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Matters Concerning Electronic Provision Measure for the Convocation Notice for the 158th Ordinary Shareholders' Meeting

(From April 1, 2022 to March 31, 2023)

Systems necessary to ensure the properness of operations
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Mitsubishi Paper Mills Limited

The description of each of the items listed above in the document (document describing matters concerning the electronic provision measure) to be delivered to shareholders who request delivery of documents is omitted pursuant to the provisions of laws and regulations and Article 15 of the Articles of Incorporation of the Company.

Systems necessary to ensure the properness of operations

The following is the Company's basic policy on the system to ensure the conformity of the performance of duties of Directors to laws and regulations and the Company's Articles of Incorporation and the system to ensure the appropriateness of the Company's other operations and the operations of the corporate group consisting of the Company and its subsidiaries. (Last revised on: March 31, 2023)

- Core approach to corporate governance -

The Company carries out corporate activities based on the corporate philosophy of the MPM Group, including "living up to the trust of its customers in the world market," "staying constantly on the leading edge of technology," and "contributing to preserving the global environment and creating a recycling society." With this philosophy, the Company implements corporate group management focusing on the sustainable growth of the MPM Group and society, raises its management transparency, and works to improve its corporate governance.

To take specific steps towards achieving these goals, the Company has established Mitsubishi Paper Mills Limited Basic Policies on Corporate Governance.

- Overview of corporate organization -

The Company has adopted the company with an Audit & Supervisory Board as its institutional design. The Company has appointed three independent Outside Directors, who account for more than one-third of the total number of Directors, and has built a system that sufficiently plays the roles required of the Board of Directors. It separates the supervisory function and executive function and has adopted the Executive Officer system to streamline the Board of Directors, accelerate management decision-making, and define the responsibility for the performance of duties.

The Company has created a Nomination and Compensation Committee with an independent Outside Director as the chairperson as an advisory body to the Board of Directors in order to ensure objectivity and transparency of the designation and remuneration of management.

In addition to monthly meetings, the Board of Directors holds extraordinary meetings of the Board of Directors as necessary to determine and supervise matters specified by laws and regulations and the Articles of Incorporation and the performance of important duties.

Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members have established the Audit & Supervisory Board and hold meetings of the Audit & Supervisory Board on a regular basis and as necessary. Executive Officers and other executives hold management meetings, in principle, once a week to determine management policies and strategies and basic business strategies in an effort to ensure prompt and optimal decision-making, implement thorough group governance, discuss group strategies and share important information.

In the performance of duties, the Company has adopted a business unit system to strengthen its operational structure by assigning responsibility and delegating authority to each business unit for revenue.

The Company defines the scope of organizational responsibility according to the rules for the division of duties and makes decisions appropriately based on its internal rules.

The Company appoints an executive responsible for sustainability to implement corporate group management focusing on sustainability and establishes a Group-wide Sustainability Promotion Committee headed by the President. The committee coordinates the entire sustainability promotion activities (legal compliance, risk management, human resource management, safety and health, the environment, product safety and quality, human rights and labor, information disclosure and public relation, social contribution, and more) and establishes basic policies for sustainability promotion and yearly plans. The Board of Directors deliberates on such policies and plans.

- Basic policy -

1. System to ensure that the execution of the duties of Directors and employees conforms with laws, regulations, and the articles of incorporation

The Company has established the Code of Conduct of the Mitsubishi Paper Mills Group and Mitsubishi Paper Mills Group Compliance Conduct Standards. The President repeatedly explains the spirit of such standards to the executives and employees of the Company and carries out activities to promote a deeper understanding of corporate ethics, thereby ensuring that legal compliance is a precondition for all corporate activities.

The Compliance Committee, which operates under the control of the Corporate Governance Management Dept. as a secretariat, will be placed under the Sustainability Promotion Committee. The Compliance Committee will carry out training and educational activities to disseminate the Code of Conduct and Standards and ensure legal compliance for penetration throughout the Group.

If executives and employees discover a compliance problem, they will promptly report it to the department responsible for handling the problem through their office organization or report it through the internal hotline under the jurisdiction of the Internal Audit Dept. or through a more independent external hotline. The department to handle such problem will determine measures to prevent recurrence after consultations with Corporate Governance Management Dept., Human Resources Dept., or Internal Audit Dept.

The Internal Audit Dept. examines and evaluates the systems of management and operation in overall business activities and the status of implementation in view of lawfulness and rationality and ensures the reliability of financial reports and raises management efficiency.

The General Administration Dept. is responsible for preserving the Company's assets and manages the acquisition, use, and disposal of assets to ensure appropriate procedures taken and approval obtained.

The General Administration Dept. reports the overview of such compliance activities and the state of whistleblowing to the Board of Directors.

2. Systems to store and manage information on the execution of duties by Directors

To manage and maintain information related to the performance of duties of Directors, the Company records and preserves information related to their performance of duties as documents or electromagnetic information according to Document Management Regulations and Information Management Regulations. Directors and Audit & Supervisory Board Members may inspect these documents, etc. at all times.

3. Regulations concerning the management of risk of loss and other systems

The Company considers it important to appropriately manage various risks arising from corporate activities for the development of the Company and an increase in its corporate value.

Under the Sustainability Promotion Committee, Risk Management Committee controlled by General Administration Dept. is established to operate risk management of the entire Group. The Risk Management Committee recognizes and understands risks affecting corporate management, develops systems in response to such risks, and reports their status to the Board of Directors. Head office departments and factories establish rules and prepare manuals to ensure appropriate operations, build advance preventive systems at normal times, take measures to prevent recurrence when a problem has arisen, and develop a system of promptly responding to an emergency.

4. System to ensure the efficient execution of duties by Directors

The Company establishes a consolidated basic plan as targets in its Medium-term Management Plan. Directors in charge determine specific targets and efficient methods for achievement to be implemented by each department (including delegation of authority to Executive Officers). The Company sets key performance indicators (KPIs) in each fiscal period and manages the progress. The Board of Directors regularly evaluates the results and promotes improvement such as the reduction or elimination of factors

hindering efficiency, thereby building a system to raise company-wide operation efficiency.

5. System to ensure the proper business operation of the Group consisting of the Company and its subsidiaries

According to its Subsidiary Management Regulations, the Company supervises and provides guidance to its subsidiaries to raise the appropriateness of the Group's subsidiary management based on a policy of placing importance on independence and respecting the autonomous decision-making of subsidiaries.

A. System to report matters concerning the execution of duties by Directors of subsidiaries to the Company
According to its Subsidiary Management Regulations, the Company builds a system for departments to receive reports from subsidiaries under their management on a regular basis and as necessary and a system requiring subsidiaries to obtain the approval of departments controlling them.

Key subsidiaries provide the Company's executives with regular management reports.

B. Rules and other systems for managing the risk of loss at subsidiaries

The Company has its subsidiaries participate in the Risk Management Committee and coordinates the Group's risk management.

C. System to ensure that Directors, etc. of subsidiaries efficiently perform their duties

The Company's departments in charge of subsidiaries supervise and provide them with guidance according to the Subsidiary Management Regulations to achieve the basic plan set as a target in its Medium-term Management Plan. The Company sets KPIs also for its subsidiaries and manages the progress.

D. System to ensure that subsidiaries' Directors, etc. and employees' performance of their duties conforms with laws, regulations and the Articles of Incorporation

The Company has established the Code of Conduct of the Mitsubishi Paper Mills Group and Mitsubishi Paper Mills Group Compliance Conduct Standards, has its subsidiaries participate in the Compliance Committee, and improves the legal compliance of the Group, including the subsidiaries.

The Company provides the entire Group, including subsidiaries, with compliance training every year to ensure legal compliance of the Group.

It establishes hotlines including subsidiaries as a system of direct reporting to the Company's Internal Audit Dept. or an external specialized company. In addition, relevant departments perform audits of subsidiaries as necessary according to the Subsidiary Management Regulations to ensure the appropriateness of the Group's operations.

6. Systems to ensure that audits by Audit & Supervisory Board Members are performed effectively

The Company implements the following and builds a system of supporting the audits performed by Audit & Supervisory Board Members to ensure their effectiveness.

A. Matters concerning the system of ensuring the effectiveness of audits performed by Audit & Supervisory Board Members

The Company holds regular meetings for Audit & Supervisory Board Members to improve their mutual understanding with the President and Chief Executive Officer about the Company's business issues, the development of the audit environment of the Audit & Supervisory Board Members, etc.

Audit & Supervisory Board Members, Internal Audit Dept., and accounting auditors exchange opinions to establish effective cooperation.

The Company cooperates with the Audit & Supervisory Board Members in their performance of duties to facilitate communication with Directors of subsidiaries and the collection and exchange of information and develops an environment for cooperation with external experts such as lawyers and certified public

accountants if deemed necessary by the Audit & Supervisory Board Members.

B. Matters concerning employees when an Audit & Supervisory Board Member requests that employees assist with his/her duties

The Company may appoint assistants to the Audit & Supervisory Board Members, who assist the duties of the Audit & Supervisory Board Members, and have the Internal Audit Dept. or Accounting Dept. as assistant organizations. Audit & Supervisory Board Members may instruct employees in the Internal Audit Dept. and Accounting Dept. as necessary.

Internal Audit Dept. performs internal audits requested by Audit & Supervisory Board Members through consultations with them and reports the results to the Audit & Supervisory Board Members.

C. Matters concerning the independence of the employees specified in B from Directors, and matters intended to ensure the effectiveness of instructions given to such employees

The Company ensures that employees assisting the duties of Audit & Supervisory Board Members follow the orders of the Audit & Supervisory Board Members, and that Directors, supervisors, etc. do not unreasonably limit the orders of the Audit & Supervisory Board Members given to such employees.

D. Systems related to reporting to an Audit & Supervisory Board Member

- Systems of reporting to Audit & Supervisory Board Members by Directors and employees

Directors of the Company report the following to Audit & Supervisory Board Members to promote the effective performance of duties of Audit & Supervisory Board Members: 1. Matters discussed or reported at management meetings, 2. Matters that may cause significant damage to the Company, 3. Matters important for the monthly management status, 4. Important matters concerning internal audits and risk management, 5. Serious violations of laws and regulations or the Articles of Incorporation, 6. The status and details of reporting through hotlines (a system in which reports to external liaisons are directly sent to Audit & Supervisory Board Members), and 7. Other matters important for legal compliance.

Important decision-making documents of head office departments are delivered to Audit & Supervisory Board Members.

- System to report to the Audit & Supervisory Board Members by Directors, etc. and employees of the Company's subsidiaries, and people who have received reports from them

According to the Subsidiary Management Regulations, the Company uses a system in which departments that have received important reports from subsidiaries also report to Audit & Supervisory Board Members. Subsidiaries may directly report to the Audit & Supervisory Board Members of the Company, and the Audit & Supervisory Board Members may also directly interview subsidiaries.

E. System for ensuring that personnel who make a report under paragraph D. do not receive unfavorable treatment due to such report

The Company clearly states in Mitsubishi Paper Mills Group Compliance Conduct Standards that the mere act of making a report would not place the reporter at any disadvantage and ensures that no reporter would be treated unfairly by the Company and its subsidiaries.

F. Policy on treatment of expenses incurred in the performance of the duties of Audit & Supervisory Board Members

The Company promptly handles expenses incurred in the performance of duties of Audit & Supervisory Board Members upon receiving a request for payment.

Outline of the situations of the operation of the systems necessary to ensure the properness of operations

On March 1, 2023, the Company revised the Code of Conduct of the Mitsubishi Paper Mills Group. Recognizing that the importance of sustainability is growing, the Company has reviewed the Code of Conduct, the action guidelines for the Group's executives and employees, by reaffirming its priority on safety and its emphasis on compliance.

The overview of the operation status of the system to ensure the appropriateness of operations implemented in the fiscal year ended March 31, 2023 is as follows.

(Systems for the execution of duties)

During the fiscal year ended March 31, 2023, eight Directors (including three independent Outside Directors) who make up the Board of Directors, three Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members) who make up the Audit & Supervisory Board, and 16 Executive Officers (including four Executive Officers concurrently holding the position of Directors) performed their duties. A total of 12 ordinary meetings of the Board of Directors, three extraordinary meetings of the Board of Directors, and 13 meetings of the Audit & Supervisory Board were held to make important decisions on the Company's management and supervise and audit the performance of duties.

With regard to matters to be discussed at Board meetings, the Company has enhanced the prior briefings for Outside Directors and Outside Audit & Supervisory Board Members to facilitate their understanding of the deliberations and invigorate discussions, and has revised the Regulations and Bylaws of the Board of Directors to clarify the standards for agenda items.

In addition, to evaluate the effectiveness of the Board of Directors, the Company surveys and interviews all Directors and Audit & Supervisory Board Members and discusses the results at meetings of the Board of Directors to share the understanding of the current condition and how to deal with issues among them in order to raise the effectiveness of the Board of Directors.

(Compliance structure)

During the fiscal year ended March 31, 2023, the Compliance Committee met twice, primarily to develop a training plan and confirm their implementation, confirm trends related to business and human rights and consider initiatives to address human rights issues, inspect the status of legal procedures, and confirm the status of reports made through the hotline.

Training based on the cascade method (theme: content related to the revised Whistleblower Protection Act and the whistleblower system) was conducted for all employees (including part-time and temporary employees) of the Group companies in Japan, with line managers deploying the training to their workplaces. A new compliance promotion leader system has been established, and appointed promotion leaders are developing initiatives to share information and raise compliance awareness at each workplace. In addition, the intranet is used to provide information on a regular basis.

(Risk management structure)

During the fiscal year ended March 31, 2023, the Risk Management Committee met twice to oversee and promote activities related to the Group's risk management, including identifying, analyzing and evaluating risks that exist in the Group in response to changes in the business environment, formulating risk response measures, examining the business continuity plan (BCP), and conducting training on emergency responses. In addition, viewing responses to climate change as an important business issue, the Group examined and disclosed climate change-related risks in a company-wide, cross-functional TCFD response project team under the Risk Management Committee.

(Management of subsidiaries)

The Company's relevant department provides subsidiaries with guidance and supervises them to rationalize

and improve the Group's subsidiary management according to its Subsidiary Management Regulations. In the fiscal year ended March 31, 2023, the Company revised the Subsidiary Management Regulations to strengthen the Group's integrated management promotion system, and the relevant departments in charge conducted audits of subsidiaries to confirm that the Regulations are operated appropriately.

(Audit & Supervisory Board Members' audits)

Based on the audit policy and audit plan established at the beginning of the fiscal year, the Company's Audit & Supervisory Board Members fulfilled their responsibility to establish a good corporate governance system by attending meetings of the Board of Directors, management meetings, and other important meetings, reviewing documents, conducting on-site audits at factories, subsidiaries, and other offices, holding regular meetings with the President and Outside Directors, and interviewing department managers and representative directors of subsidiaries. They exchanged opinions and share information with accounting auditors, Internal Audit Dept., Accounting Dept., and auditors of subsidiaries to enhance coordination with them in an effort to raise the effectiveness and efficiency of auditing.

Basic policy for controlling the management of the Company

(i) Details of the Basic Policy

The Group carries out corporate activities based on the corporate philosophy of the MPM Group, including “living up to the trust of its customers in the world market,” “staying constantly on the leading edge of technology,” and “contributing to preserving the global environment and creating a recycling society.” The Company’s duty is to maximize its corporate value or the common interests of shareholders through the sustainable growth of the Group and society based on this philosophy, and its principle is to be supported by people who have become its shareholders through free market trading. However, the Company’s Basic Policy on a threat that such corporate value and/or the common interests of shareholders may be impaired by an individual and/or his/her group (“Hostile Bidders”) aiming to acquire shares of the Company having 20% or more of voting rights (“Controlling Shares”) is to take measures necessary to protect and increase the Company’s corporate value and the common interests of shareholders within the limit allowed by laws and regulations and the Articles of Incorporation by regarding such Hostile Bidders as unqualified to have control over decisions about the financial and business policies of the Company.

(ii) Special initiatives to contribute to the realization of the Basic Policy

The Company is executing a new “Medium-Term Management Plan (FY2023/3-FY2025/3)” that incorporates measures to transform its business portfolio and contribute to carbon neutrality from a medium- to long-term perspective and is based on the future vision of the Group. It is working toward transforming itself with the creation of a new Mitsubishi Paper Mills Group, while enhancing its corporate value and maximizing the common interests of shareholders. Also, the Group is working on sustainability promotion activities by establishing the Sustainability Promotion Committee and assigning a director in charge, in order to grow sustainably by creating social values and contribute to a sustainable society through its business. Moreover, in accordance with the Basic Policies on Corporate Governance formulated in October 2015 (final revision in June 2022), the Company is also working to enhance the corporate governance.

(iii) Activities to prevent decisions on the Company’s financial affairs and business policies from being controlled by an inappropriate party in light of the Basic Policy

At the Board of Directors’ meeting held on May 30, 2022, the Company passed a resolution to continue its policy on responses to large-scale purchases of the Company’s shares (the “Former Plan”), which had been approved by shareholders at the 154th Ordinary Shareholders’ Meeting held on June 26, 2019, as one of the activities to prevent decisions on the Company’s financial affairs and business policies from being controlled by an inappropriate party in light of the Basic Policy after a necessary revision (the “Plan”), which was approved by shareholders at the 157th Ordinary Shareholders’ Meeting held on June 28, 2022. Additionally, the Company appointed three Independent Committee members, Mr. Yoshihiro Kataoka, Mr. Kazunori Shinohara, and Mr. Somitsu Takehara, due to the continuation of the above plan.

The overview of the Plan is provided below. For more details, please read the press release, “Notice of Partial Amendments to the Response Policies on Large-Scale Purchases of MPM’s Shares (Takeover Defense Measures) and Continuance Thereof” dated May 30, 2022, on the Company’s website.

(URL for reference: <https://www.mpm.co.jp/company/news/pdf/2022/20220530-3.pdf>)

A. Objectives of the Plan

The purpose of the Plan is to require the Large-Scale Purchaser to provide necessary information in advance and to have a period of consideration and examination, thereby enabling shareholders to make an appropriate decision on whether to accept such a large-scale purchase, enabling MPM’s Board of Directors to present its opinions on whether to accept such proposal to shareholders or an alternative proposal in response to a recommendation from the Independent Committee, or enabling the Board of Directors to negotiate with the Large-Scale Purchaser for the benefit of shareholders, thereby preventing decisions on the Company’s financial affairs and business policies from being controlled by an inappropriate party in

light of the Basic Policy and ensuring and raising the Company's corporate value or/and the common interests of shareholders.

B. Procedures for taking the countermeasures based on the Plan

(a) Large-scale purchases subject to the measures

The measures based on the Plan may be taken when an act corresponding to or that may correspond to the overview or any of the following 1 through 3 has been or will be conducted.

1. Purchase of shares of the Company that makes the percentage (the percentage of shares, etc. defined in paragraph 4, Article 27-23 of the Financial Instruments and Exchange Act; the same applies hereinafter) of shares held by a specific shareholder of the Company 20% or higher
2. Purchase of shares of the Company that makes the sum total of the percentage (the percentage of shares, etc. defined in paragraph 8, Article 27-2 of the Financial Instruments and Exchange Act; the same applies hereinafter) of shares held by a specific shareholder of the Company and the percentage of shares held by a specially related party of the specific shareholder of the Company 20% or higher
3. An act conducted by a specific shareholder of the Company and another shareholder of the Company, which results in an agreement or other acts making them joint holders of the Company's shares or an act of establishing a controlling or cooperative relationship between the two shareholders (limited to a case in which the sum total of the percentages of shares held by the two shareholders becomes 20% or higher)

(b) Request to Large-Scale Purchaser for information

The Large-Scale Purchaser must submit and provide a letter of intent and information about a large-scale purchase in advance of the start or implementation of an act of large-scale purchase.

(c) Establishment of assessment period for the Board of Directors

The Board of Directors establishes a period of up to 60 days for a purchase of all shares of the Company through a takeover bid accepting only cash (yen currency) as the consideration and up to 90 days for large-scale purchase in other forms, as the assessment period for the Board of Directors to evaluate, examine, raise opinions, develop an alternative plan, and negotiate with the Large-Scale Purchaser in view of ensuring and increasing the Company's corporate value and/or the common interests of shareholders.

(d) Recommendation of Independent Committee and resolution of the Board of Directors

The Independent Committee recommends that the Board of Directors to take measures against a large-scale purchase within, in principle, five business days following the demand of the Board of Directors to the Large-Scale Purchaser for correction if the Large-Scale Purchaser has committed a serious violation of the rules for large-scale purchase.

If, however, the Large-Scale Purchaser has complied with the rules for large-scale purchase, the Independent Committee recommends the Board of Directors, in principle, not to take measures against the large-scale purchase. However, the Independent Committee recommends that the Board of Directors take measures if the Large-Scale Purchaser is deemed to have certain characteristics, such as a so-called greenmailer.

The Board of Directors decides whether to take measures and resolves other issues while respecting the recommendation of the Independent Committee to the maximum extent possible.

(e) Resolution of a general meeting of shareholders to confirm the shareholders' intention

If the Board of Directors has determined that it should go through procedures to confirm the shareholders' intention when it determines whether or not to implement the countermeasure under the Plan and if the Board of Directors deems it reasonable to implement the countermeasure in the case where the Large-Scale Purchaser complies with the Large-Scale Purchase Rules, the Board of Directors will convene a general meeting of shareholders to confirm the shareholders' intention as soon as possible.

If the proposal to implement the countermeasure has been passed at the general meeting of shareholders to confirm the shareholders' intention, the Board of Directors will make a resolution on the

implementation of the countermeasure against the Large-Scale Purchaser. However, if the proposal to implement the countermeasure is rejected, the countermeasure will not be implemented against the Large-scale Purchase.

(f) Specific contents of the countermeasure

The measures against large-scale purchases taken by the Company based on the Plan will, in principle, be the allotment of share acquisition rights without contribution.

C. Feature of the Plan

(a) Establishment of the Basic Policy

The Plan was adopted after the Basic Policy for the conditions of a party that controls the Company's financial affairs and business policy was established.

(b) Establishment of Independent Committee

The Company establishes the Independent Committee to ensure the necessity and appropriateness of the Plan. When calling for countermeasures, the Board of Directors must ensure the fairness of the decision and respects the recommendation of the Independent Committee to the maximum extent possible in order to eliminate any arbitrary decision by the Board of Directors.

(c) Approval for the Plan at Shareholders' Meeting

The continuation of the anti-takeover measures under the Plan was approved by the Company's shareholders at the 157th Ordinary Shareholders' Meeting held on June 28, 2022.

(d) Timely disclosure

The Board of Directors makes the timely and appropriate disclosure of the required information pursuant to the applicable laws and regulations and the rules of the financial instrument exchange.

(e) Effective term of the Plan

The term of the Plan shall expire at the conclusion of the Ordinary Shareholders' Meeting pertaining to the last business year ending within three (3) years after the conclusion of the 157th Ordinary Shareholders' Meeting held on June 28, 2022.

D. Influence on our shareholders

(a) Impact of the revision of the Former Plan on shareholders

The revision of the Former Plan to the Plan has no direct and specific effect on the legal rights and economic interests of shareholders.

(b) Impact of issuing share acquisition rights on shareholders

While the per share value of MPM's shares held by the shareholders would be diluted when share acquisition rights are issued without contribution as a countermeasure, the value of all shares of MPM held by the shareholders would not be diluted. Therefore, no direct, specific impact on the legal rights and economic interests of the shareholders is expected to occur. However, the legal rights and economic interests of those who correspond to the exceptions specified in the Plan may be affected as a consequence of the countermeasures implemented.

(iv) Decision of the Board of Directors on the above activities and reason for the decision

The special activities contributing to the realization of the Basic Policy specified in the above section (ii) are specific measures for raising the corporate value of MPM and/or the common interests of shareholders, which are considered to be precisely in line with the Basic Policy of MPM.

As stated in the paragraph A in the above section (iii), the Board of Directors of MPM believes that the Plan was adopted for the purpose of ensuring and raising the corporate value and/or the common interests of shareholders and is in line with the Basic Policy. The Board of Directors of MPM does not believe that the Plan will impair the corporate value of MPM or the common interests of shareholders and will not act to maintain the positions of the executives of MPM, in particular due to the following: 1) the Plan will be abolished immediately if a proposal to abolish the Plan is approved at a Shareholders' Meeting, and the

intentions of shareholders are prioritized in the sense that the continuation of the Plan is contingent on shareholder approval, and in certain cases, the confirmation of the will of shareholders at the general meeting of shareholders to confirm the shareholders' intention is required regarding the appropriateness of implementing countermeasures, 2) the Plan requires the establishment of an Independent Committee maintaining a high level of independence, whose recommendation is required when taking countermeasures in all cases, and 3) the standards used to make decisions on whether to take, not to take, or to cancel a countermeasure has been established.

Consolidated statements of changes in shareholders' equity

From April 1, 2022 to March 31, 2023

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	36,561	6,488	13,962	(228)	56,784
Changes during period					
Loss attributable to owners of parent			(571)		(571)
Purchase of treasury shares				(214)	(214)
Disposal of treasury shares				11	11
Change in scope of consolidation		35	(32)		2
Net changes in items other than shareholders' equity					
Total changes during period	—	35	(604)	(202)	(771)
Balance at end of period	36,561	6,524	13,357	(430)	56,012

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,688	952	7,182	12,824	5	69,613
Changes during period						
Loss attributable to owners of parent						(571)
Purchase of treasury shares						(214)
Disposal of treasury shares						11
Change in scope of consolidation						2
Net changes in items other than shareholders' equity	843	158	2,189	3,191	8	3,199
Total changes during period	843	158	2,189	3,191	8	2,428
Balance at end of period	5,532	1,111	9,372	16,015	13	72,041

(Note) The stated amounts are rounded down to the nearest million yen.

Notes to consolidated financial statements

(Significant matters that form the basis for preparing consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 24

Names of major consolidated subsidiaries	Mitsubishi Oji Paper Sales Co., Ltd. Kitakami HiTec Paper Corporation Diamic Co., Ltd. KJ SPECIALTY PAPER Co., Ltd. Mitsubishi Paper Holding (Europe) GmbH Mitsubishi HiTec Paper Europe GmbH
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In the fiscal year under review, Katsumata Co., Ltd. has been included in the scope of consolidation because of its increased importance.

(2) Names of major non-consolidated subsidiaries:

Names of major non-consolidated subsidiaries	MP Juarez, LLC.
Reason for exclusion from the scope of consolidation	The non-consolidated subsidiaries (5 companies) have been excluded from the scope of consolidation as they are all small in size and the amounts of total assets, net sales, profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) do not materially impact the consolidated financial statements.

2. Matters related to the application of the equity method

(1) Number of affiliates accounted for using equity method: 3

Names of major equity method companies	MPM Oji Eco Energy Co., Ltd. Hyogo Clay Co., Ltd. Forestal Tierra Chilena Ltda.
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(2) Names, etc. of non-consolidated subsidiaries and affiliates to which the equity method does not apply

Name of major company	MP Juarez, LLC.
Reason for not applying the equity method	The profit/loss (corresponding to the equity owned by the Company), retained earnings (corresponding to the equity owned by the Company), and other factors of the companies (10 companies) excluded from the application of the equity method have a negligible impact on the consolidated financial statements and lack overall significance.

(3) Matters deemed particularly important to be stated concerning the procedures for the application of equity method

The financial statements used for equity method companies having different accounting periods are based on the business years of the respective companies.

3. Fiscal years of consolidated subsidiaries

The period-end date of the following six consolidated subsidiaries is December 31.

Mitsubishi Paper Holding (Europe) GmbH
Mitsubishi HiTec Paper Europe GmbH
Mitsubishi Imaging (MPM), Inc.
MPE Real Estate GmbH & Co. KG
Zhuhai MPM Filter Limited
MPM Hong Kong Limited

The consolidated financial statements incorporate financial statements as of December 31 with adjustments necessary for consolidation for significant transactions arising during the period up to the date of consolidated settlement.

4. Notes regarding accounting policies

(1) Valuation standards and methods for important assets

(i) Securities

Available-for-sale securities

Securities other than shares, etc. without market value

Market value method (Valuation differences are reported as a component of shareholders' equity and the cost of securities sold is calculated using the moving average method.)

Shares, etc. without market value

Stated at cost determined by the moving-average method

(ii) Derivative transaction

Stated at market value

(iii) Inventories

Stated primarily at cost using the periodic average method and the moving-average method

(The value in the balance sheet is calculated by the method of book value devaluation based on lowering of profitability)

(2) Depreciation method for important depreciable assets

(i) Property, plant and equipment (excluding leased assets)

Buildings

Straight-line method

Property, plant and equipment excluding buildings

Straight-line method. The declining-balance method is used for the MPM head office and other offices and certain of its subsidiaries.

The straight-line method is applied for structures acquired from April 1, 2016.

(ii) Intangible assets (excluding leased assets)

The straight-line method is applied. Software (used in the Company) is amortized over the estimated useful life of the software (five years) in the Company.

(iii) Leased assets

Leased assets relating to finance leases wherein ownership of the leased asset does not transfer to the lessee

The straight-line method on the assumption that the lease term is the useful life and residual value is zero.

(3) Accounting standards for significant allowances and provisions

(i) Allowance for doubtful accounts

To prepare for possible losses on uncollectible receivables held as of the end of fiscal year, the Company and its domestic subsidiaries provide allowances equal to the estimated amount of uncollectible receivables for general receivables based on historical rates and for specific receivables, including doubtful receivables, based on consideration of their individual collectability.

Allowances for doubtful accounts at overseas subsidiaries are posted in accordance with applicable regulations of their respective countries.

(ii) Provision for loss on sale of businesses

To prepare for a loss on the transfer of business, the estimated amount of loss is recorded.

(iii) Provision for share awards

To prepare for the issuance of the Company's shares pursuant to regulations for the stock-based compensation of Directors and Executive Officers, the portion of the estimated amount to be paid in the consolidated fiscal year under review is posted.

(4) Accounting standards for significant revenues and expenses

The Group recognizes revenues through the following five steps:

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations in the contract.

Step 5: Recognize revenue when or as the entity satisfies the performance obligations.

The principal businesses of the MPM Group include the manufacturing and sale of products in its functional materials business and sustainable fiber materials business. In domestic sales, revenue is recognized when the control of products is transferred to customers normally upon the acceptance inspection of products performed by customers or upon the arrival of products at customers, which is considered the fulfillment of performance obligations. However, revenue is recognized upon shipment of products if the period between shipping and transfer of control of products to customers is the normal period. In export sales, the Group recognizes revenue when the risk burden is transferred to customers according to trade conditions specified by the Incoterms and other rules.

Transaction prices are calculated by subtracting sales incentives from the amount of promised consideration in contracts with customers.

Considerations for transactions are received within one year from the fulfillment of performance obligations and important financial factors are not included.

With respect to chargeable subcontracting corresponding to repurchase agreements, supplied goods remaining at subcontractors as financial transactions are recognized as inventories, and the amount equivalent to the ending inventory of supplied goods remaining at subcontractors is recognized as liabilities related to chargeable subcontracting. A transaction in which the Company's role in the sale of a product to a customer is that of an agent is recognized as a net amount determined by subtracting the amount paid to a third party from the total amount of the consideration for the transaction.

(5) Other important matters for the preparation of consolidated financial statements

(i) Standard for posting retirement benefit liability

To provide for employees' retirement benefits, the amount remaining after the deduction of pension plan assets (including retirement benefit trusts) from retirement benefit obligations based on estimated amounts as of the end of the consolidated fiscal year is posted as a net defined benefit liability.

If the amount of pension plan assets exceeds the amount of retirement benefit obligations, the excess amount is accounted for as a net defined benefit asset.

Prior service costs are expensed based on the straight-line method for a certain number of years (seven to 13 years) within the average remaining years of service of employees when costs accrue from their service. Actuarial differences are expensed from the fiscal year following the year in which the expenses accrue, which are based on the straight-line method for a certain number of years (seven to 13 years) within the average remaining years of service of employees when actuarial differences accrue.

Unrecognized actuarial differences and unrecognized prior service cost are posted in the remeasurement of defined benefits plans under accumulated other comprehensive income in the section of net assets after tax effect adjustment.

(ii) Standards for translating significant foreign currency-denominated assets or liabilities into Japanese yen

Foreign currency monetary assets and liabilities are translated into yen at the year-end spot exchange rate, and translation adjustments are accounted for as profit or loss.

Assets and liability of consolidated overseas subsidiaries are translated into Japanese yen at the exchange rates prevailing on the closing date of the consolidated overseas subsidiaries, their revenues and expenses are translated into Japanese yen at the average exchange rate for the period, and the resulting gains or losses are included in foreign currency translation adjustment and non-controlling interests in the section of net assets.

(iii) Significant hedge accounting

In cases where the interest rate swaps meet the conditions for hedge accounting, special treatment is adopted. Designated hedge accounting is applied to certain monetary receivables and payables denominated in foreign currencies hedged by forward exchange.

(iv) Application of the group tax sharing system

The Company applies the group tax sharing system.

(Changes of accounting policy)

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company started applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the fiscal year under review. Accordingly, the Company will apply the new accounting policies prescribed in the Implementation Guidance on Accounting Standard for Fair Value Measurement into the future in accordance with the transitional treatment provided for in Section 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. The application has no impact on the consolidated financial statements.

(Notes to accounting estimates)

Items whose amounts are reserved in the consolidated financial reports for this consolidated fiscal year due to the accounting estimate and that may have a major impact on the consolidated financial reports for the following consolidated fiscal year are as follows:

1. Whether recognition of Impairment loss on non-current assets is necessary

(1) Amounts recorded in the consolidated financial statements for the consolidated fiscal year under review

Regarding 41,610 million yen of property, plant and equipment of Hachinohe site, centering on MPM's Hachinohe Mill in the sustainable fiber materials business segment, the Company has determined that there are signs of impairment reflecting sustained operating losses, given that the improved profitability of the Hachinohe site due to product price revisions and productivity improvements was unable to offset higher costs caused by soaring raw material and fuel prices.

As a result of assessing the recognition of an impairment loss, the total amount of undiscounted future cash flows exceeded the book value of non-current assets in the asset group, and consequently an impairment loss was not recognized.

(2) Information about important accounting estimates related to items identified

The Group categorizes business assets primarily in units of paper mills being production bases.

The recognition of impairment losses is assessed by comparing the book value of an asset group and the total amount of undiscounted future cash flow of that asset group. If the assessment finds that the total amount of undiscounted future cash flow falls below the book value and an impairment loss must be recognized, the book value is reduced to the recoverable amount (net selling price or value in use, whichever is higher) and the amount of decrease in the book value is recognized as an impairment loss.

Estimates of undiscounted future cash flows from the asset group are based on plans for the next fiscal year and future business plans. The Company assumed that sales volumes of major products would diminish over the long term due to structural changes in the demand environment, in addition to lifestyle changes caused by COVID-19. It is assumed that the current high level of raw material and fuel prices will continue.

While the estimates are based on information available at the time of preparing the consolidated financial statements, the assumption used for the estimate is highly uncertain and an impairment loss on non-current assets may be incurred if revision becomes necessary owing to factors such as changes in economic condition.

2. Recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements for the consolidated fiscal year under review

Deferred tax assets (net)	1,193 million yen
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The amount before offsetting deferred tax liabilities was 3,366 million yen, which is obtained by deducting 7,924 million yen, the amount of valuation allowance, from 11,290 million yen, the total amount of deferred tax assets pertaining to deductible temporary differences and tax losses carried forward.

(2) Information about important accounting estimates related to items identified

The Group posts deferred tax assets based on the appropriateness of company category, adequacy of future taxable income, scheduling of future reversals of temporary differences, etc. presented in the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26).

Estimates of future taxable income are based on plans for the next fiscal year and future business plans.

The sales volumes of major products in the sustainable fiber materials business segment were assumed to gradually decrease over the long term due to structural changes in the demand environment, in addition to lifestyle changes due to COVID-19. It is assumed that the current high level of raw material and fuel prices will continue.

While such estimates are based on information available at the time of preparing the consolidated financial documents, the assumptions used for the estimation are highly uncertain and any failure to ensure stable taxable income in the future owing

to factors such as changes in economic conditions may have a significant impact on the amount of deferred tax assets in the following fiscal year.

(Notes on changes made to accounting estimates)

For some consolidated subsidiaries, the Company changed the number of years in the expense period of actuarial differences in the accounting treatment of retirement benefits from 8 years - 15 years to 7 years - 13 years beginning in the fiscal year under review due to the reduction of the average remaining years of service of employees.

As a result of this change, operating income, ordinary income and profit before income taxes each increased 31 million yen in the fiscal year under review.

(Additional information)

(Performance-linked stock compensation plan)

The Company has adopted a performance-linked stock compensation plan (“the Plan”) applicable to Directors and Executive Officers (excluding Outside Directors, non-executive directors, and non-residents of Japan; collectively. “Directors, etc.”) as a transparent and objective executive compensation plan linked to the Company’s business performance and share value, for the purpose of facilitating medium- to long-term improvement in corporate performance, encouraging contribution to an increase in corporate value, and promoting profit and loss sharing with shareholders,

The accounting for the Plan is in line with the Practical Solution on Transactions of Delivering the Company’s Own Stock to employees through trusts (ASBJ PITF No. 30, March 26, 2015).

(1) Transaction overview

The Company has adopted a framework called Board Incentive Plan trust (“BIP Trust”) as a trust for the Plan. Like Performance Shares and Restricted Stock in Europe and North America, a BIP Trust is a system whereby shares in the Company and cash equivalent to the conversion amount of the Company’s shares will be delivered or provided to Directors, etc. in accordance with their rank, degree of achievement of financial targets, and other factors.

(2) Treasury shares remaining in the trust

The Company’s shares remaining in the trust are recorded at the book value (excluding all incidental expenses) in the section of net assets as treasury shares in the trust. The book value and number of these treasury shares were 277 million yen and 911,871 shares, respectively, as of March 31, 2023.

(Business divestiture)

At the meeting of the Board of Directors held on January 30, 2023, the Company decided to sell its business (hereinafter the “Business”) in the Flensburg Mill of Mitsubishi HiTec Paper Europe GmbH (hereinafter “MPE”), the Germany consolidated subsidiary, and entered into an equity transfer agreement on February 3.

(1) Outline of the business divestiture

(i) Name of successor enterprise

Timber QCP GmbH

(ii) Details of divested business

Manufacture and sale of thermal paper, inkjet paper and barrier coated paper at the Flensburg Mill of MPE

(iii) Main reason for conducting business divestiture

On August 5, 2022, the Company decided to withdraw from the Business and has since been considering how to withdraw. As a result, the Company determined that the best option would be to sell the Business to Timber QCP GmbH, and decided to proceed with the sale of the Business.

(iv) Date of business divestiture

First half of FY2023 (schedule)

(v) Description of transaction, including legal form

MPE will transfer the Business to a new company to be prepared by MPE (hereinafter the “New Company”) by means of an absorption-type split, and then transfer all the equity in the New Company to Timber QCP GmbH, a wholly owned subsidiary of QCP Equity GmbH, a subsidiary of Quantum Capital Partners GmbH.

(2) Name of the reportable segment that includes the business to be divested
Sustainable Fiber Materials Business

(3) Others

Associated with the decision to sell the Business, 3,192 million yen is recorded in extraordinary losses as a loss on sale of businesses.

(Notes to the consolidated balance sheet)

1. Collateral assets

(i) Assets pledged as collateral and collateralized loans are as follows:

Collateral assets

Machinery, equipment and vehicles 642 million yen

Collateralized loans

Long-term borrowings (including current portion) 642 million yen

(ii) Factory foundation revolving mortgage applies to the following assets, which, however, are not secured liabilities and are therefore not, in effect, pledged as collateral.

Buildings and structures 10,186 million yen

Machinery, equipment and vehicles 9,543 million yen

Land 9,127 million yen

Others 41 million yen

Total 28,899 million yen

2. Accumulated depreciation on property, plant and equipment totaled 410,479 million yen

3. Reduction entry of non-current assets 3,915 million yen

4. Liabilities on guarantee

Amount of debt guarantee for borrowings, etc. from financial institutions such as companies other than consolidated companies

Employees (property accumulation residence fund loans, etc.) 220 million yen

Other: 1 account 5 million yen

Total 226 million yen

5. Retroactive obligations for securitization of receivables 360 million yen

(Notes to consolidated statements of income)

1. Loss on sale of businesses

For the loss on sale of businesses, related losses associated with the decision to sell the business at the Flensburg Mill of the Germany subsidiary are posted. The breakdown is 1,761 million yen in the provision for loss on sale of businesses and 1,430 million yen in impairment losses.

2. Impairment losses

The Group posted an impairment loss in the asset groups below.

Location	Use	Type	Impairment losses
Flensburg, Federal Republic of Germany	Assets scheduled for business transfer	Land, buildings, structures, machinery and equipment, etc.	1,430 million yen
Hachinohe, Aomori	Idle assets	Machinery and equipment, etc.	46 million yen
Nagaokakyo, Kyoto	Idle assets	Machinery and equipment, etc.	6 million yen

With regard to assets scheduled for business transfer, the book value was reduced to the recoverable amount associated with the decision to sell the business of the Flensburg Mill of the German subsidiary, and the reduced amount was recorded as a loss on sale of businesses in extraordinary losses. The recoverable amount is measured by net sales value and evaluated based on the business transfer agreement, etc.

The book value of idle assets was reduced to a recoverable amount and the reduced amount was recognized as an impairment loss under extraordinary losses. The recoverable amount is measured by net sales value, and the book values has been reduced to the memorandum value.

(Notes to the consolidated statements of changes in equity)

1. Class and number of issued shares

Class of shares	At the beginning of the fiscal year ended March 31, 2023	Increase	Decrease	At the end of the fiscal year ended March 31, 2023
Common shares	44,741,433	–	–	44,741,433

2. Dividends

(1) Cash dividends paid

Not applicable.

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year.

Resolution	Class of shares	Source of dividends	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors' meeting on May 30, 2023	Common shares	Retained earnings	223	5.00	March 31, 2023	June 12, 2023

(Note) The total amount of dividends includes dividends of 4 million yen for 911,871 shares of the Company held by the executive compensation BIP trust.

(Notes to financial instruments)

1. Matters related to the status of financial instruments

(1) Policies on the use of financial instruments

The Group finances funds (primarily bank borrowings) necessary in light of its capital expenditure plans to operate, in principle, the functional materials business and the sustainable fiber materials business. The Group uses temporary surplus funds for short-term deposits, etc. and finances short-term working capital through bank borrowings and the issuance of commercial papers. Derivative trading is used to avoid the risk of interest-rate fluctuations of borrowings. The Group has a policy of not engage in speculative transactions.

(2) Description of financial instruments and associated risks, and risk management structure

Notes and accounts receivable - trade, which are operating receivables, are exposed to customers' credit risk. The Group has established a system of managing the due dates and the balance of receivables for each customer according to its credit management regulations and learn the credit status of main customers at all times. Foreign currency-denominated operating receivables from the Group's global businesses are exposed to the risk of exchange fluctuations. Much of this risk is reduced by the balance of foreign currency-denominated accounts payable.

Stocks that are investment securities are exposed to the risk of fluctuations in market prices. They largely consist of shares in companies with which the Group has business relationships, whose market value is periodically checked.

Notes and accounts payable - trade and electronically recorded obligations - operating, which are operating payables, mature in less than one year.

Among the borrowings, short-term borrowings are collected primarily for business transactions and long-term borrowings, bonds payable, and lease obligations in financial lease transactions are used to collect funds, in principle, for capital expenditure, and redemption dates for most of them are within five years after the settlement date. The interest rates of part of the long-term borrowings are floating rates, which are exposed to the risk of interest-rate fluctuations. The Group hedge the risk using derivative trading (Interest rate swaps).

The purpose of interest rate swap transactions is to hedge the risk of fluctuations in interest rates on borrowings. The method of assessing the effectiveness of hedging is omitted through the assessment of the fulfillment of requirements for interest swaps subject to specified hedge accounting treatment. The Group follows its internal rules specifying trading authority in the operation and management of derivative trading. The Group trades derivatives only with high-rated financial institutions to reduce the credit risk of its counterparts.

Operating liabilities and borrowings are exposed to liquidity risks, which the Group manages primarily by each company by preparing monthly financing plans.

(3) Supplemental explanation about the fair values of financial instruments

The Group factors in variables in the calculation of the fair values of financial instruments. The fair values vary depending on assumptions.

2. Matters related to the market prices of financial instruments, etc.

The balance sheet amount and fair value of each category of financial instruments, and the difference between them as of March 31, 2023 are shown in the table below. Stocks and others without a quoted market price are not included in the table below (see Note 2 below).

Notes to cash are omitted, and notes to deposits, notes receivable, accounts receivable, notes and accounts payable - trade, electronically recorded obligations - operating, short-term borrowings, and commercial paper are omitted due to the proximity between their market value and book value resulting from the short-term settlement of such instruments.

(Million yen)

	Consolidated balance sheet amount	Market value	Difference
(1) Investment securities			
Available-for-sale securities	15,746	15,746	–
Total assets	15,746	15,746	–
(2) Long-term borrowings (including the current portion of long-term borrowings) (Note 1)	44,189	43,986	(202)
Total liabilities	44,189	43,986	(202)
(3) Derivative transactions	–	–	–

(Note 1) The current portion of long-term borrowings (11,586 million yen on the consolidated balance sheet) is included.

(Note 2) Unlisted shares without market price (5,858 million yen on the consolidated balance sheet) are not included in (1) available-for-sale securities under investment securities due to the absence of market prices.

3. Breakdown of financial instruments by level of market value

The market values of financial instruments are classified into the following three levels according to the observability and importance of inputs used in the calculation of market values.

Level 1 market value: market value calculated using market prices, on an active market, of assets or liabilities whose market value is calculated of the observable inputs related to the calculation of market value

Level 2 market value: market value calculated using inputs other than the inputs used for Level 1 of the observable inputs related to the calculation of market value

Level 3 market value: market value calculated using inputs that are not observable related to the calculation of market value

If more than one input that has a significant effect on the calculation of market value is used, the market value is classified to the level of inputs whose priority is lowest in the calculation of market value.

(1) Financial assets and financial liabilities whose market prices are used as the value posted on the consolidated balance sheet

Classification	Market value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	15,746	–	–	15,746
Total assets	15,746	–	–	15,746
Derivative transaction				
Related to interest rates	–	–	–	–
Derivative transaction	–	–	–	–

(2) Financial assets and financial liabilities whose market prices are not used as the value posted on the consolidated balance sheet

Classification	Market value (million yen)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings (including the current portion of long-term borrowings)	–	43,986	–	43,986
Total liabilities	–	43,986	–	43,986

(Note) Explanations about assessment techniques used in the calculation of market value and inputs related to the calculation of market value

Investment securities

Listed shares are assessed using market prices. Listed shares are traded on an active market and their market prices are categorized into level 1.

Derivative transaction

Interest swaps subject to specified hedge accounting treatment are treated as part of hedged long-term borrowings, and their market prices are included in the market prices of such long-term borrowings. (See “long-term borrowings” below)

Long-term borrowings

The market prices of floating rate long-term borrowings reflect market interest rates over a short period of time and the Group's credit standing does not change significantly after execution. The market prices are, therefore, considered to approximate book value, which is therefore used for floating rate long-term borrowings.

The market prices of fixed rate long-term borrowings are calculated using discounted present value based on an interest rate determined by adding the remaining period of the liabilities and credit risk to the total amount of the principal and interest.

Long-term borrowings to which interest swaps subject to specified hedge accounting treatment (see the above "derivative transaction") apply are calculated using the total amount of the principal and interest treated together with the interest rate swaps.

These are classified to Level 2 market value.

(Notes to rental properties)

Notes to market prices, etc. of rental properties are omitted due to the low significance of such market prices.

(Notes to revenue recognition)

1. A breakdown of revenue generated from contracts with customers

(Million yen)

	Reportable Segments			Others (Note)	Total
	Functional Materials Business	Sustainable Fiber Materials Business	Total		
Japan	21,342	108,724	130,067	2,225	132,292
Europe	4,613	35,878	40,491	–	40,491
Asia	9,228	8,230	17,459	–	17,459
North America	14,589	–	14,589	–	14,589
Others	955	3,581	4,536	–	4,536
Revenue from contracts with customers	50,729	156,415	207,144	2,225	209,370
Other revenue	–	171	171	–	171
Sales to external customers	50,729	156,587	207,316	2,225	209,542

(Note) The category, others, is a business segment not included in reportable segments, which mainly includes the engineering business.

2. Basic information for understanding revenue from contracts with customers

The information that becomes the basis of the understanding of revenue are provided in (4) Accounting standards for significant revenues and expenses, under 4. Notes regarding accounting policies in (Significant matters that form the basis for preparing consolidated financial statements).

3. The information that becomes the basis of the understanding of revenue for the consolidated fiscal year under review and the next consolidated year

(1) Balance, etc. of contract liabilities

The balance of contract liabilities of the company and its subsidiaries are omitted due to its negligible amount and the absence of significant changes. Revenue recognized in the fiscal year under review from performance obligations satisfied (or partly satisfied) in previous periods is not significant.

(2) Transaction prices allocated to outstanding performance obligations

The description of transaction prices allocated to remaining performance obligations is omitted by applying a practical expedient due to the absence of important contracts with an initially estimated term exceeding one year held by the Company or its subsidiaries. Further, consideration from contracts with customers does not contain a significant amount not included in the transaction price.

(Notes on per share information)

(1) Net assets per share	1,646.59 yen
(2) Loss per share	12.97 yen

(Notes to significant subsequent events)

(Absorption-type mergers of wholly owned subsidiaries and mergers between consolidated subsidiaries)

On April 1, 2023, the Company conducted a group reorganization (hereinafter the “Reorganization”).

In addition, Kitakami HiTec Paper Corporation, which will disappear due to the Reorganization, falls under the specified subsidiary.

1. Purpose of the Reorganization

In the fiscal year under review, the Group has launched the Medium-Term Management Plan (FY2023/3-FY2025/3) and is working to strengthen the management base and create a new Mitsubishi Paper Mills Group. As one of the initiatives in this effort, the Group will reduce fixed costs through organizational rationalization and strengthen corporate governance by merging its group subsidiaries.

2. Overview of the Reorganization

With April 1, 2023 as the business combination date, the Reorganization described below has been implemented.

The names of the companies have not changed after the business combination.

(i) Combination of the Company and Kitakami site subsidiaries

With MPM as the company surviving the absorption-type merger and Kitakami HiTec Paper Corporation and Hokuryo Industry Corporation as the companies that disappear in the absorption-type merger, an absorption-type merger was implemented.

<Names of combined companies and description of their businesses>

	Names of combined companies	Description of business
Surviving company	Mitsubishi Paper Mills Limited	Manufacturing, processing and sale of paper, pulp and photosensitive materials
Absorbed company	Kitakami HiTec Paper Corporation	Manufacturing, processing and sale of pulp, resin-coated paper and sanitary products
	Hokuryo Industry Corporation	Contracted manufacture and finishing of paper, miscellaneous work

(ii) Combination of sales subsidiaries

With Mitsubishi Oji Paper Sales Co., Ltd. as the company surviving the absorption-type merger and Diamic Co., Ltd. as the company that disappears in the absorption-type merger, an absorption-type merger was implemented.

<Names of combined companies and description of their businesses>

	Names of combined companies	Description of business
Surviving company	Mitsubishi Oji Paper Sales Co., Ltd.	Sale of paper, chemicals, etc.
Absorbed company	Diamic Co., Ltd.	Sale of printing-plate materials, etc.

(iii) Combination of Hachinohe site subsidiaries

With MPM Operation Co., Ltd. as the company surviving the absorption-type merger and Hachinohe Paper Processing Co., Ltd. and Hachiryō Co., Ltd. as the companies that disappear in the absorption-type merger, an absorption-type merger was implemented.

<Names of combined companies and description of their businesses>

	Names of combined companies	Description of business
Surviving company	MPM Operation Co., Ltd.	Entrustment with operation and management of production activities of Hachinohe Mill
Absorbed company	Hachinohe Paper Processing Co., Ltd.	Paper trimming, grading and packaging, storage and shipment of paper products
	Hachiryō Co., Ltd.	Premise transport, miscellaneous work and processing of packing paper

3. Overview of accounting treatment to be taken

The Company plans to account for the Reorganization as the common control transaction under the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

Statements of changes in shareholders' equity

From April 1, 2022 to March 31, 2023

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
			Retained earnings brought forward		
Balance at beginning of period	36,561	8,094	8,094	1,719	1,719
Changes during period					
Profit				708	708
Purchase of treasury shares					
Disposal of treasury shares				-	-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	-	708	708
Balance at end of period	36,561	8,094	8,094	2,427	2,427

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(184)	46,191	2,873	2,873	49,064
Changes during period					
Profit		708			708
Purchase of treasury shares	(214)	(214)			(214)
Disposal of treasury shares	11	11			11
Net changes in items other than shareholders' equity			219	219	219
Total changes during period	(202)	505	219	219	725
Balance at end of period	(386)	46,697	3,092	3,092	49,789

(Note) The stated amounts are rounded down to the nearest million yen.

Notes to non-consolidated financial statements

(Notes on significant accounting policies)

1. Asset valuation standards and valuation method

(1) Valuation standards and valuation methods for securities

(i) Shares in subsidiary and affiliated companies

Stated at cost determined by the moving-average method

(ii) Other securities

Securities other than shares, etc. without market value

Market value method (Valuation differences are reported as a component of shareholders' equity and the cost of securities sold is calculated using the moving average method.)

Shares, etc. without market value

Stated at cost determined by the moving-average method

(2) Valuation standards and valuation methods for derivatives: Market value method

(3) Valuation standards and valuation methods for inventory assets

Merchandise and finished goods: Cost method through periodic average method

Work in process: Cost method through periodic average method

Raw materials and supplies: Cost method determined by the moving average method

(The value in the balance sheet is calculated by the method of book value devaluation based on lowering of profitability)

2. Depreciation method for non-current assets

(1) Property, plant and equipment (excluding leased assets)

Buildings

Straight-line method

Property, plant and equipment excluding buildings

Straight-line method. The declining-balance method is used for the head office and other properties. The straight-line method is applied for structures acquired from April 1, 2016.

(2) Intangible assets

The straight-line method is applied. Software (used in the Company) is amortized over the estimated useful life of the software (five years) in the Company.

(3) Leased assets

Leased assets relating to finance leases wherein ownership of the leased asset does not transfer to the lessee

Calculated by assuming the lease term is the useful life and depreciating the remaining amount to zero using the straight-line method.

3. Standards on recognition of provisions

(1) Allowance for doubtful accounts

To prepare for possible losses on uncollectible receivables held as of the end of fiscal year, the Company provides allowances equal to the estimated amount of uncollectible general receivables based on historical rates and for specific receivables, including doubtful receivables, based on an examination of their individual collectability.

(2) Provision for retirement benefits

To prepare retirement benefits for employees, this provision is posted based on the estimated size of retirement benefit obligations and pension assets (retirement benefit trusts) as of the end of the fiscal year under review.

Prior service costs are expensed based on the straight-line method for a certain number of years (10 years) within the average remaining years of service of employees when costs accrue from their service. Actuarial differences are expensed from the business year following the year in which the expenses accrue, which are based on the straight-line method for a certain

number of years (10 years) within the average remaining years of service of employees when actuarial differences accrue. Any amount of pension assets to be recognized at the end of the fiscal year under review in excess of the amount derived from subtracting unrecognized actuarial gain or loss, etc. from retirement benefit obligations is posted as prepaid pension costs in investments and other assets.

(3) Provision for share awards

To prepare for the issuance of shares of the Company's stock pursuant to regulations for the stock-based compensation of Directors and Executive Officers, the portion of the estimated amount to be paid in the business year under review is posted.

4. Accounting standards for significant revenues and expenses

The Company recognizes revenues through the following five steps:

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations in the contract.

Step 5: Recognize revenue when or as the entity satisfies the performance obligations.

The principal businesses of MPM include the manufacturing and sale of products in its functional materials business and sustainable fiber materials business. In domestic sales, revenue is recognized when the control of products is transferred to customers normally upon the acceptance inspection of products performed by customers or upon the arrival of products at customers, which is considered the fulfillment of performance obligations. However, revenue is recognized upon shipment of products if the period between shipping and transfer of control of products to customers is the normal period. In export sales, the Group recognizes revenue when the risk burden is transferred to customers according to trade conditions specified by the Incoterms and other rules.

Transaction prices are calculated by subtracting sales incentives from the amount of promised consideration in contracts with customers.

Considerations for transactions are received within one year from the fulfillment of performance obligations and important financial factors are not included.

With respect to chargeable subcontracting corresponding to repurchase agreements, supplied goods remaining at subcontractors as financial transactions are recognized as inventories, and the amount equivalent to the ending inventory of supplied goods remaining at subcontractors is recognized as liabilities related to chargeable subcontracting.

5. Hedge accounting method

In cases where the interest rate swaps meet the conditions for hedge accounting, special treatment is adopted.

6. Accounting treatment of retirement benefits

In the financial statements, the treatment of unrecognized actuarial gain or loss and unrecognized past service cost in the balance sheet is different from in the consolidated financial statements. In the non-consolidated balance sheet, the amount after subtracting pension assets from the amount after adding and/or subtracting unrecognized actuarial gain or loss and unrecognized past service cost to or from retirement benefit obligations is posted as provision for retirement benefits.

7. Application of the group tax sharing system

The Company applies the group tax sharing system.

(Changes of accounting policy)

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company started applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the fiscal year under review. Accordingly, the Company will apply the new accounting policies prescribed in the Implementation Guidance on Accounting Standard for Fair Value Measurement into the future in accordance with the transitional treatment provided for in Section 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. The application has no impact on the financial statements.

(Notes to changes in presentation method)

(Statement of income)

“Extra retirement payments,” which was included in “Other” under “Extraordinary losses” in the previous fiscal year, is separately presented in the fiscal year under review, since it has become significant in terms of amount.

(Notes to accounting estimates)

Items whose amounts are reserved in the financial reports for this fiscal year due to the accounting estimate and that may have a major impact on the financial reports for the following fiscal year are as follows:

1. Whether recognition of Impairment loss on non-current assets is necessary

(1) Amounts recorded in the financial statements for the fiscal year under review

Property, plant and equipment (Hachinohe Mill) 37,286 million yen

(2) Information on accounting estimates

Notes are omitted due to the inclusion of the same information in “1. Whether recognition of impairment loss on non-current assets is necessary” in the table of Notes to Consolidated Financial Statements (Notes to accounting estimates).

2. Recoverability of deferred tax assets

(1) Amounts recorded in the financial statements for the fiscal year under review

Deferred tax assets (net) 3,749 million yen

The amount before offsetting deferred tax liabilities was 4,563 million yen, which is obtained by deducting 9,443 million yen, the amount of valuation allowance, from 14,007 million yen, the total amount of deferred tax assets pertaining to deductible temporary differences and tax losses carried forward.

(2) Information on accounting estimates

Notes are omitted due to the inclusion of the same information in “2. Recoverability of deferred tax assets” in the table of Notes to Consolidated Financial Statements (Notes to accounting estimates).

(Additional information)

Notes are omitted due to the inclusion of the same information in “Additional information” in the table of Notes to Consolidated Financial Statements.

(Notes to balance sheet)

1. Collateral assets

Factory foundation revolving mortgage applies to the following assets, which, however, are not secured liabilities and, thus, not, in effect, pledged as collateral.

Buildings	7,717 million yen
Structures	1,386 million yen
Machinery and equipment	9,171 million yen
Vehicles	15 million yen
Tools, furniture and fixtures	41 million yen
Land	8,855 million yen
<hr/>	
Total	27,188 million yen

2. Accumulated depreciation on property, plant and equipment totaled 279,264 million yen

3. Reduction entry of non-current assets 2,176 million yen

4. Liabilities on guarantee

(i) Guarantee for borrowings from financial institutions through asset-building savings system of the Company's employees 220 million yen

(ii) Guarantee for borrowings, etc. from financial institutions

Mitsubishi HiTec Paper Europe GmbH	8,571 million yen
Hachinohe Paper Processing Co., Ltd.	642 million yen
Two other companies	45 million yen
<hr/>	
Total	9,259 million yen

5. Monetary claims and liabilities to affiliated companies

Short-term monetary claims	44,676 million yen
Long-term monetary claims	2,701 million yen
Short-term monetary obligations	6,984 million yen

(Notes to statement of income)

1. Transactions with subsidiaries and associates

Net sales	65,521 million yen
Cost of sales and selling, general and administrative expenses	26,735 million yen
Volume of trade arising from other than business transactions	12,260 million yen

2. Impairment losses

An impairment loss was posted for the following asset group.

Location	Use	Type	Impairment losses
Hachinohe, Aomori	Idle assets	Machinery and equipment, etc.	46 million yen
Nagaokakyo, Kyoto	Idle assets	Machinery and equipment, etc.	6 million yen

The book value of idle assets was reduced to a recoverable amount and the reduced amount was recognized as an impairment loss under extraordinary losses. The recoverable amount is measured by net sales value, and the book values has been reduced to the memorandum value.

(Notes on statements of changes in shareholders' equity)

Type and number of treasury shares at the end of the business year under review

Class of shares	At the beginning of the fiscal year ended March 31, 2023	Increase	Decrease	At the end of the fiscal year ended March 31, 2023
Common shares	277,007	741,766	32,729	986,044

(Notes) 1. The number of shares of the Company's common stock held as treasury shares includes shares of the Company's stock held by the executive compensation BIP trust (911,871 shares at the end of business year under review).

2. Overview of reason of change

The breakdown of the increase is as follows:

Increase due to demand for purchases of shares of less than one unit	766 shares
Increase in the purchase of treasury shares by the executive compensation BIP trust	741,000 shares

The breakdown of the decrease is as follows:

Decrease due to the issuance of treasury shares by the executive compensation BIP trust	32,729 shares
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(Notes to tax effect accounting)

1. Breakdown of key factors contributing to deferred tax assets and deferred tax liabilities

Deferred tax assets

Accrued expenses	140 million yen
Provision for retirement benefits	3,060 million yen
Accumulated impairment of non-current assets	328 million yen
Loss on valuation of investments in capital of subsidiaries and associates	5,278 million yen
Loss on valuation of shares of subsidiaries and associates	1,708 million yen
Tax losses carried forward	1,005 million yen
Others	2,485 million yen
Subtotal of deferred tax assets	<u>14,007 million yen</u>
Valuation allowance related to tax losses carried forward	-285 million yen
Valuation allowance related to deductible temporary differences	<u>-9,157 million yen</u>
Valuation allowance subtotal	<u>-9,443 million yen</u>
Total deferred tax assets	<u>4,563 million yen</u>

Deferred tax liabilities

Gain on contribution of securities to retirement benefit trust	-11 million yen
Valuation difference on available-for-sale securities	-681 million yen
Others	<u>-120 million yen</u>
Total deferred tax liabilities	<u>-814 million yen</u>
Net deferred tax assets	<u>3,749 million yen</u>

(Notes to related party transactions)

1. Subsidiaries and associates

Type	Company name	Percentage of voting rights	Relationship with related party	Content of the transaction	Transaction value	Item	Balance at end of period
Subsidiary	Mitsubishi Oji Paper Sales Co., Ltd.	Direct: 99.9 Indirect: -	Sales agency for paper. Lease a part of real estate. Executives may hold concurrent positions.	Sale of paper, pulp, pharmaceuticals, etc. (Note 1)	56,434	Accounts receivable - trade	19,630
				Group finance transaction (Notes 1 and 2)	90	Short-term loans receivable	4,363
	Kitakami HiTec Paper Corporation	Direct: 100.0 Indirect: -	Purchase of products of Kitakami HiTec. Supply of raw materials. Executives may hold concurrent positions.	Purchase of merchandise, etc. (Note 1)	11,773	Accounts payable - trade	1,090
				Supply of raw materials (Note 1)	7,511	Accounts receivable - other	976
				Collection of funds (Note 1)	3,179	Short-term loans receivable	3,144
				Loans of funds (Note 1)	3,144		
	Mitsubishi HiTec Paper Europe GmbH (Note 3)	Direct: - Indirect: 100	Funding and technological assistance for business operation in Europe. Executives may hold concurrent positions.	Collection of funds (Notes 1 and 4)	4,743	Short-term loans receivable	5,056
				Loans of funds (Notes 1 and 4)	5,056		
	MPM OJI Home Products Co., Ltd.	Direct: 70.0 Indirect: -	Purchase of products of Kitakami HiTec. Supply of raw materials. Executives may hold concurrent positions.	Collection of funds (Note 1)	466	Short-term loans receivable	242
				Loans of funds (Note 1)	-	Long-term loans receivable	1,936
Associates	MPM Oji Eco Energy Co., Ltd.	Direct: 45.0 Indirect: -	Loans, etc. provided by the Company. Executives may hold concurrent positions.	Collection of funds (Note 1)	450	Long-term loans receivable	765

(Note 1) Prices and other terms of business are determined in negotiations using market prices as a reference.

(Note 2) The transaction amount for group finances indicated is an increase or decrease between the end of the previous fiscal year and the end of the business year under review.

(Note 3) Mitsubishi HiTec Paper Europe GmbH is a subsidiary of Mitsubishi Paper Holding (Europe) GmbH.

(Note 4) Allowance for doubtful accounts of 3,239 million is posted for loans receivable to Mitsubishi HiTec Paper Europe GmbH. In addition, provision of an allowance for doubtful accounts of 1,667 million yen is posted in the fiscal year under review.

(Note 5) Guarantee obligations are listed in the notes to the balance sheet in the notes to specific items, and are operated under general terms of business.

2. Sister companies

Type	Company name	Percentage of voting rights	Relationship with related party	Content of the transaction	Transaction value	Item	Balance at end of period
Subsidiaries of other associates	OCM Fiber Trading Co., Ltd.	Direct: 14.0 Indirect: -	Sale of imported chips to the Company	Purchase of imported chips (Note 1)	19,673	Accounts payable - trade	2,636

(Note) Prices and other terms of business are determined in negotiations using market prices as a reference.

(Notes to revenue recognition)

Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is provided in section, 4. Accounting standards for significant revenues and expenses in the Notes on significant accounting policies.

(Notes on per share information)

(1) Net assets per share 1,137.91 yen

(2) Profit per share 16.06 yen

(Notes to significant subsequent events)

(Absorption-type merger of wholly owned subsidiary)

On April 1, 2023, an absorption-type merger was implemented with MPM as the company surviving the absorption-type merger and Kitakami HiTec Paper Corporation and Hokuryo Industry Corporation as the companies that disappear in the absorption-type merger.

In addition, Kitakami HiTec Paper Corporation, which will disappear due to the Reorganization, falls under the specified subsidiary.

1. Purpose of the Reorganization

In the fiscal year under review, the Group has launched the Medium-Term Management Plan (FY2023/3-FY2025/3) and is working to strengthen the management base and create a new Mitsubishi Paper Mills Group. As one of the initiatives in this effort, the Group will reduce fixed costs through organizational rationalization and strengthen corporate governance by merging its group subsidiaries.

2. Overview of the Reorganization

<Business combination date>

April 1, 2023

<Names of combined companies and description of their businesses>

	Names of combined companies	Description of business
Surviving company	Mitsubishi Paper Mills Limited	Manufacturing, processing and sale of paper, pulp and photosensitive materials
Absorbed company	Kitakami HiTec Paper Corporation	Manufacturing, processing and sale of pulp, resin-coated paper and sanitary products
	Hokuryo Industry Corporation	Contracted manufacture and finishing of paper, miscellaneous work

The name of the company has not changed after the business combination.

3. Overview of accounting treatment to be taken

The Company plans to account for the Reorganization as the common control transaction under the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).