

May 31, 2005

Chuetsu Pulp & Paper  
Jiro Sugano, President

Mitsubishi Paper Mills  
Takeshi Sato, President

### **Chuetsu Pulp and Paper and Mitsubishi Paper Mills to take back their plan to merge**

On May 16, Chuetsu Pulp and Paper and Mitsubishi Paper Mills reached to an agreement to take back the merger plan.

Both parties signed the Letter of Intent on January 31<sup>st</sup>, 2005 to merge on the equal basis in a concept to deal with the structural and drastic change of the management circumstances and to accomplish the sustainable growth.

Since then, both companies have been discussing the details within sub-committees set under the Pre-merger Committee to complete the merger on October. Under these discussions, although both companies confirmed the scale merit and the improvement of the company fundamentals, they could not reach to the consent on the basic concept of the way to realize the merger effects, notably on the restructuring policy for the domestic sales and distribution, which resulted in taking back their plan of merger. This decision was that made through the best effort of both parties on realizing the merger and both parties are expecting this decision to be accepted by all the stakeholders of both parties.

Despite the abandonment of the merger, both companies continue their effort on seeking the possible collaboration such as strategic partnership within the individual business area.

Chuetsu Pulp and Paper, as a result of this abandonment of merger, has to review the strategy based on this merger but its basic strategy shall kept unchanged. To deal with the structural change of management circumstances in the pulp and paper industries, it shall concentrate its management resources to paper business as was before to improve its profitability and management efficiency so as to raise the shareholder value.

Mitsubishi Paper Mills, to build lean and fitted management fundamentals that can sustain against changing of business environment, will continue its measures including the restructuring measures to strengthen the Kitakami Mill and the measures to reduce its interest carrying debts and at the same time pays all efforts to strengthen its core businesses and to severely select its non-core businesses, and further promotes its cost down effort.

With regard to the business structure, it aims to be a unique paper company through solidifying its management fundamental by keeping the paper business as a main core business and improve the profitability of Ink Jet business, Photosensitive Materials business and Specialty Materials business.

Both companies wish the understanding of this decision and entreat continuous supports by shareholders, customers, suppliers and all other stakeholders.  
Business forecast of this year shall be released upon the completion of calculation.