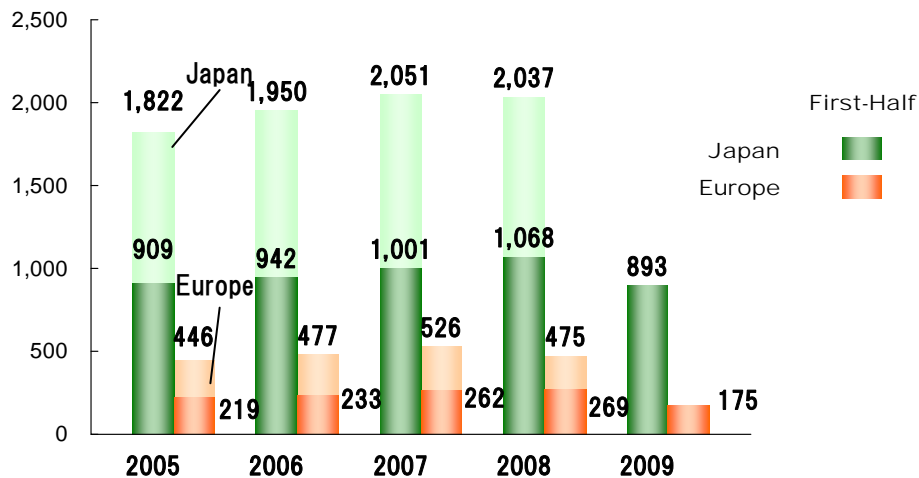


(unit:100million yen/%)

		FY2008First-Half	FY2009First-Half	Increment	%
Revenue	Japan	1,068	893	▲175	▲16.3
	Europe	269	175	▲ 94	▲34.9
	U.S.A	43	37	▲ 6	▲14.3
	Internal Transfer	▲37	▲22	15	—
	Total	1,343	1,083	▲260	▲19.3
Operating Profit	Japan	35	9	▲ 26	▲74.0
	Europe	1	1	0	20.3
	U.S.A	1	1	0	31.6
	Internal Transfer	2	1	▲ 1	—
	Total	39	12	▲ 27	▲68.8

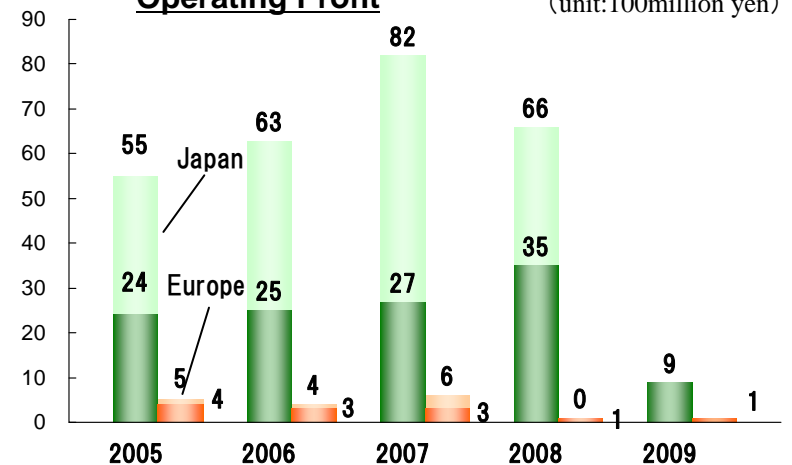
Revenue

(unit:100million yen)



Operating Profit

(unit:100million yen)



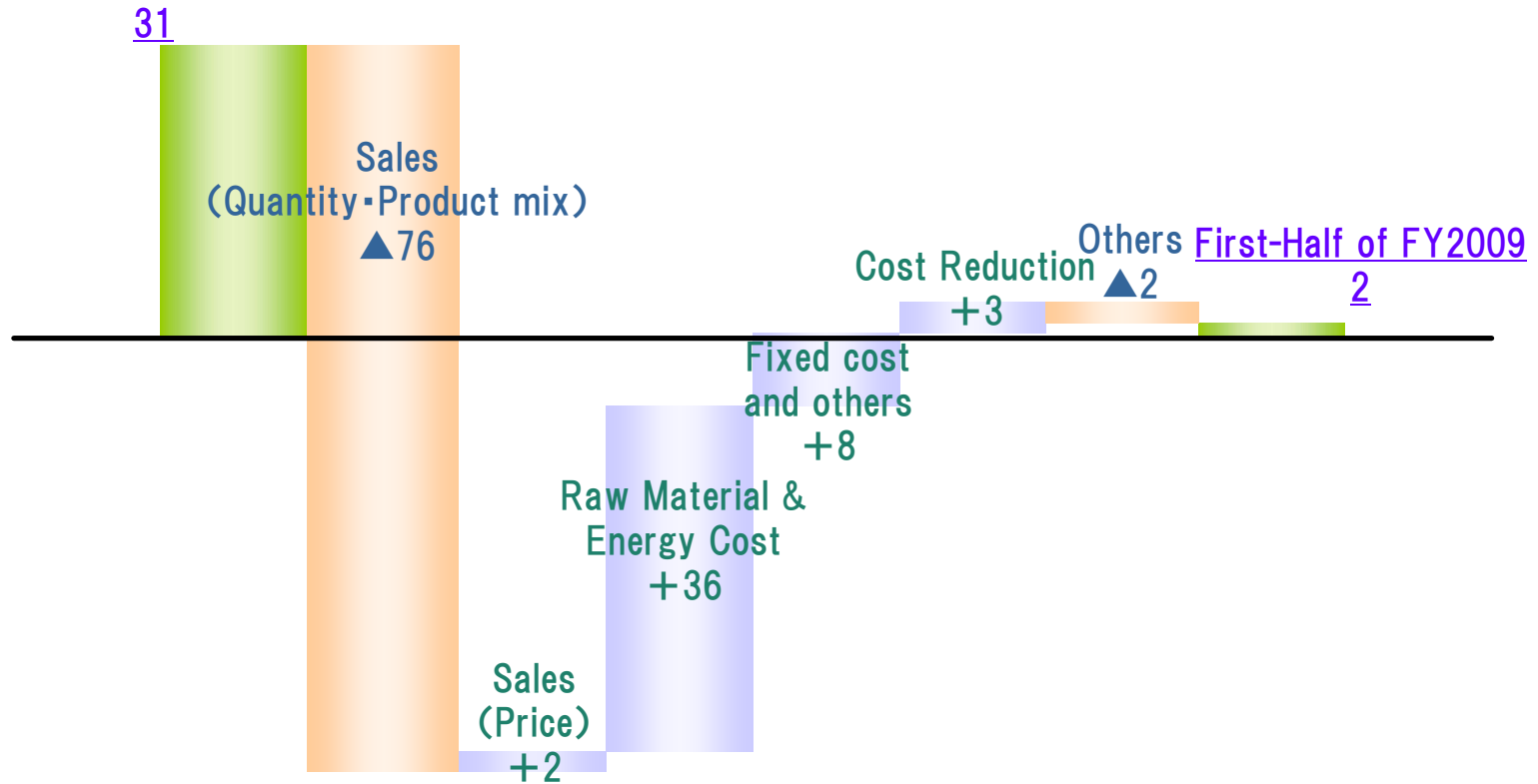
Breakdown of Increase/Decrease of Consolidated Ordinary Profit



First-Half of FY2009

100million yen

First-Half of FY2008



Balance Sheet <Consolidated>



(unit:100million yen)

	Ended of March 31,2009		Ended of Sept. 30, 2009		Increment
	Amount	%	Amount	%	Amount
Assets	2,943	100.0	2,927	100.0	▲ 16
Current Assets	1,166	39.6	1,127	38.5	▲ 39
Fixed Assets	1,777	60.4	1,800	61.5	23
Tangibles	1,362	46.3	1,359	46.4	▲ 3
Intangibles	14	0.5	12	0.4	▲ 2
Investment and Others	401	13.6	429	14.7	28
Liabilities	2,238	76.1	2,239	76.5	1
Current Liabilities	1,588	54.0	1,512	51.7	▲ 76
Long-Term Liabilities	650	22.1	727	24.8	77
Net Assets	705	23.9	688	23.5	▲ 17
Interest Bearing Debts (including accrued expenses)	1,635	—	1,675	—	40

Statement of Cash Flow <Consolidated >



(unit:100million yen)

	FY2008	FY2009	Increment
	First-Half	First-Half	
	Amount	Amount	Amount
Cash Flow from Operating Activities	11	42	31
Cash Flow from Investing Activities	▲40	▲66	▲26
Cash Flow from Financing Activities	45	22	▲23
Effect of Exchange Rate Fluctuation on Cash & Cash Equivalents	0	0	0
Net Increase/Decrease in Cash and Cash Equivalents	16	▲ 2	▲18
Cash and Cash Equivalents at the Beginning of the Year	23	35	12
Cash and Cash Equivalents at the End of the Year	39	33	▲ 6

Forecast for FY2009

Forecast < Increase/Decrease Factors >

(unit:100million yen)

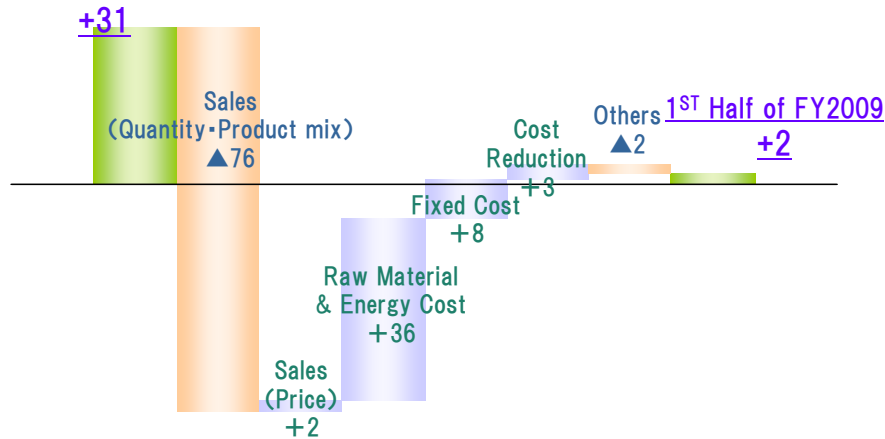
	FY2008			Forecast of FY2009			Increment					
	1ST Half	2nd Half	FY2008	1ST Half (Actual)	2nd Half (Forecast)	FY2009 (Forecast)	1STHalf		2nd Half (Forecast)		FY (Forecast)	
							Amt	%	Amt	%	Amt	%
Revenue	1,343	1,188	2,531	1,083	1,177	2,260	▲260	▲19.3	▲11	▲0.9	▲271	▲10.7
Pulp & paper	1,189	1,030	2,219	940	1,010	1,950	▲249	▲21.0	▲20	▲1.9	▲269	▲12.1
Photosensitive	174	168	342	147	170	317	▲ 27	▲15.2	2	1.0	▲ 25	▲ 7.2
Others	114	102	216	107	110	217	▲ 7	▲ 5.7	8	7.5	1	0.6
Internal Transfer	▲134	▲112	▲246	▲111	▲113	▲224	23	—	▲ 1	—	22	—
Operating Profit	39	32	71	12	33	45	▲ 27	▲68.8	1	1.5	▲26	▲36.7
Ordinary Profit	31	14	45	2	23	25	▲ 29	▲92.1	9	58.0	▲20	▲44.4
Net Profit	32	▲ 20	12	▲ 16	16	0	▲ 48	—	36	—	▲12	▲100.0

Forecast of the 2nd Half: ¥95/\$、Dubai crude oil \$70/barrel

Breakdown of Increase/Decrease of Consolidated Ordinary Profit

Comparison of the 1ST Half (Actual)

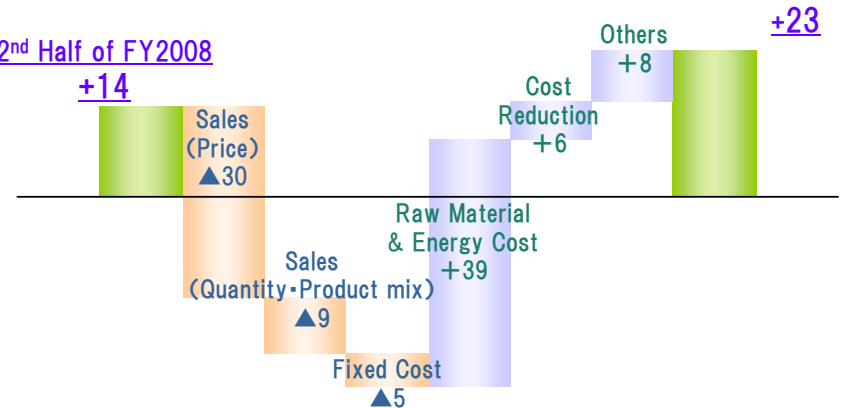
1ST Half of FY2008



Comparison of the 2ND Half (Forecast)

2nd Half of FY2008

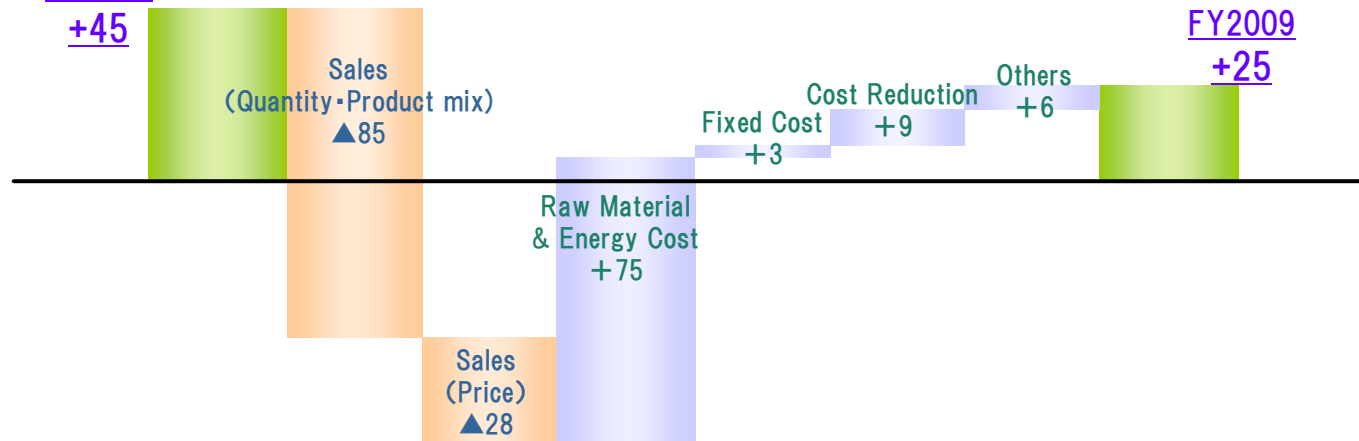
2ND Half of FY2009



Comparison of FY2008 and FY2009(Forecast)

FY2008

FY2009



Key Indices <Consolidated>



(unit:100million yen)

	FY2008 First-Half	FY2009 First-Half	FY2009(Forecast)
Interest Bearing Debts (including Accrued Expenses)	1,640	1,675	1,650
Depreciation	64	65	130
Investment	90	55	80
Number of Employees	4,599	4,632	4,470

Key Indices <Non-consolidated>



(unit:100million yen/%)

Sales Data		FY2008				FY2009			
		1 ST Half		Fiscal Year		1 ST Half		Fiscal Year	
		Sales Qty.	Sales Amt.	Sales Qty.	Sales Amt.	Sales Qty.	Sales Amt.	Sales Qty.	Sales Amt.
Paper	Uncoated (Wood-free, etc)	92	113	179	221	79	98	160	195
	Coated (Coated & IJ Paper, etc)	328	446	616	826	246	328	532	701
	Business Communication Paper (Thermal, Carbonless Paper, etc)	47	105	87	202	40	93	79	183
	White Card Board	24	27	45	53	22	27	45	53
	Others (Leaf paper, Hygiene Paper, Non-Woven Fabric ,etc)	9	50	17	98	8	43	16	94
	Total	500	741	944	1,400	395	589	832	1,226
		1 ST Half of FY2008				1 ST Half of FY2009			
Exchange Rate		¥106.23/US \$				¥95.27/US \$			
Annual Usage of Woodchips (Import Ratio)		607Tt (66%)				500Tt (67%)			
Annual Usage of Purchased Pulp (Purchase Ratio)		45Tt (11%)				23Tt (7%)			
Annual Usage of Oil		20Tkl				19Tkl			
Annual Usage of Coal		155千t				131Tt			
Purchase Electric Power (Self-Generation Ratio)		144MWH (80%)				130MWH (79%)			

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

- Coping with an increasing severe Business Environment -

[Enhanced Countermeasures]

From "Scale" to "Cost Competitiveness" and "Value Added"

~"Countermeasures to meet the structural change of the markets "
and "Survival in Core Businesses" ~

Nov. 17, 2009
Kunio Suzuki,
President and CEO
Mitsubishi Paper Mills Ltd.

Goals, Set in Post Phoenix Plan (Mid Term Plan)

Targeted 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

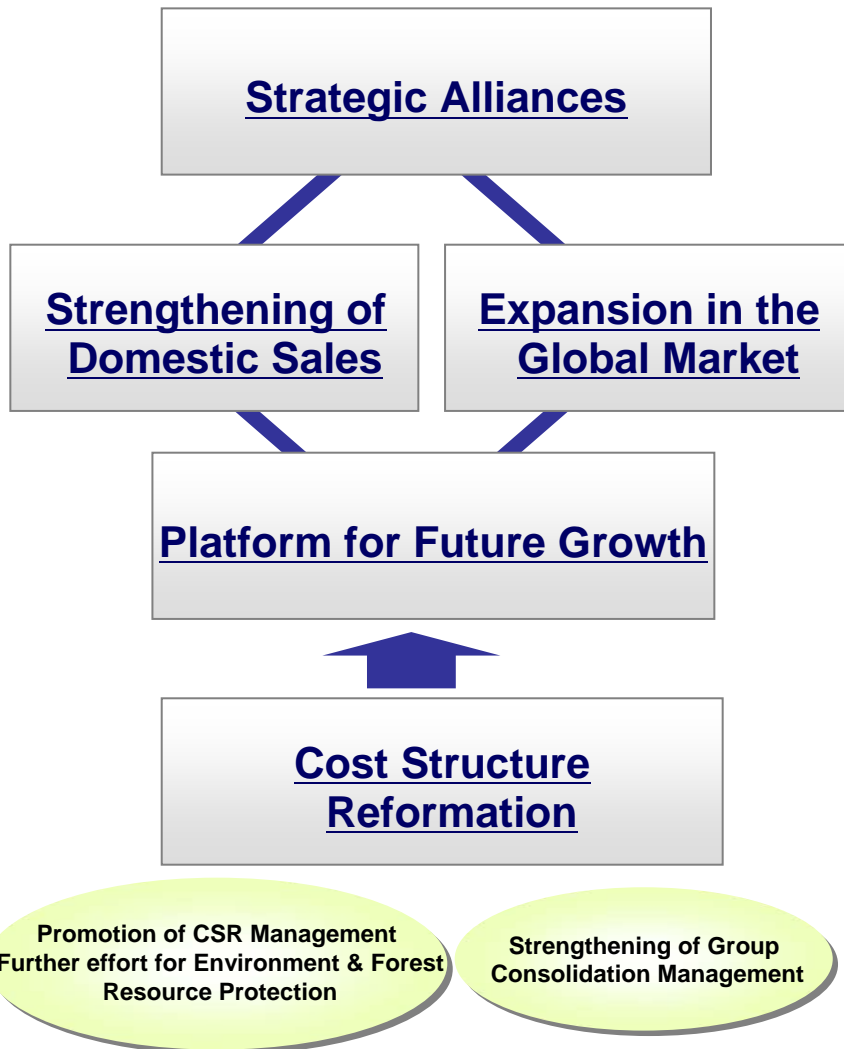
Business group with balanced growth of 3 business areas i.e. Printing & Communication Paper, DI Media, and New Products

Basic Target

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

Keep the Target unchanged as the company vision

Countermeasures to Date



Strategic alliances

Alliance with FUJIFILM <Sales expansion of RC base paper >

- Supplying Resin Coated base paper for photo papers

The Alliance with OJI Paper <Consolidation of Communication paper >

- Supplying a part of Non-Carbon base paper produced at Hachinohe mill

Expansion of Printing paper supply sources

- Sales alliance of 'Mitsubishi Paper Sales co.' (paper sales agent) with 'Hokuetsu-Kishu Paper' and 'Daio Paper'

Strengthening of Domestic Sales

Expansion of 'FSC certified paper' <Sales increase in Printing and Communication Paper >

- FY2009 forecast Build up 10,000t/M

Development of High value added Ink Jet Media

- Development and Sales Promotion of High Quality Photo Ink Jet Paper

Expansion in the Global Market

Restructuring of German Operation

- Review of Product Portfolio and realignment of Product mix

Platform for Future Growth

Investment in Production infrastructure at Hachinohe Mill <considering future expansion of energy supply >

- Under review in light of future market demand

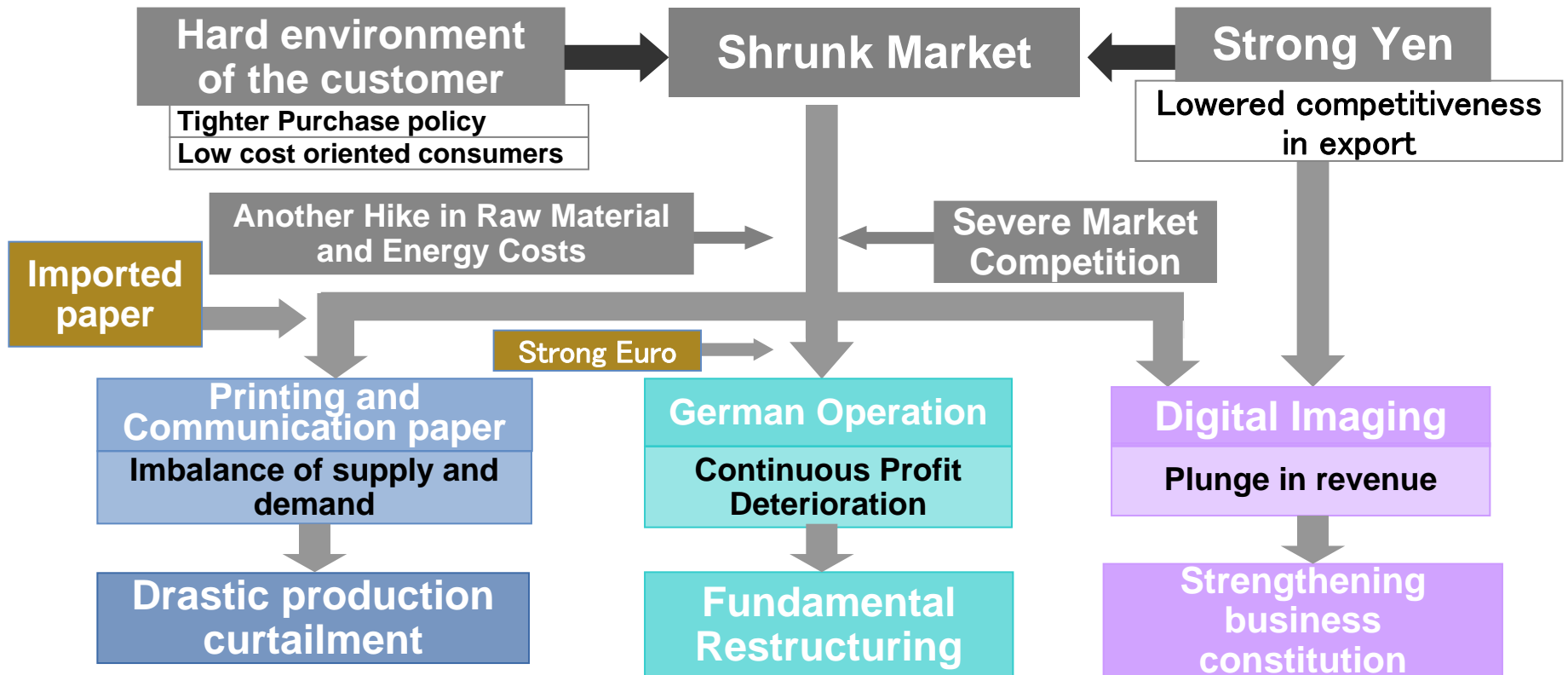
Set up the converting base in China <Developing overseas market and cost down >

- Start up of the Filter Unit assembly facility in Zhuhai, China

Cost Structure Reformation

Minimizing the cost at each mill <Profit improvement under the production curtailment >

Changes in business environment after 2nd Half 2008 and its countermeasures



Changes in business environment

- Drastic drop in world demands → Drastic sales drop in Printing paper and D&I business. Also on Overseas Business (include German Operation).
- Strong Yen → Dropping export sales → Low Profit of DI Division. Increasing pressure from Imported Paper.
- Change of the Market Structure → Impact on the Sales of Printing Paper and Printing Plate Materials.

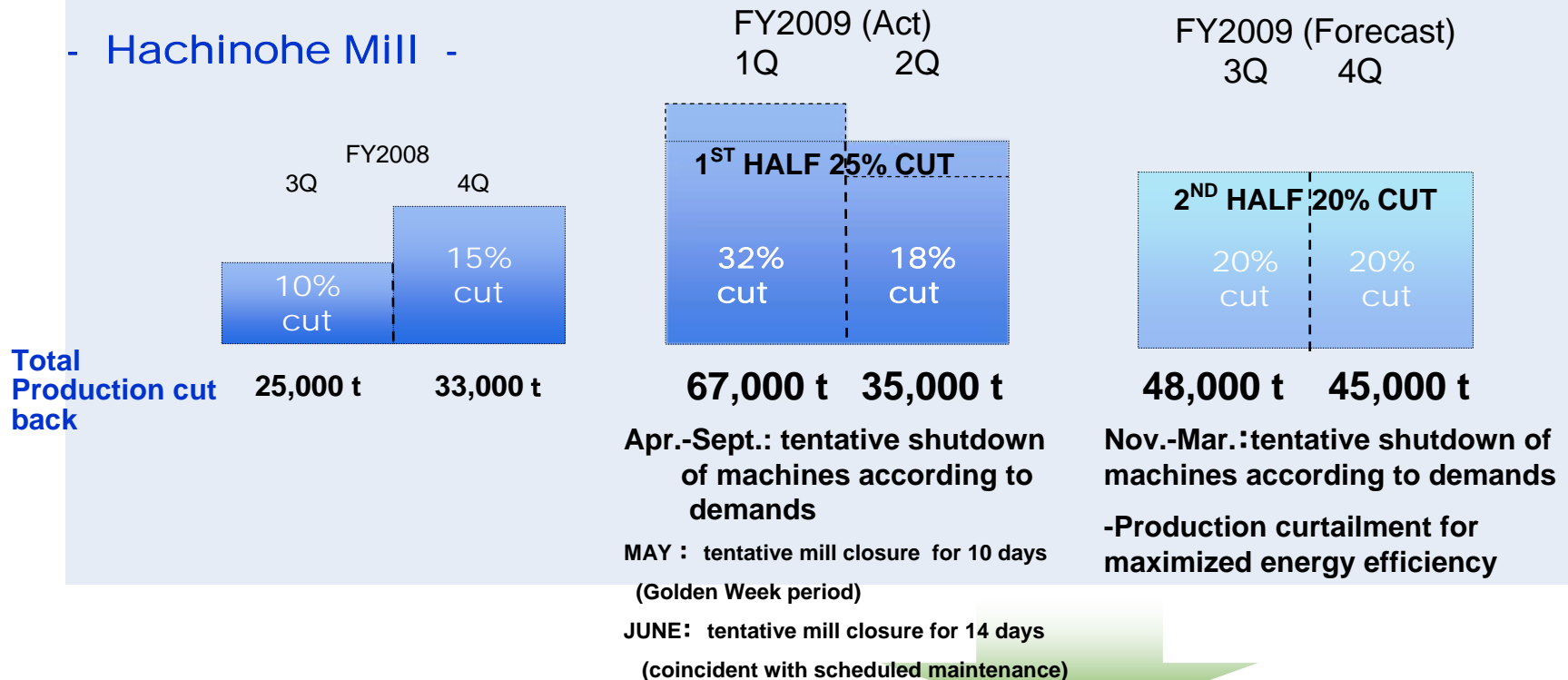
Countermeasures against the Changes in business environment

(1) Printing & Communication Paper



Printing and Communication Paper to be continued Drastic production curtailment

- Hachinohe Mill -



- Relocate Production Sites for Communication Paper
- Further pursuit of cost minimization

Fundamental Restructuring at MPB

MPB : Mitsubishi HiTec Paper Bielefeld GMBH

1. Shut down of No.1 Paper Machine (30,000t/y) at the end of July, consolidation to No.3 Paper Machine (120,000t/y).
2. Shut down of 4 cast coater machines by the end of Aug.
3. About 120 personnel cuts by the end of 2009.
4. Review of product portfolio, realignment of Product mix.
5. Drastic organization reform, consolidation (MPF+MPB).
 - (1) Improvement of sales, purchase and logistic organization
 - (2) Consolidation and improvement of R&D organization
 - (3) Consolidation of management organization



**Aiming for Profit Improvement 1.5 billion Yen for FY2009,
Right On Track**

Countermeasures against the Changes in business environment (3) I & D Company

Drop in Demands

World Demands shrinkage

Digital Imaging Business

Specialty material Development Business

Strong Yen

**Lowered competitiveness
in export**

- ◆ Both “Digital Imaging business” and “Specialty Material Development business” are Development Intensive business
- ◆ Promotion of R&D ,Production, and Sales activities in an integrated manner
- ◆ Organization and resource input in accordance with the changes in business environment
- ◆ Strengthening Marketing

Consolidation into I&D Company

I&D = Imaging &
Development

Further Pursuit of Cost Minimization

2 Billion Yen Profit Improvement

Change in Business environment



**Structural Change in Demand
Communication Media**

Paper to electric media (internet etc.)

Scale of Paper Products

From “mass” to “middle”

Countermeasures

- (1) **“Demand expansion” cannot be expected → make profit under low machine utilization and look for the additional value**
- (2) **Development to meet the era of “Digital Printings” using Paper Media
Meets the demand for the digital printing (incl. commercial printing)
Simplification and Total Cost down of Light Printing system (e.g. Thermal Digiplate)**
- (3) **Create a “Value” onto the Products
Fits to the diversified user Values such as Environmental and Artistic Needs**
- (4) **Expansion and Strengthen of “Non Communication Media”
New Business Development using Non-woven fabric
New Business Development for e.g. Electronics Field**

1. Architect an Production System suitable for Demand (Capacity reduction and Employees relocation / curtailment)

- Shut down No.12 Paper Machine at Takasago Mill: Capacity 66,000t/year, thermal and carbonless base paper
- Relocate production of Communication base paper from Takasago Mill to Hachinohe
- Transfer personnel of I&D Company (I&D = Imaging & Development)

2. Minimize cost through out the company

- Realize the ultimate of low cost structure for I&D Company
 - (1) Cost Cut through out the company, i.e. Kyoto mill, Kitakami Hitec Paper, subsidiaries and head quarters, (2) Restructure of Finishing operation, (3) Optimization of Logistic system, and (4) Discontinuation non-profitable items
- Explorer possibilities further Cost Reduction at Hachinohe and Takasago Mill
- Trim Logistic Costs for Printing & Communication Paper

3. Drastic Cost Reduction of Overhead cost

- Stream Line R&D system
- Cost Reduction at the Head quarters and subsidiaries

4. Shift to High value added Products on Printing and Communication Paper

- Develop Markets of New Digital Printing Paper
- Develop New Generation “Premium Art Paper”
- Promote FSC certified paper and paper made of thinned wood

5. Launch New Products from I&D Company, and Develop market in non information media field

- Promote Thermal Digiplate (TDP)
- Promote New Ink Jet media on global scale
- Develop functional Non-woven fabric

6. Stabilize Overseas Operations and Capitalize on Overseas Business Base

- Fulfill Restructuring of German Operation
- Capitalize on the Business Base in China

7. Realize Effect of the Alliances

- The Alliance with FUJIFILM
- The Alliance with OJI Paper related to Communication Paper



Effects of Countermeasures : 4.5 Billion Yen in 2 Years

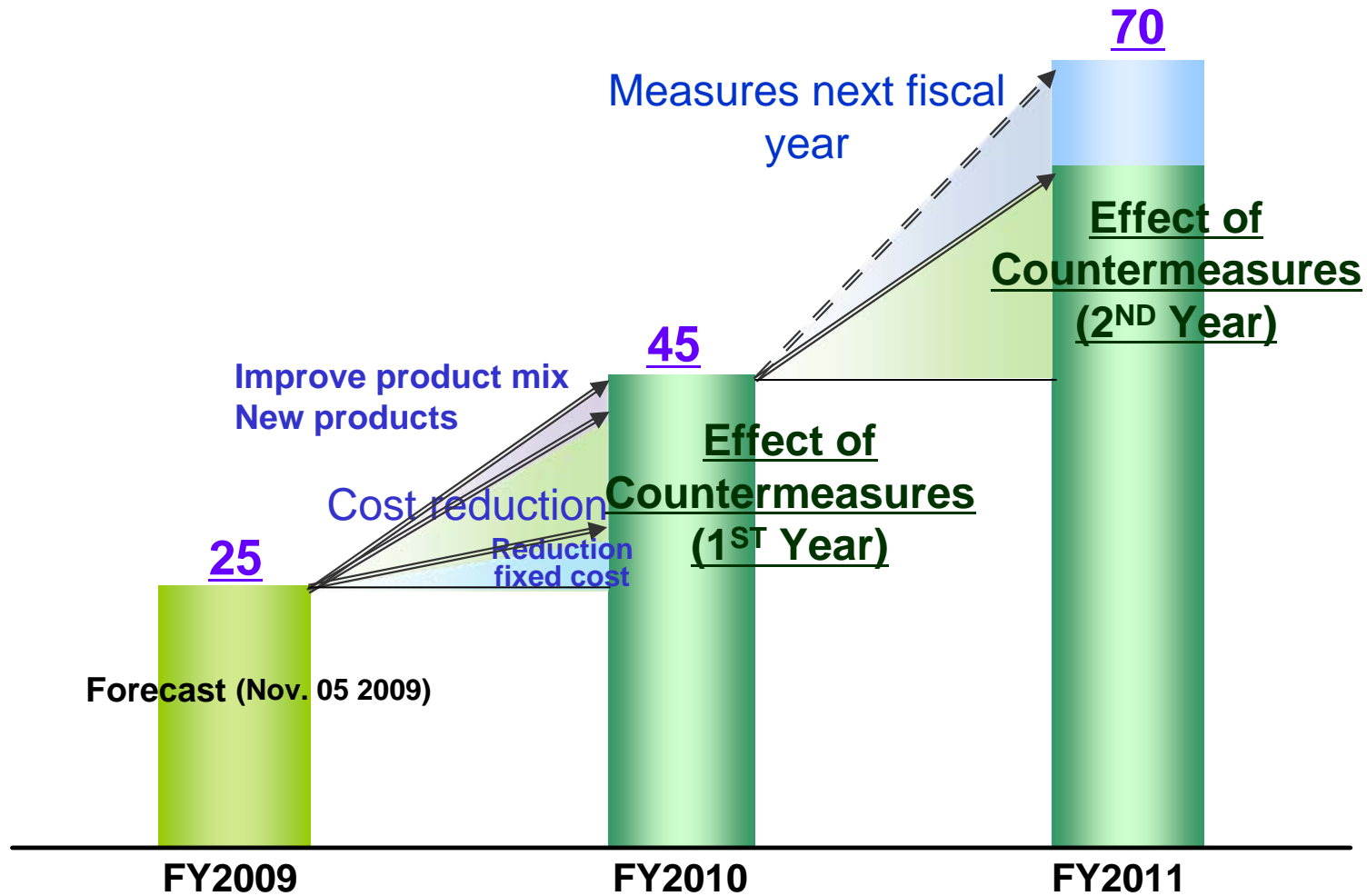
Minimum 2 Billion Yen in Next FY2010

(After the countermeasures: 300 personnel cuts)

Forecast <Ordinary Profit Consolidated>



100 million yen



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