MITSUBISHI PAPER MILLS LIMITED

Annual Report 2013

PROFILE

Mitsubishi Paper Mills Limited was established by Mitsubishi's third president, Hisaya Iwasaki in 1898.

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 chemical paper, highly functional filters to our operating business domains, and increasing emphasis on research and development in new business areas.

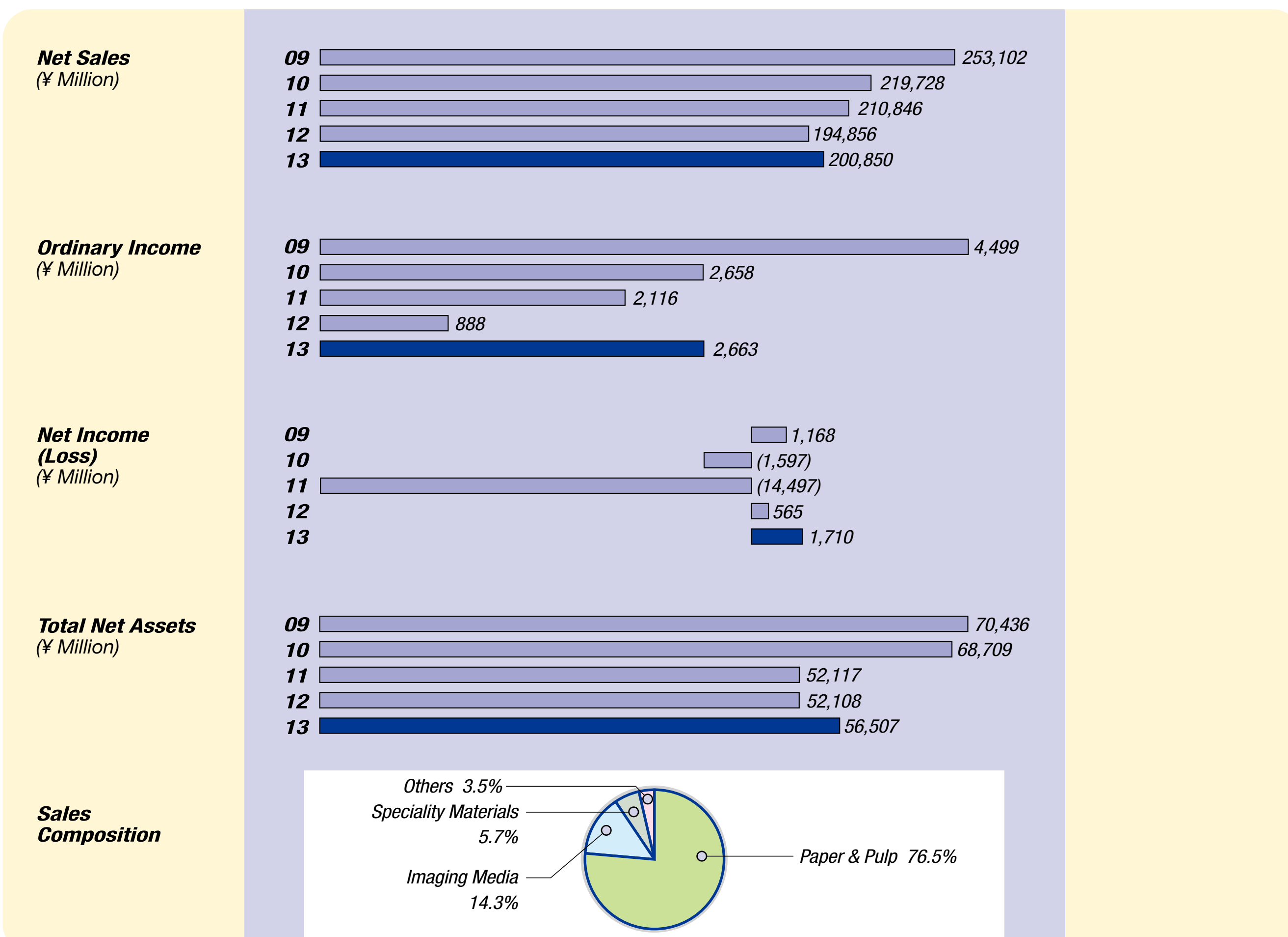
With production facilities and R&D sites mainly located in Japan and Germany, and sales sites located in Japan, Germany and the United States, we have positioned ourselves to serve global markets.

CONTENTS

FINANCIAL HIGHLIGHTS (CONSOLIDATED)

	Millions of yen *(1)*		Thousands of U.S. dollars *(1) and (2)*
	2013	2012	**2013**
For the years ended March 31			
Net sales	**¥ 200,850**	¥ 194,856	**$ 2,135,567**
Ordinary income	**2,663**	888	**28,324**
Net income	**1,710**	565	**18,182**
Net income per share (in yen and dollars)	**5.00**	1.65	**0.05**
Cash dividends per share (in yen and dollars)	**—**	—	**—**
As at March 31			
Total assets	**¥ 265,234**	¥ 276,305	**$ 2,820,146**
Total net assets	**56,507**	52,108	**600,825**
Common stock	**32,756**	32,756	**348,286**
Number of shareholders	**17,347**	18,278	
Number of employees	**4,133**	4,341	

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 ¥94.05 = U.S.$1, as of March 31, 2013.



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

Overview of the Reporting Term

The Mitsubishi Paper Mills Group continued to face a difficult operating environment during the reporting term, mainly due to the impact of a sluggish economy and increased paper imports on the domestic printing paper market.

Against this backdrop, with a basic strategy of reconstructing the printing paper business and strengthening our revenue base for growth, we took action based on our First Mid-term Management Plan.

In our Paper and Pulp Division, although we saw decreased production rates at our Hachinohe Mill due to the earthquake disaster in the previous period, and a substantial decline in sales volumes, we fully recovered during this period and both sales volumes and values increased. However, with slack domestic demand and further price declines in the second half, conditions turned extremely adverse. On the other hand, we took steps to improve market conditions by adjusting production in the summer of 2012 and temporarily suspending operation of the No. 3 Paper Machine at our flagship Hachinohe Mill in 2013.

In our Imaging Media Division, despite sluggish domestic demand, sales volumes increased as a result of efforts to expand sales, mainly of silver halide photography, in overseas markets.

In speciality materials Division, we launched newly developed products that leverage our technological capabilities including filters for automotive air conditioners and non-woven support medium for RO (Reverse Osmosis) membranes. Moreover, sales value increased after KJ Specialty Paper Co., Ltd., a manufacturer of chemical and other types of paper, was made a subsidiary in October 2011.

As a result, net sales on a consolidated basis came to ¥200,850 million (US$2,135 million), an increase of 3.1% year on year.

Although earnings declined on deteriorating market conditions for paper, consolidated ordinary income jumped 200% to ¥2,663 million (US$28 million) thanks to higher productivity, the cost reducing effects of fixed costs cuts, and other factors. Net income was ¥1,710 million (US$18 million) on a consolidated basis.

On a non-consolidated basis, the Company posted net sales of ¥123,164 million (US$1,309 million), ordinary income of ¥377 million (US$4 million), and net income of ¥433 million (US$4 million).

Mid-term Management Strategy and Issues Facing the Company

The Group's mid-term management strategy consists of seeing to a successful conclusion the goals of our First Mid-term Management Plan (lasting for three and a half years from October 2011 to the end of fiscal 2014).

• Improve earnings of printing paper business
• Normalize the Group's financial position
• Develop new products within each division and nurture them into new businesses, and achieve further development overseas, centered on emerging nations.

Phase 1 of the First Mid-term Management Plan lasts one and a half years from the second half of fiscal 2011 up to the end of fiscal 2012, and Phase 2 is the fiscal 2013-fiscal 2014 two-year period. We have positioned this first phase as a period for "reconstruction," and the second phase as a period for "strengthening our revenue base for growth."

In Phase 1, we achieved our objective of the swift reconstruction of the Hachinohe Mill and the recovery of printing paper business sales. Nevertheless, as harsh business conditions continued in fiscal 2012, we suspended operation of the No. 3 Paper Machine at the Hachinohe Mill with the goal of raising production efficiency and improving market conditions. At the same time, we shifted to profitable brands, reduced fixed costs, cut inventories, and lowered distribution costs. We plan to reduce sharply increased interest-bearing debt ahead of schedule by curbing investments, reducing assets, and other means.

In Phase 2, in fiscal 2013, we will steadily raise prices on printing paper, our highest priority, increase our export ratio, shift to profitable brands, reduce costs, and improve our earning capacity. In conjunction with these efforts, we will further reduce interest-bearing debt and strengthen our financial position. In addition, we will focus on investing management resources to strengthen future growth fields.

At the same time, we recognize that corporate social responsibility (CSR) activities are a vital means of maintaining the trust and support of our stakeholders, and are therefore enhancing the Group's enterprise value. In fiscal 2012, we started suggestion system to gather ideas for the development and provision of services to help raise customer satisfaction, a top priority. In addition, we redoubled our efforts to eradicate unsafe practices at production sites. With regard to products, in addition to taking steps to expand our lineup of FSC forest-certified paper products and other ecologically friendly products, we have conducted verification tests on a radioactive cesium removal system using magnetic adsorbents and worked toward commercialization. We will continue efforts in this area moving forward.

In addition to being top priorities in fiscal 2012, we are rigorously dealing with legal compliance and implementing more in-depth measures in fiscal 2013 as well. In fiscal 2013, we have pursued five basic management policies, 1) strengthening our CSR management foundation, 2) promoting environmental management, 3) raising customer satisfaction levels by carefully addressing user needs, 4) taking further measures to ensure that we provide our employees with a pleasant working environment, and 5) pursuing activities that contribute to society. Under these policies, we will take measures to raise our enterprise value in the areas of compliance, risk management, safety and hygiene, the environment, product safety, product quality, human and labor rights, information disclosure, and social contributions.

Forecasts

In fiscal 2013, we will ensure that printing paper price revisions steadily widely disseminated and further improve earning capacity by taking a variety of measures to strengthen our revenue base for growth, which is Phase 2 of our First Mid-term Management Plan. For the Company's consolidated business performance, we forecast net sales of ¥210.0 billion (US$2,210 million), operating income of ¥4.5 billion (US$47 million), ordinary income of ¥3.0 billion (US$31 million), and net income of ¥2.5 billion (US$26 million).

Exchange rate assumptions for the above forecast are ¥95/$1 and ¥125/€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.

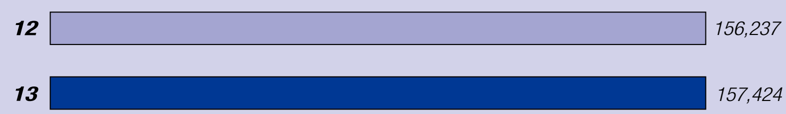
June 2013

鈴木邦夫

Kunio Suzuki
President & C.E.O.

PAPER AND PULP DIVISIONS

Net Sales *(¥ Million)*



In commercial printing and communication paper – the Paper and Pulp Division's mainstay – the domestic market was under a harsh business environment from the sluggish economy and the increased paper imports, but the earthquake disaster further aggravated this. We then able to gradually start up the mills' papermaking machines one after another, recovering full production levels in November. In the second half of the term, we also focused efforts on attempting to push through price increases and restore production from fiscal 2011 levels, when volumes decreased, to pre-earthquake levels. As a result, both sales volume and value increased.

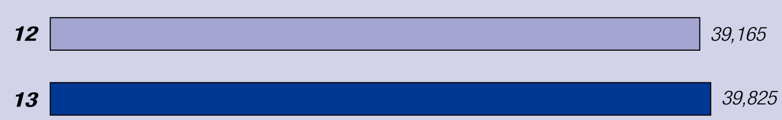
Sales volumes and values at our European subsidiaries both increased thanks to increased sales, mainly of thermal paper.

Sales of pulp increased in both volume and value terms.

As a result, overall sales in the Paper and Pulp Division increased 0.8% year on year to ¥157,424 million (US$1,673 million) on a consolidated basis.

IMAGING MEDIA DIVISION

Net Sales *(¥ Million)*



Amid a continuing decline in global demand for photosensitive materials, we focuses on expanding sales in emerging markets and as a result achieved sharp increases in both sales volume and value.

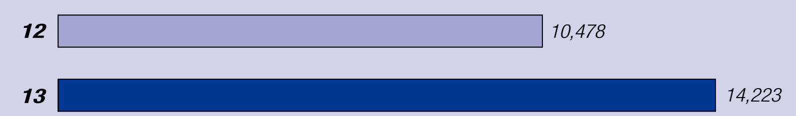
Sales of inkjet paper increased in Europe, the United States, and Asia thanks to stronger overseas sales efforts, but sales fell in both volume and value terms due to slack domestic demand.

In printing plate materials, although we focused on boosting sales of environment-friendly CTP printing plates, this could not offset the effects of the economic slump in Europe and the United States, our mainstay markets, or the yen's appreciation through to the end of last year, therefore, sales volumes and values declined.

As a result, overall sales in the Imaging Media Division increased 1.7% year on year to ¥39,825 million (US$423 million) on a consolidated basis.

SPECIALITY MATERIALS DIVISION

Net Sales *(¥ Million)*

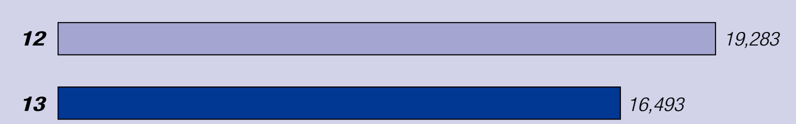


Sales of home electrical appliance filters for overseas markets decreased, but increased for filters for automotive air-conditioners. Moreover, sales at KJ Specialty Paper Co., Ltd. contributed to a full-year increase in sales value. New products that we developed and promoted sales of included non-woven support medium for RO (Reverse Osmosis) membranes, battery separators, air filters with superior pollen dust trapping performance, and magnetic sorbents.

As a result, overall sales in the Speciality Materials Division increased 35.7% year on year to ¥14,223 million (US$151 million) on a consolidated basis.

OTHER DIVISIONS

Net Sales *(¥ Million)*



Sales in other divisions declined 14.5% year-on-year to ¥16,493 million (US$175 million), due chiefly to lower sales at our engineering subsidiaries.

Progress Made under Mid-term Management Plan

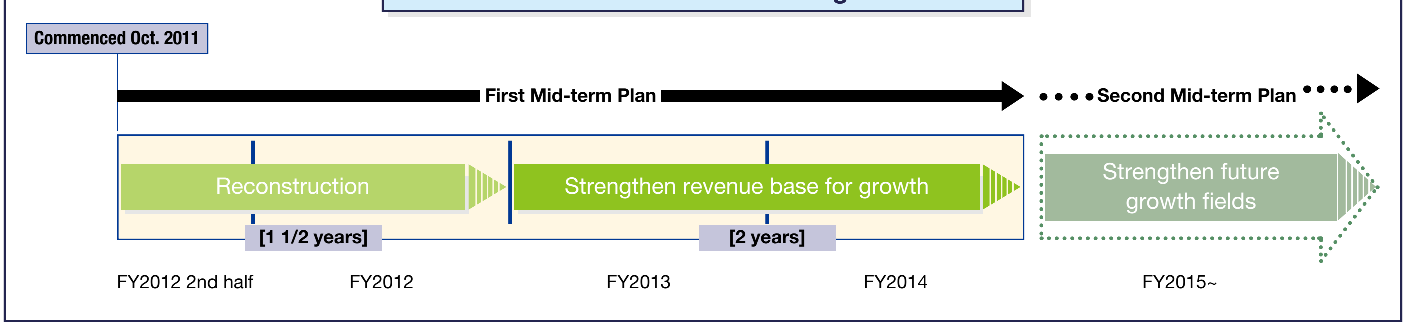
Our facilities in the Tohoku Region were damaged by the Great East Japan Earthquake that occurred on March 11, 2011. In particular, our Hachinohe Mill in Aomori Prefecture suffered extensive damage from the tsunami, and production at the mill came to a stop. Although a complete restoration of production activities was achieved by November, the Company's financial position was weakened considerably by non-operation and reconstruction costs incurred during that time.

In October of 2011, we started our First Mid-term Management Plan with the principal goals of achieving a recovery in sales and restoring our financial position to its former state. The first phase of the plan, "reconstruction," has been completed. In April of this year, we entered the second phase, "strengthening our revenue base for growth."

The following section provides a detailed description of the Mid-term Management Plan and the state of progress in its implementation.

(1) Schedule and Basic Policies

Schedule of 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, normalize financial position
(3) Pursue separate business strategies for each segment

(2) Basic Plan Values

(¥ Billion)

	FY2011	1H	2H	FY2012		FY2013	FY2014
	Plan	Results	Results	Plan		Plan	Plans
	Results			**Results**		Forecast	Forecast
Net sales	200.0	101.4	99.5	230.0	29.1 decrease	235.0	240.0
	194.9			**200.9**		210.0	
Operating income	3.0	1.9	1.4	7.5	4.2 decrease	8.0	10.0
	2.2			**3.3**		4.5	
Ordinary income	1.0	1.3	1.4	4.5	1.8 decrease	5.0	7.0
	0.9			**2.7**		3.0	
Interest-bearing debt	170.0	163.5		170.0	14.7 decrease	160.0	150.0
	158.0			**155.3**		150.0	145.0
D/E ratio*	3.7 times	3.4 times		3.4 times		3.0 times	2.6 times
	3.2 times			**2.9 times**		2.7 times	2.4 times

*D/E ratio = interest-bearing debt/shareholders' equity

FY2012 Summary

Although reconstruction from the earthquake disaster was largely achieved ahead of schedule, net sales and earnings came in substantially below target due to greater-than-expected changes in the external environment (downslide in market conditions for printing paper, stagnant economic growth in China, etc., worsening Japan-China relations, etc.)

We will review after determining market trends such as price increases for printing paper (as of 2Q FY2013)

(3) Breakdown of Progress by Theme

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

- Although Hachinohe Mill reconstruction was completed ahead of schedule, profitability decreased due to printing paper price decreases following higher paper imports, slack demand, etc.
- Invest in finishing line efficiency ➡ PPC finishing line (operating since Jan. 2013)/Large cutter (operation slated for Jun. 2013)

② Promptly repay sharply increased interest-bearing debt, normalize financial position

a) Normalize earning power

- Thoroughly reduce fixed processing costs
  - · Reduce costs through greater efficiency at each Mill and subsidiary
  - · Relocate head office and consolidate subsidiaries (July)
  - · Reduce staff by 420 people over a two-year period beginning from March 31, 2011

b) Secure adequate cash flows

- The reconstruction fund procurement contract ended in fiscal 2011
- March 2013, obtain top environmental rating from Development Bank of Japan ➡ Procure funds at preferential interest rates

(4) Breakdown of Progress by Division

Printing Paper Business

Three-and-a-half-year strategic theme ➡ Expand earnings amid market in which demand is maturing

○ FY2012: Priority strategies' results

- **Built efficient finishing lines at Hachinohe Mill**
  (Improved efficiency and quality in production of PPC and flat printing paper sheets)
  ➡ Installed PPC finishing line (operating since Jan. 2013); Install large cutter (operation slated for Jun. 2013)
- **Improved logistics capabilities**
  (established direct transport system, maintain inventories at ideal minimum level)

Imaging Business

Three-and-a-half-year strategic theme ➡ Create conditions for ensuring adequate revenues despite strong yen

○ FY2012: Priority strategies' results

- **Further developed marketing capabilities in overseas markets (established sales channels in emerging nations)**
  ➡ Sales of photographic paper increased significantly in India, the Middle East, Africa, Latin America, etc. Develop sales channels for inkjet and other paper in emerging nations.
- **Build stronger alliance with Fuji Film**
  ➡ Expand base paper business, also start new initiatives and steadily increase alliance results

Specialty Materials

Three-and-a-half-year strategic theme ➡ Speed up growth, selectively focus appropriation of management resource

○ FY2012: Priority strategies' results

- **Stabilized production and expand sales of new brand non-woven fabric products**
  ➡ Completed shift to new paper machines for water treatment-related products and battery separator-related products. Expanded sales globally.
- **Launched aggressive marketing of automotive-use cabin air filters**
  ➡ Began supplying to major automakers. Expanded sales globally.

KJ Specialty Paper

Three-and-a-half-year strategic theme ➡ Create synergy, develop overseas

○ FY2012: Priority strategies' results

- **Efficient operation of shared sales channels by KJ Specialty Paper and MPM (discuss cooperation in sales and production)**
  ➡ Began cooperating within MPM Group in overseas markets

German Operations

Three-and-a-half-year strategic theme ➡ Utilize weak euro to stimulate exports

○ FY2012: Priority strategies' results

➡ Strong sales in Europe (imports down due to depreciating euro, etc.)
➡ Strengthened export sales, especially special thermal paper products for outside euro-zone

(5) Business Themes in Phase 2

Printing Paper Business – Priority Strategies for FY2013

<Restore printing paper prices>
- ○ Reduce inventories, continue manufacturing consistent with demand

<Increase exports>
- ○ Increase exports of industrial inkjet paper and thermal paper

<Reconstruct value chain at Hachinohe Mill where production has been cut back>
- ○ Shift to profitable brands (promote non-commoditization)
  - ➡ Expand sales of products that leverage MPM's strengths (FSC products, white paperboard for food use, book paper, paper for high-class catalogs
- ○ Further strengthen supply chain structure (just-in-time manufacturing/sales)

<Rigorously reduce mill costs and streamline>
- ○ Reduce distribution costs (raise drop shipment rate, rationalize inventories)
- ○ Promote energy conservation
- ○ Realize effects from start-up of PPC finishing line and large cutter

<Reinforce competitiveness of German business/Use as global strategic base>

Imaging Business – Priority Strategies for FY2013

<Establish earnings structure aided by weak yen>
- ○ Fortify overseas sales and secure earnings
  Expand sales in Europe and U.S. leveraging product appeal and secure earnings by developing emerging markets with growth potential
- ○ Strengthen alliance with Fuji Film
  Build stronger alliance and increase efforts in each imaging field
- ○ Launch new products and enter new fields
  - ➡ Strengthen new product initiatives
  - ➡ Enter new fields leveraging imaging technology

Speciality Materials – Priority Strategies for FY2013

<Expand sales of new products and increase overseas sales>
- ○ Produce cabin air filters overseas/Establish sales system
- ○ Increase variety of water treatment-related products and expand globally
- ○ Roll out new secondary battery separator product
- ○ Start decontamination business

<Strengthen earnings based for existing products>
- ○ Further fortify KJ Specialty Paper's earnings structure
- ○ Commercialize glass non-woven fabric product and new construction material product
- ○ Roll out functional filters including PM2.5 countermeasures

Overview of Our CSR Activities

At the Mitsubishi Paper Mills Group, we recognize that the fulfillment of our CSR is vital in winning the trust and understanding of our stakeholders and thereby enhancing the Group's enterprise value. Accordingly, we promote distinctive CSR activities while working to expand and enhance our initiatives in this area. In fiscal 2012 our top priorities were establishing a suggestion system to gather ideas for the development and provision of services to help raise customer satisfaction, and redoubling efforts to eradicate unsafe practices at production sites. With regard to products, we took steps to expand our lineup of FSC forest-certified paper products and other ecologically friendly products. We also conducted testing to verify the commercial viability of a radioactive cesium removal system using magnetic adsorbents. Looking ahead, we will continue CSR-related initiatives regarding our products.

In addition to our top priorities for fiscal 2012, in fiscal 2013 we will strengthen initiatives to ensure strict legal compliance in an effort to return to the fundamental reasons for establishing the CSR Committee in April 2008. This involves pursuing five basic management policies:
1) strengthening our CSR management foundation, 2) promoting environmental management, 3) raising customer satisfaction levels by carefully addressing user needs, 4) taking further measures to provide our employees with a pleasant working environment, and 5) pursuing activities that contribute to society. Under these basic policies, we will take measures to raise our enterprise value in the areas of compliance, risk management, safety & health, the environment, product safety, product quality, human rights & labor rights, information, and social contributions.

Special Features

Mori-Smile® Projects

In August 2001, the Group's Hachinohe Mill became the first paper mill in Japan to receive the FSC's Chain-of-Custody (CoC) and has been providing FSC-certified paper to the present. In addition, we are undertaking Mori-smile® projects, which apply the Mori-smile® name to our various FSC-certified forest-based services.

The FSC Certification Forest Supporter System

Companies that use FSC-certified products pay a certain proportion of the costs of managing the FSC-certified forests, and the organizations in charge of managing the certified forests (local governments) employ these funds to create environmentally sound and economically valuable forest resources. The system allows timber that has been cut as part of the forest management process to be used as FSC-certified products. In this way, the system assists in the maintenance of FSC-certified forests.

Original Brands

Various companies are working to further invigorate forests by following an "afforestation + usage" method in local forests that involves tree-planting under the "OO Forest" and other labels. To this end, we supply "original brand" paper products that use trees harvested from these forests.

The Ecosystem Academy

As a result of the Great East Japan Earthquake in 2011, the Ecosystem Academy was unable to undertake any hands-on-type learning experience sessions or environmental seminars during fiscal 2011. In fiscal 2012, however, we conducted afforestation activities at a Company-owned FSC-certified forest in Nishigo Village, Fukushima Prefecture as well as environmental seminars, hands-on-type learning experience sessions, wild bird watching and vegetation surveys.

Afforestation participants

Thermal DigiPlate

Thermal Digiplate is an environmentally friendly, complete 2-up digital offset plate making system ideal for printers with duplicator or 2-up presses. Thermal fusing technology is used to create a high-contrast image on the plate without chemical development, wash-off or ablation. Requiring absolutely no chemicals, toner or ink ribbon, it is easy to maintain and is less costly. Compared with metal thermal CTP systems, Thermal DigiPlate is both energy saving and compact.

Topics

Mitsubishi Paper Mills Receives DBJ's Highest Environmental Responsibility Rating

Mitsubishi Paper Mills received an "A" rating from the Development Bank of Japan Inc. (DBJ)—the highest possible under the DBJ's environmental responsibility rating system—for the following measures:

(1) Sales expansion by clearly articulating the features of its ecologically friendly products

(2) Sustainable use of forest resources by actively pursuing FSC forest certification

(3) Implementation of ecosystem preservation measures through Mori-smile® projects in cooperation with stakeholders

Eco-Products 2012

In the Group's booth at Eco-Products 2012, one of Japan's largest environmental exhibition held at Tokyo Big Sight from December 13 to 15, 2012, we introduced our various efforts to promote Mori-smile® projects to everyone based on the concept of "using and cultivating healthy forests" through FSC certification.

The booth displayed at Eco-Products 2012 featured a tunnel within a simulated forest that enabled visitors to experience the entire forest cycle, from afforestation to product use, in order to convey the concept of "future-oriented paper manufacturing."

At Eco-Products 2012

SHIRAKAWA SITE

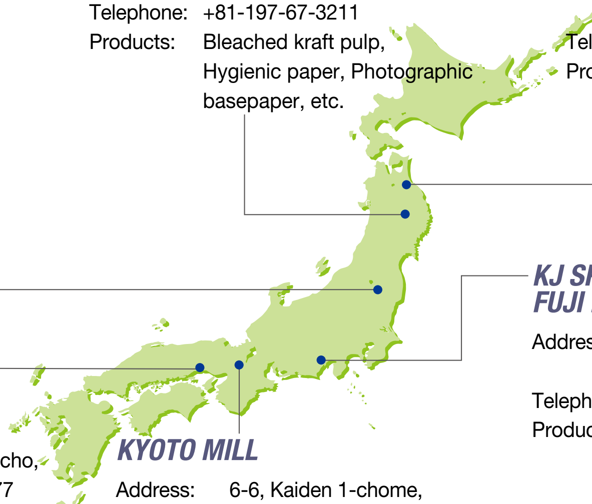
Address: 3, Maeyamanishi, Nishigo-mura, Nishi-Shirakawa-gun, Fukushima 961-8054
Telephone: +81-248-22-8111
Products: Transformer board

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.



KJ SPECIALTY PAPER CO., LTD. FUJI MILL

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

TAKASAGO MILL

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

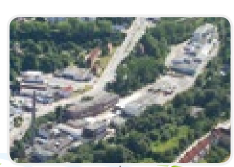
KYOTO MILL

Address: 6-6, Kaiden 1-chome, Nagaokakyo-shi, Kyoto 617-8666
Telephone: +81-75-951-1181
Products: Color photographic paper, Graphic arts materials, Inkjet photo 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
Telephone: +86-756-8895033
Products: Various filters

(Zhuhai, China)

	Millions of yen						Thousands of U.S. dollars
	2013	2012	2011	2010	2009	2008	**2013**
For the years ended March 31							
Net sales	**¥ 200,850**	¥ 194,856	¥ 210,846	¥ 219,728	¥ 253,102	¥ 258,536	**$ 2,135,567**
Operating income	**3,332**	2,164	3,477	4,253	7,110	9,302	**35,433**
Ordinary income	**2,663**	888	2,116	2,658	4,499	7,120	**28,324**
Net income (loss)	**1,710**	565	(14,497)	(1,597)	1,168	3,654	**18,182**
Net income (loss) per share (in yen and dollars)	**5.00**	1.65	(42.39)	(4.67)	3.41	10.99	**0.05**
As at March 31							
Total assets	**¥ 265,234**	¥ 276,305	¥ 248,506	¥ 282,131	¥ 294,254	¥ 303,052	**$ 2,820,146**
Total net assets	**56,507**	52,108	52,117	68,709	70,436	79,636	**600,825**

CONSOLIDATED BALANCE SHEETS

As at March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	**2013**
ASSETS			
Current assets:			
Cash and bank deposits (Note 3 (11))	**¥ 5,337**	¥ 13,306	**$ 56,756**
Receivables:			
Trade notes and accounts (Note 11)	**46,646**	50,121	**495,977**
Other	**2,523**	2,651	**26,836**
	49,170	52,773	**522,813**
Less: Allowance for doubtful accounts	**(392)**	(493)	**(4,178)**
	48,777	52,279	**518,635**
Inventories	**52,381**	46,103	**556,952**
Deferred income taxes (Note 15)	**1,225**	1,393	**13,029**
Other	**1,599**	3,013	**17,002**
Total current assets	**109,321**	116,096	**1,162,376**
Property, plant and equipment (Note 4):			
Land	**22,626**	22,369	**240,576**
Buildings and structures	**95,322**	93,814	**1,013,534**
Machinery and equipment	**346,782**	335,370	**3,687,216**
Construction in progress	**1,639**	3,199	**17,435**
Leased assets	**2,675**	2,381	**28,448**
Other	**9,492**	9,328	**100,934**
	478,540	466,463	**5,088,146**
Less: Accumulated depreciation	**(351,882)**	(336,685)	**(3,741,444)**
Accumulated impairment losses	**(540)**	(574)	**(5,743)**
Net property, plant and equipment	**126,117**	129,203	**1,340,958**
Investments and other assets:			
Investments in securities (Notes 4, 11 and 12)	**24,101**	23,852	**256,267**
Investments in unconsolidated subsidiaries and affiliated companies	**1,014**	1,026	**10,791**
Long-term loans	**808**	469	**8,591**
Less: Allowance for doubtful accounts	**(1,076)**	(1,229)	**(11,445)**
Deferred income taxes (Note 15)	**1,615**	2,547	**17,171**
Other	**3,332**	4,338	**35,435**
Total investments and other assets	**29,796**	31,005	**316,812**
Total assets	**¥ 265,234**	¥ 276,305	**$ 2,820,146**

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	**2013**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Note 11)	**¥ 58,086**	¥ 67,572	**$ 617,616**
Current portion of long-term debt (Note 11)	**16,574**	20,338	**176,229**
Lease obligations	**321**	307	**3,422**
Payables:			
Trade notes and accounts (Note 11)	**26,850**	36,528	**285,488**
Other	**3,424**	3,974	**36,411**
Accrued expenses	**7,633**	9,420	**81,161**
Income taxes payable	**264**	316	**2,808**
Other	**3,807**	5,426	**40,487**
Total current liabilities	**116,962**	143,885	**1,243,625**
Long-term liabilities:			
Long-term debt (Note 11)	**79,998**	68,573	**850,599**
Lease obligations	**1,716**	1,728	**18,249**
Accrued retirement benefits for employees (Note 14)	**7,336**	7,257	**78,008**
Accrued retirement benefits for directors and statutory auditors	**55**	65	**595**
Reserve for loss on dissolution of employee pension fund	**101**	—	**1,081**
Deferred income taxes (Note 15)	**620**	171	**6,593**
Asset retirement obligations	**873**	869	**9,285**
Other	**1,061**	1,645	**11,283**
Total long-term liabilities	**91,764**	80,312	**975,695**
Contingent liabilities (Note 5)			
NET ASSETS			
Shareholders' equity:			
Common stock:			
Authorized: 900,000,000 shares at March 31, 2013 and 2012			
Issued: 342,584,332 shares at March 31, 2013 and 2012	**32,756**	32,756	**348,286**
Capital surplus	**7,523**	19,716	**79,996**
Retained earnings (deficit)	**8,913**	(4,989)	**94,778**
Less: Treasury stock, at cost	**(138)**	(137)	**(1,477)**
Total shareholders' equity	**49,054**	47,345	**521,583**
Accumulated other comprehensive income :			
Net unrealized gains on available-for-sale securities	**3,775**	1,949	**40,148**
Translation adjustments	**626**	189	**6,659**
Total accumulated other comprehensive income	**4,402**	2,138	**46,807**
Minority interests in consolidated subsidiaries	**3,050**	2,624	**32,433**
Total net assets	**56,507**	52,108	**600,825**
Total liabilities and net assets	**¥ 265,234**	¥ 276,305	**$ 2,820,146**

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

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	**2013**
Net sales	**¥ 200,850**	¥ 194,856	**$ 2,135,567**
Cost of sales	**168,126**	163,507	**1,787,624**
Gross profit	**32,724**	31,349	**347,943**
Selling, general and administrative expenses	**29,391**	29,185	**312,510**
Operating income	**3,332**	2,164	**35,433**
Other income (expenses):			
Interest and dividend income	**656**	589	**6,983**
Interest expense	**(2,634)**	(2,299)	**(28,009)**
Gains (losses) on disposal of property, plant and equipment (Note 6)	**(210)**	1,844	**(2,233)**
Gains (losses) on sales of investments in securities	**825**	(31)	**8,782**
Write-downs of investments in securities	**(33)**	(752)	**(355)**
Special severance payments	**(21)**	(224)	**(233)**
Loss on natural disaster (Note 9)	**—**	(5,544)	**—**
Gain on negative goodwill (Note 16 (6))	**33**	871	**360**
Effect of partial cancellation of retirement benefit trust (Note 14)	**—**	2,106	**—**
Loss on termination of qualified retirement pension plan (Note 14)	**—**	(3,217)	**—**
Subsidy income (Note 7)	**236**	1,543	**2,513**
Insurance income (Note 8)	**—**	1,851	**—**
Other, net	**551**	(367)	**5,867**
Total	**(594)**	(3,629)	**(6,325)**
Income (loss) before income taxes and minority interests	**2,737**	(1,465)	**29,107**
Income taxes:			
Current	**480**	344	**5,111**
Deferred (Note 15)	**420**	(1,944)	**4,471**
	901	(1,600)	**9,583**
Income before minority interests	**1,836**	134	**19,524**
Minority interests in income (losses) of consolidated subsidiaries	**126**	(431)	**1,342**
Net income	**¥ 1,710**	¥ 565	**$ 18,182**

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

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	**2013**
Income before minority interests	**¥ 1,836**	¥ 134	**$ 19,254**
Other comprehensive income:			
Net unrealized gains on available-for-sale securities	**2,105**	101	**22,388**
Translation adjustments	**399**	(176)	**4,252**
Share of other comprehensive income of companies accounted for by the equity method	**72**	(19)	**766**
Total other comprehensive income	**2,577**	(95)	**27,407**
Comprehensive income	**4,413**	39	**46,931**
Comprehensive income attributable to Mitsubishi Paper Mills Limited	**3,973**	531	**42,250**
Comprehensive income attributable to minority interests	**¥ 440**	¥ (492)	**$ 4,681**

	Yen		U.S. dollars (Note 2)
	2013	2012	**2013**
Amounts per share:			
Net income — basic (Note 3 (10))	**¥ 5.00**	¥ 1.65	**$ 0.05**
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, 2013 and 2012

		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 April 1, 2011	342,584,332	¥ 32,756	¥ 19,717	¥ (5,577)	¥ (136)	¥ 46,758	¥ 1,794	¥ 378	¥ 2,173	¥ 3,185	¥ 52,117
Changes during the year:											
Net income				565		565					565
Acquisition of treasury stock					(1)	(1)					(1)
Disposal of treasury stock			(0)		0	0					0
Increase due to change in scope of consolidation				22		22					22
Changes in items other than shareholders' equity							155	(189)	(34)	(561)	(595)
Total changes during the year	—	—	(0)	588	(0)	587	155	(189)	(34)	(561)	(8)
Balance at April 1, 2012	342,584,332	¥ 32,756	¥ 19,716	¥ (4,989)	¥ (137)	¥ 47,345	¥ 1,949	¥ 189	¥ 2,138	¥ 2,624	¥ 52,108
Changes during the year:											
Transfer from capital surplus to accumulated deficit			(12,193)	12,193							—
Net income				1,710		1,710					1,710
Acquisition of treasury stock					(1)	(1)					(1)
Disposal of treasury stock						—					—
Increase due to change in scope of consolidation						—					—
Changes in items other than shareholders' equity							1,826	436	2,263	426	2,689
Total changes during the year	—	—	(12,193)	13,903	(1)	1,709	1,826	436	2,263	426	4,398
Balance at March 31, 2013	342,584,332	¥ 32,756	¥ 7,523	¥ 8,913	¥ (138)	¥ 49,054	¥ 3,775	¥ 626	¥ 4,402	¥ 3,050	¥ 56,507

		Thousands of U.S. dollars									
		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 April 1, 2012	342,584,332	$ 348,286	$ 209,642	$ (53,050)	$ (1,466)	$ 503,412	$ 20,726	$ 2,013	$ 22,739	$ 27,900	$ 554,053
Changes during the year:											
Transfer from capital surplus to accumulated deficit			(129,645)	129,645							—
Net income				18,182		18,182					18,182
Acquisition of treasury stock					(11)	(11)					(11)
Disposal of treasury stock						—					—
Increase due to change in scope of consolidation						—					—
Changes in items other than shareholders' equity							19,422	4,645	24,067	4,533	28,600
Total changes during the year	—	—	(129,645)	147,828	(11)	18,171	19,422	4,645	24,067	4,533	46,772
Balance at March 31, 2013	342,584,332	$ 348,286	$ 79,996	$ 94,778	$ (1,477)	$ 521,583	$ 40,148	$ 6,659	$ 46,807	$ 32,433	$ 600,825

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	**2013**
I Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	**¥ 2,737**	¥ (1,465)	**$ 29,107**
Depreciation and amortization	**11,137**	9,576	**118,418**
Loss on natural disaster (Note 9)	**—**	5,544	**—**
Accrued retirement benefits for employees	**79**	1,884	**842**
Accrued retirement benefits for directors and statutory auditors	**(9)**	(58)	**(104)**
Interest and dividend income	**(656)**	(589)	**(6,983)**
Interest expense	**2,634**	2,299	**28,009**
Subsidy income (Note 7)	**(236)**	(1,543)	**(2,513)**
Insurance income (Note 8)	**—**	(1,851)	**—**
Gain on negative goodwill (Note 16 (6))	**(33)**	(871)	**(360)**
Losses (gains) on sales of investments in securities	**(825)**	31	**(8,782)**
Write-downs of investments in securities	**33**	752	**355**
Gains (losses) on disposal of property, plant and equipment (Note 6)	**210**	(1,844)	**2,233**
Decrease (increase) in trade accounts receivable	**3,516**	(5,331)	**37,389**
Increase (decrease) in inventories	**(5,109)**	(3,680)	**(54,328)**
(Decrease) increase in trade accounts payable	**(4,431)**	7,515	**(47,117)**
Other, net	**1,041**	(5,464)	**11,073**
Sub-total	**10,086**	4,901	**107,240**
Interest and dividends received	**631**	586	**6,714**
Proceeds from insurance income (Note 8)	**—**	2,032	**—**
Proceeds from subsidy (Note 7)	**792**	987	**8,425**
Interest paid	**(2,584)**	(2,279)	**(27,478)**
Income taxes paid	**(578)**	(494)	**(6,149)**
Loss on natural disaster paid (Note 9)	**(1,078)**	(7,663)	**(11,462)**
Net cash provided by (used in) operating activities	**7,269**	(1,929)	**77,290**
II Cash flows from investing activities:			
Acquisition of property, plant and equipment	**(16,474)**	(9,718)	**(175,162)**
Proceeds from sales of property, plant and equipment	**55**	2,212	**591**
Purchases of investment securities	**(32)**	(176)	**(347)**
Proceeds from sales of investment securities	**3,840**	138	**40,830**
Purchases of shares in an affiliated company and subsidiaries	**(44)**	(1,629)	**(476)**
Loans made	**(540)**	(4)	**(5,742)**
Proceeds from collection of loans	**351**	91	**3,736**
Proceeds from collection of security deposits	**464**	—	**4,938**
Other, net	**197**	65	**2,104**
Net cash (used in) provided by investing activities	**(12,182)**	(9,021)	**(129,527)**
III Cash flows from financing activities:			
Decrease in short-term bank loans	**(9,847)**	(7,204)	**(104,701)**
Decrease in issuance of commercial paper	**—**	(1,000)	**—**
Proceeds from long-term debt	**27,542**	37,114	**292,846**
Repayment of long-term debt	**(19,688)**	(13,053)	**(209,336)**
Redemption of bonds	**(650)**	(100)	**(6,911)**
Repayment of lease obligations	**(324)**	(318)	**(3,447)**
Acquisition of treasury stock	**(1)**	(1)	**(11)**
Payments of cash dividends by subsidiaries to minority shareholders	**(4)**	(4)	**(52)**
Other, net	**—**	0	**—**
Net cash (used in) provided by financing activities	**(2,973)**	15,432	**(31,613)**
IV Effect of foreign currency translation on cash and cash equivalents	**51**	(2)	**543**
V Net (decrease) increase in cash and cash equivalents	**(7,835)**	4,478	**(83,308)**
VI Cash and cash equivalents at beginning of year	**13,073**	8,594	**139,000**
VII Cash and cash equivalents at end of year (Note 3 (11))	**¥ 5,237**	¥ 13,073	**$ 55,692**

The accompanying notes are an integral part of these 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 ¥94.05 = U.S.$1, the exchange rate prevailing as of March 31, 2013. 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 35 subsidiaries as of March 31, 2013 (36 as of March 31, 2012). The accompanying consolidated financial statements include the accounts of the Company and 25 (26 for 2012) of its subsidiaries for the year ended March 31, 2013 (together, hereinafter referred to as the "Companies"). On January 1, 2013, consolidated subsidiary Hokuryo Forest Products Co., Ltd. was dissolved following the merger into consolidated subsidiary Hachinohe Forest Products Co., Ltd., with the surviving company renamed Shin-Hokuryo Forest Products Co., Ltd. on the same date. As a result of this change, the number of consolidated subsidiaries decreased by one.

The accounts of the remaining 10 (10 for 2012) unconsolidated subsidiaries for the year ended March 31, 2013 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 (4 for 2012) 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 goodwill or negative goodwill. Goodwill and negative goodwill (only incurred before March 31, 2010) are amortized over five years on a straight line basis.

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

(3) Investments in unconsolidated subsidiaries and affiliates

The Company had 12 affiliates as of March 31, 2013 (12 for 2012). 2 affiliated companies were accounted for by the equity method.

However, the remaining 10 (10 for 2012) subsidiaries and 10 (10 for 2012) 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 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). 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).

(9) Reserve for loss on dissolution of employee pension fund

The Company and certain domestic consolidated subsidiaries reserve for loss on dissolution of employee pension fund based on the resolution of special dissolution held on December 19, 2012.

(10) 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.

(11) 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.

(12) 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, 2013 and 2012 is shown below:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cash and bank deposits	**¥ 5,337**	¥ 13,306	**$ 56,756**
Time deposits with maturities of over 3 months	**(100)**	(233)	**(1,063)**
Cash and cash equivalents	**¥ 5,237**	¥ 13,073	**$ 55,692**

(13) 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.

(14) Accounting changes

(i) Change in Depreciation and Amortization Method

In accordance with an amendment of the Corporation Tax Act of Japan, the Company and its domestic consolidated subsidiaries have changed the depreciation and amortization method from the year ended March 31, 2013 for tangible fixed assets acquired on or after April 1, 2012. This change had a minimal impact on consolidated operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2013.

(ii) Accounting Standard for Accounting Changes and Error Corrections

Effective the year ended March 31, 2012, the Company has applied "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24), and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24), both issued on December 4, 2009.

(15) Reclassification

Certain reclassification have been made to the prior years' consolidated financial statements to conform to the presentation for the year ended March 31, 2013.

4. Assets Pledged as Collateral

Assets pledged as collateral primarily for short-term loans, long-term debt and debentures at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Buildings and structures	**¥ 20,654**	¥ 18,029	**$ 219,613**
Machinery and equipment	**48,440**	19,416	**515,046**
Land	**10,514**	9,542	**111,791**
Other	**223**	42	**2,379**
Investments in securities	**3,418**	2,702	**36,351**
	¥ 83,251	¥ 49,734	**$ 885,183**

5. Contingent Liabilities

As at March 31, 2013 the Companies were contingently liable for guarantees of loans, primarily of their employees and unconsolidated subsidiaries and affiliates, in the aggregate amount of ¥2,387 million ($25,380 thousand), and also liable for a recourse obligation of credit securitization in the aggregate amount of ¥2,184 million ($23,227 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
	2013	2012	**2013**
Land	**¥ 19**	¥ 2,154	**$ 206**

(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
	2013	2012	**2013**
Machinery and equipment	**¥ 87**	¥ 154	**$ 927**
Scrapping and removal expenses	**120**	132	**1,278**

7. Subsidy Income

Previous consolidated fiscal year (April 1, 2011–March 31, 2012)
The Company and the domestic consolidated subsidiaries have received subsidies for the purpose of repairing or replacing facilities at the Company's Hachinohe Mill, that were damaged by the Tohoku region Pacific Ocean earthquake.
Consolidated fiscal year under review (April 1, 2012–March 31, 2013)
The domestic consolidated subsidiaries have received subsidies for the purpose of repairing or replacing facilities at the Company's Hachinohe Mill, that were damaged by the Tohoku region Pacific Ocean earthquake.

8. Insurance Income

Previous consolidated fiscal year (April 1, 2011–March 31, 2012)
"Insurance income" refers to insurance payouts relating to damage suffered from the Tohoku region Pacific Ocean earthquake.
Consolidated fiscal year under review (April 1, 2012–March 31, 2013)
Not applicable

9. 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
	2013	2012	**2013**
Restoration costs	**¥—**	¥ 618	**$—**
Inventory valuation losses	**—**	754	**—**
Fixed costs during the suspension of operations	**—**	4,038	**—**
Others	**—**	134	**—**
Total	**¥—**	¥ 5,544	**$—**

10. Other Comprehensive Income

The following table shows reclassification adjustment for each component of other comprehensive income for the year ended March 31, 2013:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized gain (loss) on available-for-sale securities			
Amount arising during the year	¥ 3,372	¥ (851)	$ 35,853
Reclassification adjustments for gain and losses included in net income	(102)	784	(1,085)
Amount before tax effect	3,269	(67)	34,768
Tax effect	(1,164)	168	(12,379)
Total	¥ 2,105	¥ 101	$ 22,388
Foreign currency translation adjustment			
Amount arising during the year	¥ 399	¥ (176)	$ 4,252
Reclassification adjustments for gains and losses included in net income	—	—	—
Amount before tax effect	399	(176)	4,252
Tax effect	—	—	—
Total	¥ 399	¥ (176)	$ 4,252
Share of other comprehensive income of investments for which the equity method is applied			
Amount arising during the year	¥ 72	¥ (37)	$ 766
Reclassification adjustments for gains and losses included in net income	—	17	—
Total	72	(19)	766
Total other comprehensive income	¥ 2,577	¥ (95)	$ 27,407

11. 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		
	2013			2012			2013		
	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total
Purchase price equivalent	¥ 52	¥ 39	¥ 92	¥ 62	¥ 117	¥ 179	$ 560	$ 424	$ 985
Accumulated depreciation equivalent	43	34	78	43	97	141	464	370	834
Net book value equivalent	¥ 9	¥ 5	¥ 14	¥ 18	¥ 19	¥ 37	$ 96	$ 54	$ 150

(2) Lease commitments

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥ 10	¥ 23	$ 109
Due after one year	3	14	41
Total	¥ 14	¥ 37	$ 150

(3) Lease expenses and depreciation equivalents

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lease expenses	¥ 18	¥ 44	$ 200
Depreciation equivalents	18	44	198

Non-cancelable operating lease commitments were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Due within one year	**¥—**	¥ 0	**$—**
Total	**—**	¥ 0	**—**

12. Financial Instruments

(1) Summary of Financial Instruments

(i) Policy regarding financial instruments

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

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

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

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

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

Trade notes and accounts payable are obligations due within one year. 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 13. 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, 2013 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		
	2013		
	Book value	Fair value	Difference
Trade notes and accounts receivable	¥ 46,646	¥ 46,646	¥ —
Investments in securities			
Available-for-sale securities	23,471	23,471	—
Total of assets	70,118	70,118	—
Trade notes and accounts payable	26,792	26,792	—
Short-term bank loans (excluding current portion of long-term debt)	58,086	58,086	—
Long-term debt (including current portion of long-term debt)	96,573	97,020	447
Total of liabilities	181,452	181,900	447
Derivative transactions	¥ —	¥ —	¥ —

	Thousands of U.S. dollars		
	2013		
	Book value	Fair value	Difference
Trade notes and accounts receivable	$ 495,977	$ 495,977	$ —
Investments in securities			
Available-for-sale securities	249,566	249,566	—
Total of assets	745,544	745,544	—
Trade notes and accounts payable	284,875	284,875	—
Short-term bank loans (excluding current portion of long-term debt)	617,616	617,616	—
Long-term debt (including current portion of long-term debt)	1,026,828	1,031,588	4,760
Total of liabilities	1,929,320	1,934,080	4,760
Derivative transactions	$ —	$ —	$ —

	Millions of yen		
	2012		
	Book value	Fair value	Difference
Trade notes and accounts receivable	¥ 50,121	¥ 50,121	¥ —
Investments in securities			
Available-for-sale securities	21,802	21,802	—
Total of assets	71,924	71,924	—
Trade notes and accounts payable	30,623	30,623	—
Short-term bank loans (excluding current portion of long-term debt)	67,572	67,572	—
Long-term debt (including current portion of long-term debt)	88,261	88,314	52
Total of liabilities	186,457	186,510	52
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.

(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 ¥16,574 million ($176,229 thousand).

(vi) Derivatives
Please see Note 13.

Unlisted equity securities (in the amount of ¥1,645 million ($17,491 thousand) on the consolidated balance sheet) are not included in available-for-sale securities, due to the difficulty of measuring their fair value as the stock has no quoted share price and future cash flow cannot be predicted.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unlisted equity securities	**¥ 1,645**	¥ 3,076	**$ 17,491**

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

	Millions of yen					
	2013					
	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term bank loans	**¥ 58,086**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Debentures	**—**	**—**	**—**	**—**	**—**	**—**
Long-term debt	**16,574**	**19,852**	**20,378**	**25,641**	**4,287**	**9,840**
Lease obligations	**321**	**293**	**273**	**243**	**234**	**670**
Total	**¥ 74,983**	**¥ 20,146**	**¥ 20,652**	**¥ 25,884**	**¥ 4,521**	**¥ 10,510**

	Thousands of U.S. dollars					
	2013					
	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term bank loans	**$ 617,616**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Debentures	**—**	**—**	**—**	**—**	**—**	**—**
Long-term debt	**176,229**	**211,081**	**216,676**	**272,631**	**45,583**	**104,626**
Lease obligations	**3,422**	**3,125**	**2,910**	**2,587**	**2,495**	**7,132**
Total	**$ 797,268**	**$ 214,207**	**$ 219,587**	**$ 275,219**	**$ 48,079**	**$ 111,758**

	Millions of yen					
	2012					
	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term bank loans	¥ 67,572	¥ —	¥ —	¥ —	¥ —	¥ —
Debentures	650	—	—	—	—	—
Long-term debt	19,688	24,150	13,394	10,442	8,463	12,122
Lease obligations	307	278	245	223	197	783
Total	¥ 88,218	¥ 24,428	¥ 13,639	¥ 10,666	¥ 8,661	¥ 12,906

13. 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, 2013 and 2012 are summarized as follows:

Available-for-sale securities:

	Millions of yen			
	2013			
	Acquisition	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses
Equity securities	**¥ 17,431**	**¥ 23,461**	**¥ 6,853**	**¥ 822**
Government bonds and local government bonds	**9**	**9**	**0**	**—**
	¥ 17,441	**¥ 23,471**	**¥ 6,853**	**¥ 822**

	Thousands of U.S. dollars			
	2013			
	Acquisition	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses
Equity securities	**$ 185,342**	**$ 249,460**	**$ 72,865**	**$ 8,747**
Government bonds and local government bonds	**101**	**106**	**4**	**—**
	$ 185,444	**$ 249,566**	**$ 72,870**	**$ 8,747**

	Millions of yen			
	2012			
	Acquisition	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses
Equity securities	¥ 19,032	¥ 21,792	¥ 3,894	¥ 1,134
Government bonds and local government bonds	9	9	0	—
	¥ 19,041	¥ 21,802	¥ 3,895	¥ 1,134

14. 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	¥45,085 million	¥38,384 million
			$479,372 thousand	$408,123 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.

15. 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.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Projected benefit obligations	**¥(23,079)**	¥ (19,841)	**$ (245,400)**
Fair value of plan assets	**14,223**	14,030	**151,232**
Funded status of the plans	**(8,856)**	(5,811)	**(94,167)**
Unrecognized net actuarial	**1,893**	(1,003)	**20,136**
Unrecognized prior service cost (reduction of the obligation)	**(374)**	(442)	**(3,977)**
Accrued retirement benefits	**¥ (7,336)**	¥ (7,257)	**$ (78,008)**

The net periodic retirement benefit cost for the years ended March 31, 2013 and 2012 included the following components:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service cost	**¥1,497**	¥ 1,540	**$ 15,922**
Interest cost	**421**	341	**4,480**
Expected return on plan assets	**(9)**	(83)	**(101)**
Amortization of net actuarial gain	**(121)**	(55)	**(1,293)**
Amortization of prior service cost (reduction of the obligation)	**(93)**	(133)	**(992)**
Effect of partial cancellation of retirement benefit trust	**—**	(2,106)	**—**
Loss on termination of qualified retirement pension plan	**—**	3,217	**—**
	¥1,694	¥ 2,719	**$ 18,016**

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

	2013	2012
Discount rate	**0.6~1.1%**	1.5~1.9%
Expected rate of return on plan assets	**2.0%**	2.0%
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

16. Deferred Income Taxes

At March 31, 2013 and 2012, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 64**	¥ 80	**$ 684**
Accrued expenses	**854**	1,091	**9,087**
Accrued retirement benefits to employees	**3,430**	3,317	**36,472**
Allowance for doubtful accounts	**608**	451	**6,470**
Loss on revaluation of fixed assets	**679**	932	**7,228**
Unrealized gains on property, plant and equipment	**191**	164	**2,031**
Tax loss carryforwards	**7,471**	13,016	**79,442**
Other	**8,848**	9,448	**94,085**
Gross deferred tax assets	**22,148**	28,502	**235,501**
Valuation allowance	**(16,313)**	(21,913)	**(173,454)**
Total deferred tax assets	**5,835**	6,589	**62,046**
Deferred tax liabilities:			
Reserve based on Special Taxation Measures Law	**(26)**	(27)	**(277)**
Unrealized gains on available-for-sale securities	**(2,148)**	(987)	**(22,841)**
Liability adjustment account	**(1,030)**	(1,380)	**(10,952)**
Other	**(410)**	(425)	**(4,367)**
Total deferred tax liabilities	**(3,615)**	(2,820)	**(38,438)**
Net deferred tax assets	**¥ 2,220**	¥ 3,768	**$ 23,607**

For the year ended March 31, 2013, a reconciliation of the statutory tax rate to the effective tax rates was as follows:

	2013	2012
Statutory tax rate	**38.0%**	—
Permanently non-deductible expenses	**2.8**	—
Permanently non-taxable income	**(2.7)**	—
Per capita inhabitants' taxes	**2.3**	—
The effect of tax rate changes	**(11.3)**	—
Valuation allowance	**6.5**	—
Unrealized gains (losses)	**(0.7)**	—
Other	**(2.0)**	—
Effective tax rates	**32.9%**	—

Notes were omitted in the previous fiscal year due to the posting of loss before income taxes and minority interests.

17. Segment Information

(1) Reportable segment information

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

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

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

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

(2) Changes in reportable segments

Until the previous fiscal year, reportable segments comprised the Paper and Pulp Segment, Imaging and Development (I&D) Segment and Other Segment. However, organizational changes resulted in the abolition of the Imaging and Development (I&D) Segment, which has been reorganized into the Imaging Media Segment and Speciality Materials Segment. Segment information for the previous fiscal year has been prepared according to the new segment classifications.

In accordance with an amendment of the Corporation Tax Act of Japan, the Company and its domestic consolidated subsidiaries have changed their depreciation and amortization method from the year ended March 31, 2013, for tangible fixed assets acquired since April 1, 2012. The depreciation and amortization method for the reportable segments has been changed in accordance with this amendment of the Corporation Tax Act. This change had minimal impact on the earnings of each reportable segment.

	Millions of yen							
	Reportable segments							
Year ended March 31, 2013	Paper and Pulp	Imaging Media	Speciality Materials	Total	Other	Total	Adjustments	Consolidated
Sales								
Sales to unaffiliated customers	**¥153,706**	**¥28,737**	**¥11,438**	**¥193,883**	**¥ 6,966**	**¥200,850**	**¥ —**	**¥200,850**
Intersegment sales and transfers	**3,717**	**11,088**	**2,785**	**17,591**	**9,526**	**27,117**	**(27,117)**	**—**
Total sales	**157,424**	**39,825**	**14,223**	**211,474**	**16,493**	**227,967**	**(27,117)**	**200,850**
Segment income	**¥ 2,167**	**¥ 538**	**¥ 299**	**¥ 3,005**	**¥ 379**	**¥ 3,384**	**¥ (52)**	**¥ 3,332**
Segment assets	**¥201,167**	**¥47,020**	**¥14,877**	**¥263,064**	**¥11,467**	**¥274,532**	**¥ (9,298)**	**¥265,234**
Amortization	**8,347**	**2,110**	**480**	**10,938**	**282**	**11,220**	**(83)**	**11,137**
Investment in equity-method affiliates	**488**	**—**	**—**	**488**	**—**	**488**	**—**	**488**
Increase in tangible and intangible fixed assets	**5,686**	**1,085**	**306**	**7,078**	**55**	**7,134**	**(65)**	**7,068**

	Thousands of U.S. dollars							
	Reportable segments							
Year ended March 31, 2013	Paper and Pulp	Imaging Media	Speciality Materials	Total	Other	Total	Adjustments	Consolidated
Sales								
Sales to unaffiliated customers	**$ 1,634,311**	**$ 305,556**	**$ 121,622**	**$ 2,061,490**	**$ 74,077**	**$ 2,135,567**	**$ —**	**$ 2,135,567**
Intersegment sales and transfers	**39,531**	**117,898**	**29,613**	**187,043**	**101,288**	**288,332**	**(288,332)**	**—**
Total sales	**1,673,842**	**423,455**	**151,236**	**2,248,533**	**175,366**	**2,423,899**	**(288,332)**	**2,135,567**
Segment income	**$ 23,051**	**$ 5,725**	**$ 3,183**	**$ 31,959**	**$ 4,031**	**$ 35,990**	**$ (557)**	**$ 35,433**
Segment assets	**$ 2,138,937**	**$ 499,949**	**$ 158,186**	**$ 2,797,074**	**$ 121,934**	**$ 2,919,009**	**$ (98,862)**	**$ 2,820,146**
Amortization	**88,750**	**22,438**	**5,112**	**116,301**	**3,004**	**119,305**	**(887)**	**118,415**
Investment in equity-method affiliates	**5,195**	**—**	**—**	**5,195**	**—**	**5,195**	**—**	**5,195**
Increase in tangible and intangible fixed assets	**60,459**	**11,540**	**3,261**	**75,262**	**595**	**75,857**	**(701)**	**75,156**

(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 include ¥(25) million ($(273) thousand) of elimination of inter-segment income and loss and ¥(26) million ($(283) 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 ¥18,283 million ($194,404 thousand) of corporate assets and ¥(27,581) million ($(293,267) thousand) of elimination of inter-segment assets.
- Adjustments and eliminations for amortization of ¥(83) million ($(887) thousand) is elimination of inter-segment.
- Adjustments and eliminations for increase in tangible and intangible fixed assets include ¥(65) million ($(701) thousand) of elimination of inter-segment increase in tangible and intangible fixed assets.

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

Year ended March 31, 2012	Millions of yen							
	Reportable segments							
	Paper and Pulp	Imaging Media	Speciality Materials	Total	Other	Total	Adjustments	Consolidated
Sales								
Sales to unaffiliated customers	¥ 152,766	¥ 26,304	¥ 7,942	¥ 187,013	¥ 7,843	¥ 194,856	¥ —	¥ 194,856
Intersegment sales and transfers	3,471	12,860	2,536	18,868	11,439	30,308	(30,308)	—
Total sales	156,237	39,165	10,478	205,881	19,283	225,165	(30,308)	194,856
Segment income (loss)	¥ 1,364	¥ (134)	¥ 451	¥ 1,681	¥ 666	¥ 2,348	¥ (184)	¥ 2,164
Segment assets	¥ 205,836	¥ 45,063	¥ 14,732	¥ 265,632	¥ 12,909	¥ 278,542	¥ (2,236)	¥ 276,305
Amortization	6,909	2,189	221	9,319	331	9,651	(75)	9,576
Investment in equity-method affiliates	488	—	—	488	—	488	—	488
Increase in tangible and intangible fixed assets	19,472	592	2,200	22,266	142	22,409	(279)	22,130

(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 ¥(152) million of elimination of inter-segment income and loss and ¥(32) 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 ¥22,753 million of corporate assets and ¥(24,990) million of elimination of inter-segment assets.
- Adjustments and eliminations for amortization of ¥(75) million is elimination of inter-segment.
- Adjustments and eliminations for increase in tangible and intangible fixed assets include ¥(279) million of elimination of inter-segment increase in tangible and intangible fixed assets.

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

(3) Geographical information

(i) Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Japan	**¥ 141,565**	¥ 141,415	**$ 1,505,212**
Europe	**27,489**	27,025	**292,287**
Asia	**13,486**	9,934	**143,397**
North America	**10,225**	10,074	**108,729**
Other	**8,082**	6,407	**85,939**
Consolidated	**¥ 200,850**	¥ 194,856	**$ 2,135,567**

Net sales information above are based on customer location.

(ii) Property, plant and equipment by countries or geographical areas at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Japan	**¥ 116,108**	¥ 119,836	**$ 1,234,537**
Europe	**9,911**	9,284	**105,384**
North America	**97**	82	**1,036**
Consolidated	**¥ 126,117**	¥ 129,203	**$ 1,340,958**

(4) Impairment loss on fixed assets by reportable segments

Not applicable

(5) Amortization and balance of goodwill

Year ended March 31, 2013	Paper and Pulp	Imaging Media	Speciality Materials	Total	Other	Total	Adjustments	Consolidated
	Millions of yen							
	Reportable segments							
(Goodwill)								
Amortization	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Balance as of March 31	—	—	—	—	—	—	—	—
(Negative goodwill)								
Amortization	108	—	—	108	96	205	—	205
Balance as of March 31	¥ 136	¥ —	¥ —	¥ 136	¥ 3	¥ 140	¥ —	¥ 140

Year ended March 31, 2013	Paper and Pulp	Imaging Media	Speciality Materials	Total	Other	Total	Adjustments	Consolidated
	Thousands of U.S. dollars							
	Reportable segments							
(Goodwill)								
Amortization	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Balance as of March 31	—	—	—	—	—	—	—	—
(Negative goodwill)								
Amortization	1,152	—	—	1,152	1,027	2,179	—	2,179
Balance as of March 31	$ 1,451	$ —	$ —	$ 1,451	$ 39	$ 1,490	$ —	$ 1,490

Year ended March 31, 2012	Paper and Pulp	Imaging Media	Speciality Materials	Total	Other	Total	Adjustments	Consolidated
	Millions of yen							
	Reportable segments							
(Goodwill)								
Amortization	¥ —	¥ 22	¥ —	¥ 22	¥ —	¥ 22	¥ —	¥ 22
Balance as of March 31	—	—	—	—	—	—	—	—
(Negative goodwill)								
Amortization	108	—	—	108	96	205	—	205
Balance as of March 31	¥ 244	¥ —	¥ —	¥ 244	¥ 100	¥ 345	¥ —	¥ 345

(6) Information relating to gain on negative goodwill by reporting segment

Year ended March 31, 2013	Paper and Pulp	Imaging Media	Speciality Materials	Total	Other	Total	Adjustments	Consolidated
	Millions of yen							
	Reportable segments							
Gain on negative goodwill	¥ 33	¥ —	¥ —	¥ 33	¥ —	¥ 33	¥ —	¥ 33

Year ended March 31, 2013	Paper and Pulp	Imaging Media	Speciality Materials	Total	Other	Total	Adjustments	Consolidated
	Thousands of U.S. dollars							
	Reportable segments							
Gain on negative goodwill	$ 360	$ —	$ —	$ 360	$ —	$ 360	$ —	$ 360

Year ended March 31, 2012	Paper and Pulp	Imaging Media	Speciality Materials	Total	Other	Total	Adjustments	Consolidated
	Millions of yen							
	Reportable segments							
Gain on negative goodwill	¥ 29	¥ 0	¥ 841	¥ 871	¥ —	¥ 871	¥ —	¥ 871

Previous consolidated fiscal year (April 1, 2011–March 31, 2012)

Regarding the Speciality Materials Segment of Mitsubishi Paper Mills, on October 1, 2011 the Company acquired KJ Specialty Paper Co., Ltd. and made it into a wholly-owned subsidiary. Gain on negative goodwill accruing from this acquisition was ¥841 million.

Consolidated fiscal year under review (April 1, 2012–March 31, 2013)

Regarding the Paper and Pulp Segment of Mitsubishi Paper Mills, on January 1, 2013, the consolidated subsidiary, Hokuryo Forest Products Co., Ltd., acquired the consolidated subsidiary, Hachinohe Forest Products Co., Ltd., with the surviving company renamed Shin-Hokuryo Forest Products Co., Ltd. on the same date. Gain on negative goodwill accruing from this acquisition was ¥33 million ($360 thousand).

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

Independent Auditor's Report

The Board of Directors
Mitsubishi Paper Mills Limited

We have audited the accompanying consolidated financial statements of Mitsubishi Paper Mills Limited and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Paper Mills Limited and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 27, 2013

Managing Executive Officers

Kunio Suzuki
President and Chief Executive Officer

Masami Mizuno
Representative Director and Senior Managing Executive Officer

Mitsuo Ushijima
Representative Director and Senior Managing Executive Officer

Kanji Itakura
Director and Senior Managing Executive Officer

Hiroshi Nozawa
Director and Managing Executive Officer

Kazuhisa Taguchi
Director and Managing Executive Officer

Shinichi Suzuki
Managing Executive Officer

President and Chief Executive Officer
Kunio Suzuki
President

Representative Director and Senior Managing Executive Officers
Masami Mizuno
Supervisor, President's Office; In charge of Raw Materials & Purchasing Dept. and Internal Audit Dept.; Director responsible for Corporate Social Responsibility

Mitsuo Ushijima
In charge of Paper Div. and German Operations; General Manager, Paper Div.

Director and Senior Managing Executive Officer
Kanji Itakura
Supervisor, Finance & Accounting Dept.

Director and Managing Executive Officers
Hiroshi Nozawa
In Charge of General Affairs & Personnel Dept.

Kazuhisa Taguchi
Supervisor, Kitakami Div. and Technology & Environmental Dept.; In charge of Imaging Media Div. and Intellectual Property Dept.; General Manager, Imaging Media Div.

Managing Executive Officer
Shinichi Suzuki
In charge of Technology & Environmental Dept.

Outside Director
Tomohisa Shinagawa

Senior Executive Officers
Kiyoshi Maeda
General Manager, President's Office

Naoya Tashiro
General Manager, Kitakami Div.; Deputy General Manager, Imaging Media Div.; President & CEO, Kitakami Hitec Paper Corp.

Kiyoharu Yamada
Deputy General Manager, Paper Div.

Yoshihiko Hibino
Head, Hachinohe Mill; Deputy General Manager, Paper Div.

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

Director and Executive Officer
Junji Harada
In charge of Speciality Materials Div.; General Manager, Speciality Materials Div.

Executive Officers
Masaki Shuto
General Manager, Finance & Accounting Dept.

Akira Takeuchi
Deputy Head, Hachinohe Mill and General Manager, Equipment Planning Office

Tsuneaki Handa
President & CEO, Diamic Co.,Ltd.

Nobuhiro Sato
General Manager, Business Communication & Specialty Paper Sales Dept.

Makoto Fujita
Head, Kyoto Mill; Deputy General Manager, Imaging Media Div.

Yukihiro Tachifuji
Head, Takasago Mill; Deputy General Manager, Paper Div., Imaging Media Div. and Speciality Materials Div.

Corporate Auditor
Kenji Oka

Outside Corporate Auditors
Yasuharu Takamatsu
Koji Kaihotsu

(as of June 27, 2013)

Established:
April 1, 1898

Head Office:
2-10-14, Ryogoku, Sumida-ku, Tokyo 130-0026, Japan
Telephone:
+81-3-5600-1488 *(Information)*
+81-3-5600-1481 *(President's Office)*
+81-3-5600-1459 *(Commercial Printing Paper Sales Dept. Paper Division)*
+81-3-5600-1463 *(Business Communication & Specialty Paper Sales Dept. Paper Division)*
+81-3-5600-1464 *(Sales Administration Dept. Paper Division)*
+81-3-5600-1479 *(Ink Jet & Photo Sales Dept. Imaging Media Division)*
+81-3-5600-1475 *(Graphic Systems Sales Dept. Imaging Media Division)*
+81-3-5600-1471 *(Speciality Materials Division)*
+81-3-5600-1453 *(Purchasing Dept.)*
+81-3-5600-1454 *(Forestry Dept.)*

Facsimile:
+81-3-5600-1489 *(Information)*
+81-3-5600-1489 *(President's Office)*
+81-3-5600-1467 *(Commercial Printing Paper Sales Dept. Paper Division)*
+81-3-5600-1468 *(Business Communication & Specialty Paper Sales Dept. Paper Division)*
+81-3-5600-1469 *(Sales Administration Dept. Paper Division)*
+81-3-5600-1418 *(Ink Jet & Photo Sales Dept. Imaging Media Division)*
+81-3-5600-1413 *(Graphic Systems Sales Dept. Imaging Media Division)*
+81-3-5600-1419 *(Speciality Materials Division)*
+81-3-5600-1451 *(Purchasing Dept.)*
+81-3-5600-1451 *(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.
Shin-Hokuryo Forest Products Co., Ltd.
Hachiryo 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.
KJ Specialty paper Co., Ltd.
Ryoko 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)

MITSUBISHI PAPER MILLS LIMITED

2-10-14 Ryogoku, Sumida-ku,
Tokyo 130-0026, JAPAN
URL http://www.mpm.co.jp/