Corporate Report 2017

Mitsubishi Paper Mills Ltd.
Editorial Policy

Mitsubishi Paper Mills publishes the Mitsubishi Paper Mills Corporate Report to provide stakeholders with a better understanding of the Group's overall business activity. In these pages, we report on the Mitsubishi Paper Mills Group's corporate value building activities, which seek to bring about a more sustainable society.

Scope

In principle, the companies included are Mitsubishi Paper Mills and its consolidated subsidiaries (19 companies in Japan and 7 companies overseas), as well as its equity-method affiliates (2 companies in Japan, 1 company overseas).

Specific mention is made for companies outside the scope.

Guidelines Referenced

- GRI Sustainability Reporting Guideline, 4th Edition
- ISO 26000
- FSC® C021528

Our Website

- CSR / Environment
- Investor Relations
- Products and Services
- Research & Development

Table of Contents

To Our Stakeholders

- Editorial Policy
- Our Website
- Table of Contents
- Message from the President
- Management Measures
- Consolidated Financial and Non-Financial Highlights

Special Feature

Special Feature 1: Launch of Joint Biomass Energy Business
Special Feature 2: Mitsubishi Paper Mills Group Companies — KJ SPECIALITY PAPER Co., Ltd.

Business Activities of the Mitsubishi Paper Mills Group

- Mitsubishi Paper Mills Group Products
- Mitsubishi Paper Mills Group Business Sites
- Overview of Business Segments
- Printing Paper Business
- Imaging Media Business
- Specialty Materials Business
- Research and Development

Mitsubishi Paper Mills Group CSR

- Mitsubishi Paper Mills Group CSR
- The Way We See CSR
- Basic Policies for CSR Activities, and Key Issues (Material Issues)
- Corporate Governance
- Basic Policies on Corporate Governance
- Overview of Corporate Organizations
- CSR Promotion Structure
- Compliance
- Risk Management
- Information Disclosure
- Company Executives

Fair Operating Practices
- Fair Competition
- Preventing Corruption
- Promoting Social Responsibility in the Supply Chain
- Disavowal of Anti-Social Elements
- Responsible Raw Material Procurement

Relationship with the Environment
- Environmental Management Structure
- Chemical Substance Management
- Preventing Global Warming
- Preserving Biodiversity
- Effectively Utilizing Resources
- Ecobalance
- Environmental Indicators

Relationship with Employees
- Occupational Safety and Health Initiatives
- Efforts to Create Comfortable Work Environments

Relationship with Customers
- Quality Control System
- Product Safety Control System
- Communication with Customers
- Encouraging the Worry-Free Use of Our Products

Relationship with Communities
- Communication with Community Members
- Philanthropic Expenditures

Fiscal 2017 Activity Results
- Fiscal 2018 Action Plan

Company Profile and Corporate Data

Cover photo: Tree planting event at a company-owned forest in Murabi (Fukushima Prefecture)
Guided by the corporate philosophy of the Mitsubishi Paper Mills Group, we will build a solid business foundation unaffected by changes in the external environment and make efforts to improve corporate value.

We will conduct distinctive CSR activities that leverage the Mitsubishi Paper Mills Group businesses, and will work to fulfill our responsibility to society while contributing to a sustainable society.

Kunio Suzuki, President and Chief Executive Officer

Throughout its 119 years of history, the Mitsubishi Paper Mills Group with its challenging spirit and technology conscious mind-set has been contributing to furthering information culture by providing society with high value-added products that continually satisfy the needs of the times. In addition to printing and communication paper, our business now involves a range of media for a variety of recording methods that include magnetic, digital photography, silver halide photography, and inkjet printing. These efforts have seen us grow into a unique corporate group.

Now, the environment surrounding our business — in politics, the economy, society, and technology — is moving tumultuously and not showing any direction. Amid this rapidly changing macro environment, we began carrying out the Second Mid-Term Management Plan in April 2016. With “stabilization of profit through alliances” as a keyword, the plan is focused on building a solid business foundation unaffected by changes in the external environment, and we are now strongly promoting a number of measures.

To keep fulfilling our obligations to society while contributing to its betterment, we are focused on continuously improving corporate value in line with our corporate philosophy of “we aim to contribute to society by pursuing the world market, technological capabilities, and the global environment.” We hope to have your continued and ever-increasing support in these endeavors.

Aims of the Mitsubishi Paper Mills Group

Ten years have passed since the Mitsubishi Paper Mills Group began conducting CSR activities in 2007. We understand the objective of CSR to be improving corporate value through gaining the trust and understanding of our stakeholders. Therefore, these 10 years has seen us conduct distinctive CSR activities that leverage the Group’s lines of business and corporate resources to solve a variety of problems. In fiscal 2017, we made “ensuring the effectiveness of corporate governance” and “enhancing activities to ensure safety and health” our top priority issues. We also worked to offer more environmentally conscious products, including FSC-certified paper, which helps preserve forests, and the Thermal DigiPlate System, which reduces environmental impact.

In fiscal 2018, we have been listening to the suggestions of our stakeholders while considering the Group’s business environment and conditions, and have put forth “ensuring product quality” and “enhancing activities to ensure safety and health” as our two top priority issues. “Ensuring product quality” will support efforts to strengthen alliances, a core objective of the Second Mid-Term Management Plan. “Enhancing activities to ensure safety and health” is an effort to “further strengthen safety measures in the manufacturing industry,” an initiative currently being jointly pursued by government and private enterprises. In the days ahead, we will continue to actively communicate with our stakeholders as we fulfill our responsibilities to society and work towards making a more sustainable society.

Contributing through CSR Activities

We aim to contribute to society by pursuing the world market, technological capabilities, and the global environment.
Management Measures

The Second Mid-Term Management Plan

In order to deal with a business environment that is expected to become increasingly more severe in coming years, we formulated the Second Mid-Term Management Plan (April 2016 to March 2019) with its emphasis on “stabilization of profit through alliances.” Based on this, we are proceeding to build and strengthen an earnings structure that cannot be easily affected by the external environment. In fiscal 2017, the first year of the plan, we were in line with the plan in terms of profit and loss.

Second Mid-Term Management Plan Basic Principles and Efforts Being Made

1. Structural reform of the printing paper business
   - Achieve a stable earnings structure not affected by the external environment through structural reform and strengthening our alliance with Oji Group.
   - Optimize our distribution and logistics systems.

2. Improving profit base
   - Strengthen our alliance with Fujifilm Corporation to build an efficient production structure.
   - Improve the profit base business by effectively using the business superiority and positioning of Mitsubishi Paper Mills.

3. Developing new businesses
   - Launch a biomass energy business in collaboration with Oji Group.
   - Strategically develop new businesses.
   - Make careful strategic and selective investments in the focus fields.

4. Strengthening business foundation and financial ground that will support the Group’s earning power
   - Work on the reconstruction of business processes and IT infrastructure to reform the Group’s business structure.
   - Promote further reduction of interest bearing debts, which we have reduced to the level they were at before the Great East Japan Earthquake, and thus strengthen the Group’s financial base.

Reform the printing paper business structure

Along with strengthening our alliances and stabilizing sales volume by both increasing sales of communication paper and expanding exports, we are focused on making our supply chain more efficient — that is, streamlining our distribution and logistics systems, from production sites to sales outlets — as a means to build a stable earnings structure that is not affected by external environment.

In our German business, we are beginning to see the effects of earnings-focused sales and cost reductions, and are planning further alliances in the global market.

Improving our profit base

In the Imaging Media Business, we are strengthening business foundations by leveraging alliances and are taking our business to overseas markets and thereby making further improvements to existing products that are in the process of maturing. The Specialty Materials Business is focused on expanding sales in Asian countries, in particular China, and in the U.S. and Europe through leveraging our positioning in the market and growing steadily in non-woven fabric, rewritable media, and other segments.

Developing new businesses

We are expanding our business in markets new to us by stepping into growing areas such as functional films, based on imaging technologies, digital textile inkjet printing transfer paper, and by making the most of the superior quality of our battery separators. In particular, with respect to functional films, we have recently decided to install equipment dedicated to this purpose at the Kyoto Mill.

We are also looking to strengthen the profit base of our Hachinohe Mill. To this end, we are working with the Oji Group to establish a biomass energy business, and starting construction of a power plant which is scheduled to start operating in July 2019.

We have also reached an agreement to launch a household paper business in conjunction with the Oji Group at the Hachinohe Mill, and are now taking steps towards starting operations in 2019.

Strengthening the business foundation and financial base that will support the Group’s earning power

We have built a project system and are making progress towards its goal of rebuilding our business processes and IT infrastructure. The end of period outstanding interest-bearing debt and debt/equity ratio targets in the Second Mid-Term Management Plan have been reached ahead of plan.

We will continue to focus on achieving the final targets defined in the Second Mid-Term Management Plan.
Consolidated Financial and Non-Financial Highlights

The fiscal year runs from April 1 to March 31.

Fiscal Year 2013 2014 2015 2016 2017

Profit and loss (millions of yen):
Net sales 200,850 207,470 214,944 216,340 201,955
Operating income 3,332 473 1,038 3,872 4,313
Net income (loss) 2,663 62 135 2,216 2,703
Profit attributable to shareholders of parent company 1,710 280 △2,472 2,217 1,152
Capital investment 6,752 6,322 4,369 4,798 5,995

Cash flows (millions of yen):
Cash flows from operating activities 7,269 12,222 3,907 12,626 19,839
Cash flows from investing activities △12,182 △433 △1,168 △2,145 △7,070

Financial position (millions of yen):
Total assets 2,652 2,586 2,535 2,412 2,359
Outstanding interest-bearing debt 1,553 1,490 1,448 1,388 1,257
Shareholders’ equity 525 528 520 492 544

Per-share information**: (yen)
Earnings per share (EPS) 50.01 8.21 △124.96 64.85 33.72
Book-value per share (BPS) 1,536.28 1,543.13 1,521.56 1,440.45 1,591.00

Management indicators:
Operating income margin (%) 1.7 0.2 0.5 1.8 2.1
Overseas sales ratio (%) 30 29 31 31 30
Equity capital ratio (%) 19.8 20.4 20.5 20.4 23.1
Return on equity (ROE) (%)*** 3.4 0.5 △8.2 4.4 2.2
D/E ratio** 2.9 2.8 2.8 2.8 2.3
EBITDA (millions of yen) 14,469 11,687 11,993 14,534 14,767

Non-financial data:
Employees**4 4,133 3,982 3,622 3,697 3,734
Employment rate of people with disabilities (%) 2.24 2.16 2.45 2.32 2.17
Industrial property rights 1,543 1,530 1,420 1,607 1,639
CO2 emissions**5 (1,000 tons) 999 946 947 959 957
CO2 emission intensity** (in tons / ton of product) 1.05 1.05 1.06 1.04 1.04

*1 A one-for-10 reverse stock split of common stock went into effect October 1, 2016. Calculations assume this reverse stock split occurred at the beginning of fiscal 2013.
*2 Return on equity (ROE) = Profit attributable to owners of parent / (net assets - non-controlling interest)
*3 D/E ratio = Interest-bearing debt / Shareholders’ equity
*4 Employees denotes full-time employees and does not include temporary workers.
Special Feature 1: Launch of Joint Biomass Energy Business

When Japan was beset by power shortages in the wake of the Great East Japan Earthquake, the Hachinohe Mill made the restoration of the damaged in-house power plant its top priority and was one of the first to provide electricity to utility companies.

We have since been in the business of selling electricity using our spare capacity. Now, we are planning to launch a full-scale renewable energy business in conjunction with the Oji Group that will entail building one of Japan’s largest biomass power plants at the Hachinohe Mill site.

Biomass Energy Business in Conjunction with the Oji Group

Through joint investment with Oji Green Resources Co., Ltd., which has superior expertise in operating a power generation business and procuring fuel, we will make the most of the excellent location of the oceanfront Hachinohe Mill and our power plant operation capabilities to operate a competitive joint biomass energy business making use of the renewable energy feed-in-tariff.

MPM OJI Eco-Energy Co., Ltd. was established on March 1, 2016 to run a biomass energy business. Orders were placed for all major equipment and major construction, and construction began in May 2017. Construction work is currently under way aiming for beginning trial operation in February 2019 and full-scale operation in July 2019.

About the Hachinohe Eco-Energy Power Plant

The Hachinohe Eco-Energy Power Plant will be built at the Hachinohe Mill site, with a layout that takes advantage of the strengths of an oceanfront mill. The facility will use the latest circulating fluidized bed boilers and will burn wood chips and palm kernel shells (PKS) for fuel. Its planned power output will be among the largest of all biomass power plants in Japan.

Power plant operation and maintenance will be handled by Mitsubishi Paper Mills. Fuel will be procured by Oji Green Resources Co., Ltd. and the Oji Group from overseas, and the Hachinohe Mill’s chip transport equipment and the loading, unloading, and transport capabilities of the Port of Hachinohe will be fully used.

The plant is also expected to create jobs in, and stimulate, the local economy.

3D CG showing completed plant

Boilers
(1) Manufacturers
JFE Engineering Corporation and VALMET
(2) Evaporation capacity: 265 t/h

Turbine generators
(1) Manufacturers
Kawasaki Heavy Industries, Ltd. and TOSHIBA MITSUBISHI-ELECTRIC INDUSTRIAL SYSTEMS CORPORATION
(2) Output: 74,950 kw

Overview: Utilizing a feed-in-tariff
● Company: MPM OJI Eco-Energy Co., Ltd. (Mitsubishi Paper Mills’ stake: 45%, Oji Green Resources’ stake: 55%)
● Location: Premises of Mitsubishi Paper Mills’ Hachinohe Mill
● Sales: About ¥11 billion
● Investment amount: ¥24 billion
   (boilers, turbines, and other major equipment are leased)

What is PKS (palm kernel shell)?
PKS refers to the kernel shells that are left after extracting palm oil from palm kernel seeds. Since these are a form of agricultural residue, using these as fuel is an effective use of a resource.

What is a feed-in-tariff for renewable energy?
It is a mechanism whereby a utility company purchases electricity generated from renewable sources at a fixed price for 20 years as a means to promote greater use of renewable energy.

Power plant groundbreaking ceremony (May 9, 2017)
Special Feature 2: Mitsubishi Paper Mills Group Companies — KJ SPECIALTY PAPER Co., Ltd.

Manufacturing specialty paper essential to the development of industry and used the world over.

With its head office and factory located in Fuji City, KJ Specialty Paper has been engaged in the research and development of specialty paper for over 70 years, and has brought the world unique products with high added value. Its products are used for a broad range of applications that include building materials, industry, and medicine. The company has maintained a steady focus on leveraging Mitsubishi Paper Mills’ strengths to develop special products that have been well received overseas, too, and has increased its overseas sales ratio year after year. In the months and years ahead, KJ Specialty Paper will work to enhance its lineup of competitive products made with advanced technologies while aggressively seeking to expand business overseas.

KJ Specialty Paper’s Strengths

KJ Specialty Paper’s business model provides products that leverage core technologies, such as papermaking, impregnation, coating, laminating, and dispersion, to achieve a stable standard of quality while meticulously satisfying the wide range of customer needs.

### Papermaking Technologies
- Papermaking technologies to produce papers containing pigments, non-wood fibers, synthetic fibers, inorganic fibers, and decorative materials

### Impregnation and Coating Technologies
- Impregnation and coating technologies to impart additional function such as water- and solvent-resistance, and strength

### Lamination Technologies
- Lamination technologies that allow the use of thin materials and adhesives with strong solvent resistance

### Dispersion Technologies
- Dispersion technologies used for applications such as highly-concentrated carbon nano-tube dispersion liquids

### Quality Control
- Tens of thousands of color recipes and a production management and quality control systems that makes possible a stable supply of these colors

### Small Lots and Short Lead Times
- Highly-accommodating manufacturing and shipping systems that are exacting in satisfying customer requests

### Product Development
- A system for developing products based on constant feedback from customers

### Foreign Substance Control
- A clean facility and an online contamination control system that makes it possible to provide medical and electronic materials

KJ Specialty Paper’s Signature Products

KJ Specialty Paper provides specialty paper essential to a wide range of industrial applications that include building materials, automobiles, electrical equipment, and medicine. To remain a value generating company that accommodates the diverse needs of our customers around the world, we are continuously engaged in research and development aimed at further improving the potential of paper.

#### Decorative laminate base paper
- Decorative laminate base paper used for furniture and fitted kitchens (boasting a high market share in Japan)

#### Impregnated paper for building materials
- Impregnated decorative papers that are used in furniture and other products and that provide printability, delamination resistance, water resistance, and other qualities

#### Base paper for wall coverings
- Base paper that meets quality requirements for wall covering manufacturing and installation

#### Masking tape backing
- Base paper for masking tape, used in coating and other processes for automobiles and buildings

#### Medical grade paper for sterilization
- Base paper for medical packaging; is designed to let in gases and vapor used in sterilization while keeping bacteria out

#### Backing materials for TDDS
- Backing materials used in transdermal drug delivery systems; Drug Master File registered with US FDA

#### Koceran
- Heat-resistant, fireproof ceramic fiber sheets consisting of thin layers of ceramic fibers

Recent topics

#### Carbon nano-tube (CNT) related products
- After the discovery of carbon nano-tube by a Japanese physicist in 1991, we took aim at a market need: that of the need for highly-concentrated dispersion media to deploy these to a wide variety of applications. This took the form of developing the products below by adapting the dispersion technologies that constitute one of KJ Specialty Paper’s core technology categories. These products have been very well received in numerous fields of industry related to electrical products, printing, and plastics, among others.
  - KJ Carbon nano Liquid, a CNT dispersion liquid
  - KJ Carbon nano Coating, a CNT coating liquid
  - KJ Carbon nano Sheet, a CNT sheet
  - KJ Carbon nano Cloth, a CNT cloth

#### Medical materials
- Mitsubishi Paper Mills had a display booth at Medtec Japan 2017, the largest life-sciences exhibition in Japan, as a means to tell people about medical grade paper for sterilization and backing materials for transdermal drugs made by leveraging the strengths of KJ Specialty Paper. Going forward, we will focus even more on developing medical material products.
Mitsubishi Paper Mills Corporate Report 2017 Products

Mitsubishi Paper Mills for High Grade and Information Media

Since its founding, the Mitsubishi Paper Mills Group has contributed to society through offering products suited to the times by leveraging technical expertise on a base of customer trust and excellent performance. In the digitally-oriented world of today, we aim to be known for our high-grade and information media through business conducted in Japan and other countries as a development-driven manufacturer.

Printing and Communication Paper

Since our founding in 1898, Mitsubishi Paper Mills has been a comprehensive paper manufacturer providing high-grade printing and communication paper.

We now provide paper suited to a wide variety of needs, contributing to society with products such as printing papers including well known “New V Matt,” matte coated paper, communication papers including carbonless paper and thermal paper, and paperboard, tissues, and toilet paper.

Digital Imaging

Mitsubishi Paper Mills is a unique paper manufacturing company doing business in the field of digital imaging. We are the world’s only paper manufacturer with every production process, starting from selection of the raw wood, pulp production, papermaking, coating paper with resin, applying photosensitive materials, etc.

In the field of inkjet paper, we began research and development in the 1970s and have established a worldwide position as a top runner. And we are also a savvy player in the domestic printing business, which allow us to develop unique and well appreciated prepress-related products reflecting feedback from printing shops. We also develop medical devices by combining the technologies we have built up through photosensitive materials and such over the years.

Speciality Materials

The products in our Speciality Materials business are made at three facilities. Water treatment membrane base substrate, battery separators, and other non-woven fabric products and rewritable media are made at the Takasago Mill. Decorative laminate base paper, masking tape backing, and other chemical paper products are produced at KJ Specialty Paper. And our air filters for air purifiers and automotive air conditioning systems are manufactured in Zhuhai City, Guangdong Province, China by our subsidiary Zhuhai MPM Filter, Ltd. (MFZ).

In our research division, we have developed and commercialized new separators that can withstand heat beyond 400°C, a world-leading achievement in the field of separators for lithium-ion batteries — a product that must meet very demanding safety requirements. We have also succeeded in developing highly-concentrated dispersion liquids of carbon nano-tubes (CNT) and we are incorporating them into thin film heating elements and other products.
Mitsubishi Paper Mills Group’s Overseas Operations

The Mitsubishi Paper Mills Group does business around the world with production facilities in Japan, Germany, and China and sales offices in Japan, Germany, the U.S., and Hong Kong.

Major production and R&D facilities in Japan

- Takasago Mill
  - 105 Sakaemachi, Takasagocho, Takasago-shi, Hyogo
  - Principal products: Carbonless paper, thermal paper, inkjet paper, non-woven fabric, specialty paper

- Kyoto Mill
  - 1-6-6 Kaiden, Nagaokakyo-shi, Kyoto
  - Principal products: Photographic paper, printing plate materials, photo inkjet paper

- Hachinohe Mill
  - 35, Sasanagane, Aisari-cho, Kitakami-shi, Iwate
  - Principal products: Photographic base paper, hygiene paper

- Shirakawa Site / Process Development Laboratory
  - 3, Aza Maeyamanishi, Nishigo-mura, Nishi Shirakawa-gun, Fukushima
  - Principal products: Pressboard

- Kitakami HiTec Paper Corp.
  - 35, Sasanagane, Asai-cho, Kitakami-shi, Iwate
  - Principal products: Non-wood pulp

- Toho Tokushu Pulp Co., Ltd.
  - (Oyama Mill) 340, O-aza Mamado, Oyama-shi, Tochigi (Kitakami Mill) 35, Sasanagane, Asai-cho, Kitakami-shi, Iwate
  - Principal products: Chemical paper (decorative laminate base paper, impregnated paper, wall coverings base, masking tape backing, etc.)

- Zhuhai MPM Filter, Ltd.
  - 17 Yingqiang Pinghu Town J, Inwan District, Zhuhai, Guangdong, China
  - Principal products: Various filters

- MPM Hong Kong Limited
  - Suite 1110, 11th Floor, World Commerce Centre, Harbour City, 11 Canton Road, Kowloon, Hong Kong
  - Sale of specialty materials

- MPM Imaging (MPM), Inc.
  - 555 Theodore Fremd Ave., Rye, NY 10580, USA
  - Sale of inkjet paper and printing plate materials

- Mitsubishi Imaging (MPM), Inc. (New York, USA)
  - Oversight of affiliated companies in Europe

- Mitsubishi HiTec Paper Europe GmbH, Flensburg Mill
  - Husumer Strasse 12 D-24841 Flensburg, Germany
  - Principal products: Thermal paper, inkjet paper

- Mitsubishi HiTec Paper Europe GmbH, Bielefeld Mill
  - Niedermholz 23, D-33699 Bielefeld, Germany
  - Principal products: Carbonless paper, thermal paper, inkjet paper

- Mitsubishi Paper Holding (Europe) GmbH
  - Am Albertussee 1, 40549 Düsseldorf, Germany
  - Oversight of affiliated companies in Europe

- Toho Tokushu Pulp Co., Ltd., Oyama Mill
  - 340, O-aza Mamado, Oyama-shi, Tochigi

- Toho Tokushu Pulp Co., Ltd., Kitakami Mill
  - 35, Sasanagane, Asai-cho, Kitakami-shi, Iwate

- KJ SPECIALTY PAPER Co., Ltd.
  - 7-1 Shimbashicho, Fujis, Shizuoka
  - Principal products: Chemical paper (decorative laminate base paper, impregnated paper, wall coverings base, masking tape backing, etc.)

- MPM Hong Kong Limited
  - Suite 1110, 11th Floor, World Commerce Centre, Harbour City, 11 Canton Road, Kowloon, Hong Kong
  - Sale of speciality materials

- Zhuhai MPM Filter, Ltd. (Guangdong, China)
  - 17 Yingqiang Pinghu Town J, Inwan District, Zhuhai, Guangdong, China
  - Principal products: Various filters

- Shirakawa Site (Hakuyo Paper Technology Co., Ltd.)
  - Process Development Laboratory

- Toho Tokushu Pulp Co., Ltd., Oyama Mill
  - Principal products: Non-wood pulp

- Mitsubishi HiTec Paper Europe GmbH, Bielefeld Mill
  - Principal products: Carbonless paper, thermal paper, inkjet paper

- MPM Hong Kong Limited
  - Sale of specialty materials
Overview of Business Segments

Printing Paper Business

The Printing Paper Business Division handles the printing paper and copier paper used in catalogs, brochures, and publications, the communication/specialty paper such as carbonless paper for sales slips and thermal paper for receipts, the paperboard used in packages and food wrappings, the household paper such as tissue and toilet paper, and more.

To increase the Group’s corporate value steadily, strengthening the competitiveness of our flagship business, printing paper, is essential. To this end, we are working to build a stable profit structure by optimizing our distribution and logistics systems and strengthening alliances with other companies.

Basic Strategies

If the Group is to secure stable profit in the months and years to come, it will need to establish a strong profit base in the printing paper business, which accounts for a major share of the Group’s sales.

In Japan, we are focusing on improving the efficiency of our supply chain through an integrated manufacturing-sales business approach and are engaged in streamlining the functions of the company and our distributor in order to further leverage the advantages of having one company with one distributor. We are also focused on maintaining good capacity utilization at our main facility, the Hachinohe Mill. These efforts include shifting to communication paper products which are showing steady advantages of having one company with one distributor. We are also focused on maintaining good capacity utilization at our main facility, the Hachinohe Mill. These efforts include shifting to communication paper products which are showing steady demand and leveraging alliances with other companies to engage in strategic OEM production and expanding exports of printing paper, industrial inkjet paper, and other products. We have also begun a joint venture for household paper business.

Overseas, aiming to improve profitability of our German business, we are working on cost reductions, increasing product yield, and beginning contracted production of new products.

FY 2017 Review

With respect to domestic sales, sales dropped for printing paper amid a weak market for these products and selectively taking orders focusing on price, among other factors. Communication paper made a strong showing due to, among other things, the effects of alliances and expanded sales of copier paper.

In exports, sales of industrial inkjet paper grew alongside an increase in printing paper sales volume. At our European subsidiary, although sales declined as a result of selective acceptance of orders with better earnings, the effects of price revisions for the two main products—carbonless paper and thermal paper—contributed to improved earnings. This brought sales for all paper and pulp businesses to ¥150,428 million, an 8.5% decrease from the previous year.

Key Challenges

<table>
<thead>
<tr>
<th>Mid-term management plan first year initiatives</th>
<th>Targets for the Mid-term management plan period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic expansion of OEM</td>
<td>Promote our alliance with the Oji Group</td>
</tr>
<tr>
<td>Maintenance of our factory capacity utilization</td>
<td>Maintain full-capacity operations by expanding OEM, export, and other business</td>
</tr>
<tr>
<td>Streamlining of the supply chain through integrated management of manufacture and sales</td>
<td>Streamline sales/production system</td>
</tr>
<tr>
<td>Revision of product pricing</td>
<td>Release product pricing revisions</td>
</tr>
<tr>
<td>Improvement in the profitability of operations in Germany</td>
<td>Screen orders</td>
</tr>
<tr>
<td></td>
<td>Procure low-cost raw materials and improve product yield</td>
</tr>
<tr>
<td></td>
<td>Begin contracted coating services for new products</td>
</tr>
</tbody>
</table>

Targets for the Mid-term management plan period

- Promote alliances and increase sales of communication/specialty paper
- Continue full-capacity operations by expanding OEM, export, and other business
- Improve efficiency by re-examining our role in relationships with distributors
- Reduce inventory by optimizing the distribution system
- Revise the pricing of printing paper, communication paper, and white paperboard
- Formulate a price-centered sales policy
- Reduce costs on energy and the materials and production
- Bring new products to market and expand sales

Topics

Fiftieth Anniversary of the Hachinohe Mill

Mitsubishi Paper Mills’ Hachinohe Mill began operations in January 1967, making this year its 50th anniversary. This period saw the site battered about by several natural disasters and economic changes, with particularly grievous damage suffered during the Great East Japan Earthquake. However, everyone’s staunch support has seen the facility through to its 50th year of operations. We extend our gratitude to all of the business partners, shareholders, officials from Aomori Prefecture and the city of Hachinohe, employees, and the many other people who played a part in making our operations succeed over this half-century.
Overview of Business Segments

Imaging Media Business

The Imaging Media Business Unit provides imaging industries such as the photography and printing industries with a diversity of products that range from photo paper to inkjet paper and the resin coated base paper that backs these products, digital printing plates and related equipment, materials, and software. It aims to further strengthen alliances with industry partners in order to reinforce the business foundation while at the same time maintaining and expanding existing business through forays into overseas emerging markets and into neighboring markets. In addition, the unit seeks to move into new markets with functional films and other new products achieved by leveraging a wealth of imaging-related technologies.

Basic Strategies

The Imaging Media Business operates based on three strategies: (1) strengthening alliances, (2) expanding and improving the lineup of existing products, and (3) fostering new business.

(1) Strengthening alliances involves further reinforcing efforts with industry partners, further expanding the production and supply volume of resin coated base paper for photographic applications, and fortifying the profit base.

(2) Expanding and improving the lineup of existing products entails concentrating on growing sales in overseas emerging markets such as Asia, where demand growth is expected to continue. It also involves maintaining and expanding existing business and branching into neighboring markets such as B to B markets that include inkjet paper for dry minilabs, labels, signage, and HP Indigo system, as well as print-related products for the post-print processing and screen printing markets.

(3) Fostering new business will see us develop and sell new products that include functional films such as transparent conductive films for touch panels and resist materials for electronic circuit boards, as well as products for electronics-related fields and the medical/healthcare fields. In addition, we will supply digital textile inkjet printing transfer paper for not only sublimation transfer printing on polyester but also thermal transfer printing on cotton, silk, and other natural fabrics. By approaching new customers in the textiles industry primarily in overseas markets, early commercialization is expected.

FY 2017 Review

Domestic market sales were steady for photosensitive materials and printing plate materials, with figures roughly at the level of the previous period. In the overseas market, the effects of alliances helped achieve increased sales of photosensitive materials. However, total sales dropped due to a decline in demand for existing products such as inkjet paper and printing plate materials, as well as to the impact of a strong yen.

This resulted in total sales for the Imaging Media Business of ¥38,908 million, a 6.8% decrease from the previous year.

Vision for the Future

The Imaging Media Business Unit will continue to focus on contributing to the photography and printing industries through existing core products such as resin coated base paper for photographs, inkjet paper, printing plate materials, and related products. It also aims to introduce new products that leverage imaging technologies as a means to accelerate the advance of business in new fields and growth markets and aim to further develop its business. To this end, we have decided to install a special coating machine for functional films at our Kyoto Mill. The days to come will see us expand our horizons to new fields and growth markets as we work to generate new business ideas and products.

Table: Key Challenges, Mid-term management plan first year initiatives, Targets for the Mid-term management plan period

<table>
<thead>
<tr>
<th>Key Challenges</th>
<th>Mid-term management plan first year initiatives</th>
<th>Targets for the Mid-term management plan period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion of alliances</td>
<td>Through more robust alliances, increased our supply of photographic base paper by more than 50% over the previous year</td>
<td>Further strengthen alliances and further increase our production and supply of photographic base paper</td>
</tr>
<tr>
<td>Maintenance of our factory capacity utilization</td>
<td>Increased sales volume of resin coat (RC) base inkjet (U) for Asia by 15% over the previous year</td>
<td>Every year, increase sales volume of RC base U in emerging nations in Asia and elsewhere by 10% year-over-year</td>
</tr>
<tr>
<td></td>
<td>Commercialized a digital silk screen making machine (MDS-360)</td>
<td>Deploy at least 100 MDS-360 units, primarily in Japan</td>
</tr>
</tbody>
</table>

Topics

Opening of the Pictorico Shop & Gallery in Omotesando

Mitsubishi Paper Mills has opened a directly-managed shop and gallery in Omotesando. Here we satisfy a diverse range of professional and high-level amateur needs that include high quality photo prints as well as print framing, processing, and display.

Location: 4-14-5 Jingumae, Shibuya-ku, Tokyo
Hours: Tuesday – Saturday, 10:00–19:00
*Closed: Sunday and Monday
Features: • Photo print gallery • Inkjet product sales • Print workshop reservations
Opened: July 2017
Overview of Business Segments

Speciality Materials Business

The Speciality Materials Business Unit handles special products that have functions. This unit brings together papermaking, coating, chemical synthesis, analysis, and other technologies to achieve a lineup of distinctive products. These include non-woven fabric base substrate for reverse osmosis and other water treatment membranes, separators for secondary batteries, air filters for air purification and vehicle air conditioning systems, media that can be repeatedly recorded and erased with thermal heads, decorative laminate base paper, and masking tape backing.

It handles a large number of products in a range of fields and operates with a global perspective in pursuit of making Mitsubishi Paper Mills the top manufacturer in each field. The unit’s business base has become increasingly globalized: in recent years, exports account for nearly 50% of sales.

Basic Strategies

To strengthen our profit base, we are concentrating management resources on achieving further growth for non-woven fabric products (for water treatment and battery separators). Through efforts such as installing new equipment and entering into alliances, we will enhance quality and strengthen our cost competitiveness while achieving further growth.

For our existing products, our emphases are on marketing filter products for consumer electronics in Asia while growing sales of cabin filters for automobiles in China and expanding our business in Asia for total heat exchange paper and elements, which are environmentally conscious products. Rewritable media has seen remarkable growth in China over the last few years, but our focus now will be on improving sales in ASEAN and other regions with growth potential. We will proceed with expanding sales of washi (traditional Japanese paper)-type tape substrate in the European market.

To foster a new business, we will target electric vehicle applications with polyester non-woven fabric battery separators. Featuring very high heat resistance, these products are attracting attention around the world in the field of non-woven fabrics. We will also be utilizing technologies for mass-production of highly-concentrated dispersion liquid of CNTs (carbon nano-tubes) to supply processed products such as CNT tape and CNT sheets, which feature high electrical and heat conductivity, to niche applications.

Key Challenges | Mid-term management plan first year initiatives | Targets for the Mid-term management plan period
--- | --- | ---
Further growth for non-woven fabric products | - Water treatment membrane base substrate: Increased sales 20% over the previous year | - Increase sales of water treatment membrane base substrate by 130% - Increase sales of battery separators by 200%
Expanding sales in Asia and Europe | - Filters: Function filters for air conditioning systems are undergoing final evaluations at a local consumer electronics manufacturer in Asia - Masking tape backing: Increased sales in Europe 26% over the previous year - Rewritable media: Received order for a new project from an organization affiliated with the Chinese government | - Expand sales of products for consumer electronics in Asia, open up sales channels in China for cabin filters, and grow sales of total heat exchange paper - Increase sales in Europe by 50% - Expand sales in China and launch products in ASEAN nations

FY 2017 Review

The speciality materials segment saw an overall drop in sales due to a drop in orders for battery separators and for filters for consumer electronics in overseas markets which offset improved sales of rewritable media for overseas markets and water treatment membrane base substrate.

Chemical paper sales rose on improved sales of products including masking tape backing, despite a decline in sales for decorative laminate base paper and base substrate for wall coverings.

As a result, total sales for the Speciality Materials Business increased 0.2% from the previous year to ¥16,958 million.

Vision for the Future

Products supplied by the Speciality Materials Business Unit are used as components in end products. Because all of them are used in high added-value products in growing markets, their specification requirements are stringent, and constant quality improvements are required. We have made a number of capital investments in the Takasago Mill that include non-woven fabric making machine for water treatment membrane base substrates and coating machine for battery separators, and we are planning further manufacturing equipment investments for fiscal 2018 to meet growing demand.

Zhuhai MPM Filter, Ltd. (MFZ), a Mitsubishi Paper Mills subsidiary in Zhuhai, China, is leveraging the capacities it has developed as a production facility and making the most of its geographical advantage as a facility within China, one of the world’s major centers of consumption to market products for China and the ASEAN market.

The company brings products with unique features to a growing market, and aims to grow its business under a business model focused on improving product characteristics through technical communication with customers and pushing the company to the top of a niche market.

Topics

NanoBaseX OZ-GX Series of high heat resistant separators for lithium-ion batteries

The NanoBaseX separators for lithium-ion batteries have helped bring better safety and longer life to lithium-ion batteries. In the fall of 2016, we developed the NanoBaseX OZ-GX Series, which offers revolutionary heat resistance up to 470°C.

We are proceeding to market this product, which solves almost all temperature limit issues that can occur with separators used in lithium-ion batteries.
Research and Development

Since its founding, the Mitsubishi Paper Mills Group has contributed to society and offered products suited to the times by leveraging technical expertise which is the base of our strong track record and the trust in our products. As a corporate group that is always on the leading edge of technology, we view our development capability as a critical foundation for improving corporate value, and we will continue to enhance our technologies in an effort to become a corporate group that lives up to the trust of its customers in the world market.

A base for product and technology development

Speciality Materials R&D Laboratory

In addition to technologies for existing products such as battery separators and water treatment membrane supporting bodies, which use non-woven fabrics as base materials, the Speciality Materials R&D Laboratory develops next-generation products that include cellulose and synthetic resin composites, micro-fibrillated cellulose, and carbon fiber sheets. Our sales, production, and R&D departments form an information sharing trinity that constitutes an integrated, coherent, and dynamic product development system. Advanced analysis technologies are essential to product development and improving the quality of existing products. Keeping pace with rapidly advancing analysis technologies, Mitsubishi Paper Mills’ analysis group provides robust, comprehensive support in continually enhancing the reliability and brand power of the Group’s products.

Kyoto R&D Laboratory

Printing plate materials, a technology with more than 40 years of development history, are evolving into more environmentally conscious products such as the Thermal Digiplate System. They are also giving rise to a range of unique products in the field of electronics. These include resist systems with unique properties and transparent conductive films for touch panels, as well as silver nano particle inks together with designated base materials and transparent conductive films for printed electronics. These include resist systems with unique properties and transparent conductive films for touch panels, as well as silver nano particle inks together with designated base materials and transparent conductive films for printed electronics.

Process Development Laboratory

Paper and speciality material production technologies and printing and processing technologies are becoming more sophisticated day by day, and demands for quality are changing by the minute. We operate a pilot plant with a paper machine, a coater, a plate making machine and printing machines. Product prototypes are created here and those prototypes are evaluated for quality. This allows us to quickly start up the development of products and evaluate those products using up-to-date technologies so we can provide products that satisfy customers.

Furthermore, we create product samples to show the features and characteristics of our products, while also conducting sales support activities that include providing customers with technical guidance. At the same time, we leverage the expertise of Laboratory personnel to develop production technologies and new applications for products, in addition to surveying cutting edge manufacturing technologies.

Coating flow analysis business

MPM CAE Center Co., Ltd. (established in April 2011) conducts contracted research and provides consulting services using numerical analysis techniques. It provides services that meet users’ needs through the use of coupled analysis techniques and high speed analysis systems.

With its high level of technical expertise, the company has long been engaged in scientifically analyzing coatings, which are applied to base substrates, and has created numerical analysis (computer simulation) technology for optimizing them. In recent years, this numerical analysis technology has been the focus of attention not only in the pulp and paper industries, but also in advanced fields such as electronic materials, and there have been many requests for contracted research services.

Intellectual Property

Intellectual property is an important asset in the continued development of our business. In particular, patents secure, maintain, and enhance the competitive strength of new products and we submit 150 to 200 patent applications every year in Japan and abroad. Although we have traditionally submitted patent applications mainly in Japan, the U.S., and Europe, in recent years we have been increasing applications in China, Korea, Taiwan, and other Asian nations. We have also been aggressively applying for, and registering, trademarks in order to improve customer confidence in new products.
The Way We See CSR

For a company to continue to exist as a member of society, it must not only secure profits, but also fulfill its social responsibilities to various stakeholders. The purpose of CSR is to increase corporate value by obtaining trust and empathy from everyone. We see CSR as being an important management issue that should be addressed in our business activities in order to respond to the needs of society.

The basic corporate philosophy of the Mitsubishi Paper Mills Group in its operations is to be a corporate group that lives up to the trust of its customers in the world market, to be a corporate group that is always on the leading edge of technology, and to be a corporate group that contributes to preserving the global environment and creating a recycling society. To give concrete expression to our corporate philosophy, we established the Code of Conduct of the Mitsubishi Paper Mills Group in January 2007, and we see CSR as being activities that bring this into reality.

Guiding Principles of the Mitsubishi Paper Mills Group and ISO 26000 Core Subjects

Organizational Governance
- Compliance
- Product Safety and Quality
- Human Rights and Labor
- Environment
- Social Contribution

Corporate Philosophy
- Code of Conduct of the Mitsubishi Paper Mills Group
- Compliance Conduct Standards
- Basic Policies on Corporate Governance
- Information Disclosure Regulations
- Information Management Regulations
- Crisis Management Manual
- Corporate Ethics Hotline

Human Rights
- Principles and Guidelines Concerning Human Rights and Labor Practices
- Basic Policy for Procurement

Labor Practices
- Principles and Guidelines Concerning Human Rights and Labor Practices
- Group-wide Safety and Health Management Guideline

Environment
- Environmental Charter
- Chemical Substance Management Guidelines

Consumer issues
- Product Safety Code

Fair Operating Practices
- Antimonopoly Act Compliance Manual
- Basic Policy for Procurement

Crisis Management
- Crisis Management Manual
- Corporate Ethics Hotline

The process for defining key issues (material issues)

1. Ascertain the circumstances surrounding the Mitsubishi Paper Mills Group

We conducted an analysis of the circumstances surrounding the Mitsubishi Paper Mills Group from environmental, social, and governance viewpoints. We then identified issues according to our basic policy, and assessed efforts that are being made with respect to these issues.

2. Establish key issues to satisfy the needs of society

We assigned priority to each issue based on how they impact our business, and using various guidelines and feedback from stakeholders as indicators. We then established key issues that seek to address social needs.

3. Decide on the highest priority issues

We selected the highest priority issues by re-examining issues based on business progress and the wishes of our stakeholders, using the Second Mid-Term Management Plan as a guide, and reevaluated the priority of efforts to resolve key issues.

Basic Policies for CSR Activities, and FY 2018 Key Issues

<table>
<thead>
<tr>
<th>Basic Policies for CSR Activities</th>
<th>FY 2018 Key Issues</th>
<th>(are the top priority issues)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening our CSR management foundation</td>
<td>Ensuring the effectiveness of corporate governance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Establishing a risk management structure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Thoroughly familiarizing employees with our Corporate Code of Conduct and the Compliance Conduct Standards</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ensuring strict legal compliance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promoting communication with stakeholders</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expanding initiatives out to affiliated Group companies</td>
<td></td>
</tr>
<tr>
<td>Promoting environmental management</td>
<td>Promoting activities to prevent global warming</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promoting activities to preserve biodiversity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improving and enlarging our environmentally conscious product lineup</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reducing environmental risk and impact</td>
<td></td>
</tr>
<tr>
<td>Raising customer satisfaction levels by carefully addressing user needs</td>
<td>Ensuring product safety</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ensuring product quality</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rolling out new user-oriented products and building optimal sales channels</td>
<td></td>
</tr>
<tr>
<td>Taking further measures to provide our employees with a pleasant working environment</td>
<td>Enhancing activities to ensure safety and health</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promoting various measures to improve human resource performance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promoting community support activities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promoting cultural contribution activities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promoting activities of the Eco System Academy</td>
<td></td>
</tr>
</tbody>
</table>

Basic Policies for CSR Activities, and Key Issues (Material Issues)

With the goal of contributing to making society more sustainable through its business activities, the Mitsubishi Paper Mills Group has established five basic policies that guide its CSR activities. In line with these basic policies, we have established the following key issues for fiscal 2018 in light of the circumstances surrounding the Group and the importance of issues aimed at addressing social needs.
Corporate Governance

Basic Policies on Corporate Governance

With the goal of achieving sustainable growth and improving corporate value over the medium- to long-term in line with the Corporate Philosophy, the Mitsubishi Paper Mills Group manages itself with an emphasis on CSR. This involves working to enhance management transparency and practicing glass wall management while improving corporate governance. In October 2015, we established the Mitsubishi Paper Mills Limited Basic Policies on Corporate Governance, which incorporates these basic ideas and establishes a framework, and have been undertaking a number of new initiatives that include establishing and managing a Nomination and Remuneration Committee and conducting Board of Directors effectiveness assessments.

Mitsubishi Paper Mills Limited Basic Policies on Corporate Governance

Chapter 1: Securing the Rights and Equal Treatment of Shareholders
Sets forth policies concerning General Meetings of Shareholders, capital policy, cross-shareholding, anti-takeover measures, and transactions among related parties.

Chapter 2: Considering Interests of Stakeholders
Sets forth policies concerning corporate compliance, issues involving sustainability, diversity, and internal whistleblowing.

Chapter 3: Ensuring Appropriate Information Disclosure and Transparency
Sets forth policies concerning accounting auditors and means for disclosing information.

Chapter 4: Responsibilities of the Board
Sets forth policies concerning matters such as the role of the Board of Directors, the nomination of and remuneration for executives that include independent outside directors, the chairman of the Board of Directors, and directors, director training, and succession plans for the president and other executives.

Chapter 5: Dialogue with Shareholders
Sets forth policies concerning communication with stakeholders, investor relations activities, communicating the results of dialogue with shareholders to internal departments, managing insider information, and other areas.

Overview of Corporate Organizations

We have chosen to structure ourselves as a company with a board of corporate auditors. Two fully independent outside directors and three outside corporate auditors capably fulfill the roles required by the Board of Directors.

We have also adopted an executive officer system to limit the size of the Board of Directors and speed up decision-making.

In addition, we have instituted a Nomination and Remuneration Committee that acts as an advisory body to the Board of Directors and is chaired by an independent outside director. This committee ensures objectivity and transparency in matters concerning executive nomination and remuneration.

Furthermore, to evaluate the effectiveness of the Board of Directors, we administer questionnaires to directors and corporate auditors and have discussions based on the results at meetings of the Board, sharing views. Along with this, identifying issues and discussing them leads to future improvements and enhancements in the Board’s effectiveness.

CSR Promotion Structure

Chaired by the President, the CSR Committee oversees all nine areas of the Group’s CSR activities (compliance, risk management, safety and health, the environment, product safety, product quality, human rights and labor, information, and social contribution), drafts CSR basic policy and annual plans, and regularly deliberates at Board of Directors meetings.

Compliance

In order to be a company of integrity and fairness that is trusted by society, the Mitsubishi Paper Mills Group practices corporate management with a focus on compliance. Based on the Code of Conduct of the Mitsubishi Paper Mills Group, all executives, general employees, and others related to the Company ensure good corporate conduct by following the Mitsubishi Paper Mills Group Compliance Conduct Standards, which provide rules to be observed in our business activities.

Activities to Promote Better Awareness of Compliance

In addition to holding regular discussion-based compliance training for all employees in Japan, Mitsubishi Paper Mills provides legal training twice a year that is led by lawyers from a variety of specializations. The themes for the fiscal 2017 legal training were insider-trading and signing contracts, and were attended by more than 500 employees.

We also issued the Compliance News newsletter at regular intervals to make employees more legally-minded. The nine issues released in fiscal 2017 focused on topics that included information management, insider-trading, anti-social elements, and the Act against Unjustifiable Premiums and Misleading Representations.

Corporate Ethics Hotline internal whistleblowing system

Mitsubishi Paper Mills has launched an internal whistleblowing system that is available to all employees working in the Mitsubishi Paper Mills Group. Under the system, careful measures are taken to ensure informants do not receive unfair treatment, such as having points of contact both inside and outside the company.
Risk Management

Along with accurately identifying risks that change on a minute to minute basis, companies face the need to address these risks appropriately and faithfully. Using its system for promoting CSR, the Mitsubishi Paper Mills Group has expressed its commitment to “building a risk management structure and improving its risk map as part of Group management,” with the Group’s risk management efforts overseen by the Risk Management Committee. Each division and committee responds to each of these risks.

Improving Our Risk Map

The Mitsubishi Paper Mills Group conducts risk management with an eye on more than 200 risks throughout the organization. We have analyzed the impact of these risks and the frequency with which they occur to build our risk map, and we regularly redefine and reanalyze risks to update the map. These efforts are how we maintain and improve the effectiveness of our risk management.

Building a Crisis Management System

The Mitsubishi Paper Mills Group formulated its Crisis Management Manual (revised January 2016) out of a commitment to fulfilling its corporate social responsibility and maintaining social credibility in the event of an accident or disaster that could cause serious harm to people or equipment, or impact surrounding communities. We also work to construct an effective system that ensures response measures can be taken with speed and precision when necessary. This includes conducting simulation training at every business site and at a scale that involves the entire company.

Enhancing Information Management

In order to properly use, protect, and dispose of information handled in the course of our business activities, we fundamentally re-examined our information management systems and methods. This resulted in formulating our Information Management Regulations and a guideline for enforcing these rules, the Information Handling Guidelines, which went into effect in April 2016. After a six-month preparation period, these rules started being applied in October 2016.

Creation of a Business Continuity Plan (BCP)

The Mitsubishi Paper Mills Group’s experience with the Hanshin-Awaji Earthquake and Great East Japan Earthquake has impressed on it the need for strengthening emergency preparedness. We are building an effective business continuity plan informed by our experience in recovering from profound devastation.

Information Disclosure

To have our stakeholders better understand the business of Mitsubishi Paper Mills Group, we are committed to proactive communication and the proper disclosure of information.

The Group has codified its approach to information disclosure in its Information Disclosure Regulations, which went into effect in April 2017. In addition, we have laid out our basic policy on information disclosure in our Disclosure Policy (formulated in March 2009), the administration of which is done by our Corporate Communication and IR Group. This group also holds PR sessions and manages the disclosure of information throughout the Group. In the interest of fair disclosure, we make announcements and use our website to post information about things such as timely disclosed information, press releases, and new products.

Disclosure Policy

1. Basic policy
   In accordance with “3. Transparency of Corporate Activities” of the Code of Conduct of the Mitsubishi Paper Mills Group, Mitsubishi Paper Mills discloses appropriate information to customers, shareholders, community members, etc. in a timely manner.

2. Standards of disclosure
   (1) We disclose information in conformance with rules established for companies listed on the Tokyo Stock exchange, namely the TSE’s Timely Disclosure Rules.
   (2) All information deemed to have an impact on investment decision-making is disclosed, regardless of whether disclosure of that information is required under the Timely Disclosure Rules.
   (3) We disclose information thought to be effective in improving our company recognition and encouraging a better understanding of the Mitsubishi Paper Mills Group.

3. Methods of disclosure
   We disclose information via the Timely Disclosure Information System (TDnet), various media outlets, and our website.

Communication

IR information site

An investor relations site can be found on the Mitsubishi Paper Mills website. Information is disseminated in a timely fashion using this website, which provides, among other things, earnings highlights, an IR calendar, an IR library (with access to annual business report, mid-term management plan materials, IR information, annual reports), General Meeting of Shareholders presentation materials, and stock information.

Head Office Gallery: Paper Design Square

At the head office, we have built a gallery displaying our principal products as a means to engender a stronger affinity with Mitsubishi Paper Mills Group products. Exhibitions are held regularly.

Location
Ryogoku City Core, 2-10-14, Ryogoku, Sumida-ku, Tokyo, Japan

Mitsubishi Paper Mills Head Office, 11F, next to general reception

Hours
9:00-17:00 (closed on Saturdays and Sundays, public holidays, and designated holidays)
Corporate Governance

Ordinary General Meeting of Shareholders

To ensure that shareholders have sufficient time to consider issues presented at the Ordinary General Meeting of Shareholders, convocation notices are published and mailed out early (an online announcement is made 27 days prior to the meeting date, and notices are mailed out 25 days prior to the meeting date), and are translated into English.

At general meetings of shareholders, we make every effort to ensure shareholders come away with a better understanding of the Mitsubishi Paper Mills Group. This includes incorporating visual aids and narration to ensure information is conveyed in an easily understood manner, and allotting ample time for questions and answers with shareholders.

Dialogue with stakeholders

To provide our stakeholders with a better understanding of Mitsubishi Paper Mills Group business, we are committed to proactive communication.

Company Executives

(as of August 31, 2017)

Board of Directors and Corporate Auditors

Kunio Suzuki, President (Representative Director)
Kazuhisa Taguchi, Representative Director
Kanji Morioka, Representative Director
Junji Harada, Director
Masaki Shuto, Director
Tsuneaki Handa, Director
Naoki Okawa, Director
Tomohisa Shinagawa, Outside Director
Soumita Takehara, Outside Director
Kenji Oka, Standing Corporate Auditor
Tsuyoshi Inoue, Outside Corporate Auditor
Hiroaki Tonooka, Outside Corporate Auditor
Takayuki Nakazato, Outside Corporate Auditor

Executive Officers

Kunio Suzuki¹, President & Chief Executive Officer
Kazuhisa Taguchi¹, Senior Executive Vice President
Kanji Morioka¹, Senior Managing Executive Officer
Junji Harada², Managing Executive Officer
Masaki Shuto², Managing Executive Officer
Tsuneaki Handa², Managing Executive Officer
Kiyoharu Yamada, Managing Executive Officer
Yutaka Oka, Senior Executive Officer
Nobuhiro Sato, Senior Executive Officer
Yukihiro Tachifuji, Senior Executive Officer
Naoki Okawa¹, Senior Executive Officer
Akira Inoue, Senior Executive Officer
Shimpei Yamada, Executive Officer
Keichi Sato, Executive Officer
Koji Hayashi, Executive Officer
Takeshi Sunakawa, Executive Officer

¹) Executive officers and Representative Directors.
²) Executive officers and Directors.

Election of Outside Directors and Outside Corporate Auditors

While primarily incorporating the views of internal personnel, who have in-depth knowledge of the realities of the company's business, Mitsubishi Paper Mills also fully incorporates the views of outside directors, who are able to make decisions from an independent standpoint. We view this approach as effective in ensuring robust corporate governance. Two Outside Directors have been elected to the current Board of Directors, a structure we have deemed appropriate.

All legal requirements have been met regarding our Outside Corporate Auditors, and we are confident that individuals with adequate knowledge and personal qualities have been elected.
Fair Operating Practices

By adhering to the Compliance Conduct Standards in accordance with the Code of Conduct of the Mitsubishi Paper Mills Group, we aim to be a corporate group that fulfills its social responsibility while living up to the confidence society has in us.

Fair Competition

We believe that conducting fair competition and achieving mutual growth and improvement will bring the realization of our corporate philosophy. In keeping with our focus on carrying out fair and free competition in our business practices, we prepared an Antimonopoly Act Compliance Manual (last revised in November 2013) to educate ourselves on competition laws and act appropriately in the workplace.

Antimonopoly Act Compliance Manual

1. About the Antimonopoly Act
   (1) Purpose of the Antimonopoly Act
   (2) Regulatory content of the Antimonopoly Act
   (3) Measures in response to violations
2. Legislation that supplements the Antimonopoly Act
   (1) Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors
   (2) Act against Unjustified Amendments and Misleading Representations
   (3) Matters to be aware of in business operations
3. Reference material
   (1) Related websites
   (2) Cease and desist order received by Mitsubishi Paper Mills in connection with a used paper mixture misrepresentation incident in 2008

Preventing Corruption

Mitsubishi Paper Mills’ Compliance Conduct Standards prohibit business activities that may result in social decay: entertaining or giving gifts to civil servants (including low-ranking civil servants), and giving benefits to officials in foreign governments and public organizations.

Promoting Social Responsibility in the Supply Chain

In order to ensure that we act responsibly and ethically, and also that related companies, such as providers of raw materials, practice fair trade with a similar business posture, we established a Basic Policy for Procurement (revised in September 2015) and are also working to promote social responsibility in the supply chain.

Basic Policy for Procurement

1. Impartiality and fairness
   Mitsubishi Paper Mills emphasizes common sense and integrity in business interactions with its suppliers, and treats them impartially and fairly.

2. Procurement of the most suitable purchased goods
   Mitsubishi Paper Mills selects the most suitable suppliers based on a comprehensive evaluation of quality, cost, lead times, technological development capability, stability of supply, and corporate attitude (e.g., legal compliance, disavowal of anti-social elements, protection of intellectual property rights, protection of human rights, regard for the health and safety of workers, non-use of conflict minerals, efforts involving security trade control, and mindfulness of the environment) concerning all purchased goods, including raw materials, indirect materials, fuel, and machinery. With respect to overseas suppliers in particular, we choose suppliers after ensuring that those organizations are sufficiently committed to pursuits concerning all purchased goods, including raw materials, indirect materials, fuel, and machinery.

3. Partnerships
   We aim to forge business relationships of mutual prosperity based on the understanding that all suppliers are partners providing us with competitive end products.

Disavowal of Anti-social Elements

The Mitsubishi Paper Mills Group maintains a resolute stance against anti-social elements that threaten social order and safety. This stance is laid out in our Code of Conduct, and we are trying to share this stance with all executives, employees, and other company stakeholders.

Responsible Raw Material Procurement

The Mitsubishi Paper Mills Group uses wood as a principal raw material of business. In the interest of sustainable wood procurement, we were one of the first to acquire FSC® forest certification, and procure timber from forests being managed in accordance with the FSC forest certification system.

1. FSC: Forest Stewardship Council®

FSC forest certification system

The FSC forest certification system was launched in 1993 to promote responsible forest management. There are two types of FSC certification: forest management (FM) certification and chain of custody (CoC) (processing and distribution process management) certification. In August 2001, the Mitsubishi Paper Mills Group became the first paper mill in Japan to acquire CoC certification.

See Mitsubishi Paper Mills’ website for more information:
https://www.mpm.co.jp/eng/env/fsc.html

Method for verifying legal compliance and sound management

1. Evidence of use of the forest certification and CoC certification systems (FSC certified wood, FSC-controlled wood)
2. Evidence of methods of individual companies or organizations (controlled wood)

In 2. above, we verify that wood is controlled in accordance with Requirements for Sourcing FSC Controlled Wood (FSC-STD-40-005). The verification method in conformance with these requirements is described below.

Collection of information concerning wood chips and pulp
- Confirmation of the place of origin, wood type, forest management methods, etc. from traceability reports
- Confirmation of documentation certifying the place of origin (e.g. documents related to transport and sales)
- Regularly auditing suppliers and verifying document reliability

Assessing risk (taking measures to mitigate risk when necessary)
- Assessing and verifying that place of origin of wood is a low risk with respect to A) through E) below.
  A) Illegal logging
  B) Violations of traditional or citizens’ rights
  C) Threats to forest with high conservation value
  D) Turning natural forests into man-made forests or using them for other purposes
  E) Genetically modified trees
- Receiving audits of risk assessment results by an FSC certifying body

Raw wood procurement in fiscal 2017

Types of raw wood

<table>
<thead>
<tr>
<th>FSC certified wood</th>
<th>FSC controlled wood</th>
</tr>
</thead>
<tbody>
<tr>
<td>44%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Countries of raw wood chip production

<table>
<thead>
<tr>
<th>Countries of raw wood chip production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile 28%</td>
</tr>
<tr>
<td>Australia 22%</td>
</tr>
<tr>
<td>Other 15%</td>
</tr>
<tr>
<td>Japan 35%</td>
</tr>
</tbody>
</table>

We have verified that all wood chips and wood pulp procured in fiscal 2017 came from forests that were legally and appropriately managed.

Achieving conformance with the Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (the Clean Wood Act)

In accordance with the FSC forest certification system, we have completed the process of verifying that we are in conformance with the Clean Wood Act, which went into effect on May 20, 2017.
Relationship with the Environment

In an effort to be a corporate group capable of actively contributing to preserving the environment and creating a sustainable society, Mitsubishi Paper Mills formulated its Environmental Charter in April 1993. In accordance with the fundamental principles of the Environmental Charter, we are making distinctive efforts across our lines of business to repay the trust placed in us by our stakeholders.

For the fifth year running, Mitsubishi Paper Mills has been given the Development Bank of Japan’s (DBJ) highest environmental rating. This rating reflects an acknowledgment by the DBJ that our efforts have been “excellent advanced environmental initiatives.”

Environmental Management Structure

We are building a structure with voluntary initiatives to specifically promote the fundamental principles and basic policies of our Environmental Charter. The Mitsubishi Paper Mills Group practices environmental management and has acquired ISO 14001 certification for its major production facilities.

The Technology & Environmental Department conducts internal environmental audits once a year for each of our main mills and checks the level of its environmental performance.

Chemical Substance Management

With the aim of preserving the environment and ensuring product safety with respect to chemical substances throughout our entire supply chain, the Mitsubishi Paper Mills Group formulated Chemical Substance Management Guidelines (revised April 2016) in conformance with various regulations. The guidelines take into account the impact on the environment and human health, as well as social trends and other considerations. Based on these guidelines, all our mills, offices, and affiliated production companies control and handle chemical substances properly and efficiently.

Chemical Substance Management Guidelines (excerpt)

1. Management of chemical substances used in the manufacturing process
   With the aim of minimizing the impact of chemical substances used in the manufacturing process on the environment, people, and organizations, we adhere to the Law concerning Pollutant Release and Transfer Register (“PRTR Law” in controlling chemical substances in every business process, namely procurement, storage, production, emission, and disposal.

2. Management of the constituent chemicals of products
   We formulate these guidelines and control the constituent chemicals of products with the aim of offering safer products by conforming to the basic principle of “never creating products using highly hazardous substances or substances that have a significant impact on the environment, people’s health, or ecosystems.”

Environmental Charter

1. Fundamental principles
   The Mitsubishi Paper Mills Group intends to make an active contribution to the protection of the global environment and the creation of a sustainable society. To this end, the Group will not only strive to help prevent global warming and preserve biological diversity, but also to earn the trust of all its stakeholders through the sustainable use of forest resources.

2. Basic policies
   1. Promote measures to counter global warming
   2. Protect and nurture forest resources, with appropriate care given to the preservation of biological diversity
   3. Promote a sound material-cycle society
   4. Develop environmentally friendly production
   5. Enhance environmental management systems
   6. Enhance environmental communication
   7. Appropriate emergency response

(Revised July 2010)

Preventing Global Warming

Manufacturing segment initiatives

The Mitsubishi Paper Mills Group has the target of bringing CO2 emissions down to 920 thousand tons or less by fiscal 2021 and is working on reducing its fossil fuel-based energy and overall energy consumption. In fiscal 2017, our overall energy use was 94%, and fossil fuel-based energy consumption was 75% of that in 2006.

(Mitsubishi Paper Mills Limited, Kitakami HiTec Paper Corporation, Toho Tokushu Pulp Co., Ltd., and KJ SPECIALTY PAPER Co., Ltd.)

Logistics segment initiatives

Eco Rail Mark Certification

Under the Eco Rail Mark system, companies or products are certified and allowed to use the Eco Rail Mark if they use a certain volume of eco-friendly rail freight transport. Usage of the mark offers consumers a standard for making decisions.

Mitsubishi Paper Mills acquired Eco Rail Mark certification in October 2010, becoming the first to do so in the paper industry. Since then, we have contributed to global environmental preservation through the dissemination of the Eco Rail Mark.

Green Management Certification

Namitsu Co., Ltd., a distribution company affiliated with the Mitsubishi Paper Mills Group, has acquired Green Management Certification at its main facilities and is reducing the level of CO2 emitted by its trucks during transport. Ongoing efforts that include the use of start-stop systems improve fuel efficiency and cut down on fuel usage. Aimed at reducing the environmental impact of the transport industry, Green Management Certification involves having the Foundation for Promoting Personal Mobility and Ecological Transportation audit and register businesses that have reduced the environmental impact of their operations by a certain degree in accordance with the Green Management Promotion Manual.

Initiatives for the office and the home

We are taking a number of measures to reduce energy usage in office buildings, including meticulous efforts to turn off lights. In addition, the Speciality Materials R&D Laboratory tracks the building’s power usage through a demand monitoring device and equalizes power load through peak shifting.

The Mitsubishi Paper Mills Group also promotes participation in the household environmental accounting booklet program, raising awareness for environmental preservation by having employees monitor their household CO2 emissions.
Relationship with the Environment

Preserving Biodiversity

Forest preservation activities

In conformance with FSC forest certification system standards, the Mitsubishi Paper Mills Group makes careful use of wood feedstock produced under proper forest management, and also works to popularize the forest certification system under the forest certification system. At the same time, we are engaged in a number of efforts to help forest preservation and support more prosperous local forestry and logging industries. This includes promoting forest thinning through Morino Chonai-kai, a forest neighborhood association, which is a collaborative project done in conjunction with Office Chonai-kai, an environmental NPO, as well as promoting the sustainable use of second growth hardwood produced in Iwate Prefecture.

Ecosystem Academy

We opened Ecosystem Academy in 2010 with the aim of promoting a better understanding of preventing global warming and enhancing biodiversity from the standpoint of forest preservation by paper manufacturers. With hands-on environmental education, forest surveys and research, and information dissemination as the three core activities, the academy is focused on contributing to environmental preservation by passing on to a range of people the knowledge and experience that Mitsubishi Paper Mills has accumulated over the years.

Hands-on environmental education

In addition to learning about the environment, this involves using company-owned forests to make observations, take measurements and plant trees, and papermaking and creating paper crafts to experience Japanese-style manufacturing. In 2016, a total of 860 people took part in 21 sessions, ranging from having classes at elementary schools in Kyoto, Tokyo, and Aomori, and tree planting events.

Forest surveys and research

Along with conducting vegetation and growth surveys in company-owned forests, we work with the Wild Bird Society of Japan's Shirakawa Chapter to conduct wild bird surveys, and also create birdwatching areas.

Information dissemination

We hold regular environmental seminars led by instructors engaged in pursuits that include forestry, environment preservation, and teaching at universities. Four environmental seminars were held in 2016 in Tokyo and Fukushima. The themes were "Forest Development in Tokyo," "The Current State of Forests," "Transitions in Vegetation," and "Birds of the Forest."

Participation in the Japan Business Initiative For Biodiversity (JIBIB)

The JIBIB is a group of companies actively working towards preserving biodiversity. Mitsubishi Paper Mills has participated in JIBIB activities since fiscal 2012, deepening relationships with companies undertaking advanced environmental initiatives while engaging in forest preservation activities focused on maintaining biodiversity.

Effectively Utilizing Resources

Recycling waste

Mitsubishi Paper Mills effectively utilizes incinerator ash produced by the Hachinohe Mill's recycle boiler and coal boiler to make raw material for cement. To utilize the ash in applications other than cement production, we developed a recycled construction material named "Reglobe." Reglobe is expected to be used as a weed control material, sand-blow prevention material, backfill material, etc. To capitalize on expected sales volume growth for the product, in December 2016 we began operating mass production equipment capable of producing 100 tons daily.
Ecobalance

The raw materials and energy used in paper production are referred to as "resource inputs," while the things emitted when paper is produced are referred to as "environmental emissions." Figures from Mitsubishi HiTec Paper Europe GmbH (two mills in Germany: the Bielefeld Mill and the Flensburg Mill) are also provided as a reference but are not included in the total for the Mitsubishi Paper Mills Group as environmental regulations differ in Germany.

Resource inputs

Mitsubishi Paper Mills Group (Domestic)

<table>
<thead>
<tr>
<th>Main raw materials (1,000 tons)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imported wood chips</td>
<td>757</td>
</tr>
<tr>
<td>Domestic wood chips</td>
<td>394</td>
</tr>
<tr>
<td>Purchased wood pulp</td>
<td>33</td>
</tr>
<tr>
<td>Used paper</td>
<td>43</td>
</tr>
<tr>
<td>Inorganic pigments</td>
<td>62</td>
</tr>
</tbody>
</table>

Energy (1,000 Gcal/hr crude oil equivalent)

<table>
<thead>
<tr>
<th>Fossil fuels</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas</td>
<td>260</td>
</tr>
<tr>
<td>Electricity</td>
<td>37</td>
</tr>
</tbody>
</table>

Biomas | 330 |

Refuse-derived fuel | 46 |

Municipal water (million tons) | 121 |

For reference only: Two mills in Germany

Purchased wood pulp (1,000 tons) | 127 |

Used paper (1,000 tons) | 0 |

Municipal water usage (1,000 tons) | 2,630 |

Released into water systems

<table>
<thead>
<tr>
<th>Amount released (million tons)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOC</td>
<td>122</td>
</tr>
<tr>
<td>COD</td>
<td>7,123</td>
</tr>
<tr>
<td>SS</td>
<td>3,723</td>
</tr>
</tbody>
</table>

Waste (1,000 tons)

<table>
<thead>
<tr>
<th>Waste generated</th>
<th>Amount repurposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final disposal amount</td>
<td>11</td>
</tr>
</tbody>
</table>

Product sold

<table>
<thead>
<tr>
<th>Paper (1,000 tons)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Photosensitive materials (million m²)</td>
<td>26</td>
</tr>
<tr>
<td>Wood pulp (1,000 tons)</td>
<td>61</td>
</tr>
</tbody>
</table>

Environmental indicators

Environmental impact data


<table>
<thead>
<tr>
<th>FY 2006</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ emissions</td>
<td>15,131</td>
<td>10,695</td>
<td>11,174</td>
<td>11,572</td>
</tr>
<tr>
<td>Tj</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fossil fuel-based energy consumption</td>
<td>13.6</td>
<td>11.9</td>
<td>12.1</td>
<td>12.5</td>
</tr>
<tr>
<td>GJ (kilo-joule)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Municipal water used</td>
<td>Million tons</td>
<td>125</td>
<td>126</td>
<td>127</td>
</tr>
<tr>
<td>Wastewater</td>
<td>Million tons</td>
<td>-</td>
<td>124</td>
<td>126</td>
</tr>
</tbody>
</table>

Atmospheric emissions

<table>
<thead>
<tr>
<th>CO₂ emissions**</th>
<th>Amount (1,000 tons)</th>
<th>NOx emissions (1,000 Nm³)</th>
<th>SOx emissions (1,000 Nm³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dust and soot</td>
<td>459</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Wastewater (1,000 tons)

<table>
<thead>
<tr>
<th>Wastewater</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Volume of PRTR-listed substances emitted and transferred in FY 2017


<table>
<thead>
<tr>
<th>No.</th>
<th>PRTR Class 1 Designated Chemical Substances</th>
<th>Cabinet order No.</th>
<th>Amount emitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aromatic</td>
<td>Water systems</td>
<td>Sewer systems</td>
<td>Off site</td>
</tr>
<tr>
<td>1</td>
<td>Ferrocene</td>
<td>71</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>Silver and its water-soluble compounds</td>
<td>82</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>Chloroform</td>
<td>127</td>
<td>21,600</td>
</tr>
<tr>
<td>4</td>
<td>Cyclohexyamine</td>
<td>154</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>2,2'-Dibromo-2-Cyanacetamide</td>
<td>210</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Dioxin</td>
<td>243</td>
<td>0</td>
</tr>
<tr>
<td>7</td>
<td>Triethylamine</td>
<td>217</td>
<td>1,900</td>
</tr>
<tr>
<td>8</td>
<td>Toluene</td>
<td>300</td>
<td>18,700</td>
</tr>
<tr>
<td>9</td>
<td>Hydrazine</td>
<td>333</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
<td>Hydroquinone</td>
<td>336</td>
<td>0</td>
</tr>
<tr>
<td>11</td>
<td>Benzene and its compounds</td>
<td>405</td>
<td>0</td>
</tr>
<tr>
<td>12</td>
<td>Formaldehyde</td>
<td>411</td>
<td>174</td>
</tr>
<tr>
<td>13</td>
<td>Aniline and its derivatives</td>
<td>436</td>
<td>390</td>
</tr>
</tbody>
</table>

PCBs

Scope of statistics: Hachinohe Mill, Kyoto Mill, Takasago Mill, Shirakawa Site

The detoxification of hardware (transformers and capacitors) containing high concentrations of PCBs is outsourced to the Japan Environmental Storage & Safety Corporation (JESCO). To date, about 91% of prereregistered transformers and capacitors have been rendered harmless. We expect to render all prereregistered transformers and capacitors harmless within fiscal 2018. *We are also gradually processing hardware other than transformers and capacitors that contain high concentrations of PCBs, such as stabilizers.

Environmental Accounting in FY 2017


Statistical method: Conforms with the Environmental Accounting Guidelines 2012 issued by the Ministry of the Environment

Environmental conservation costs

<table>
<thead>
<tr>
<th>Category</th>
<th>Primary Initiatives</th>
<th>million yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Indirect business costs</td>
<td>Countermeasures against air pollution, water pollution, odors, noise, and vibration</td>
<td>607</td>
</tr>
<tr>
<td>1. Pollution control costs</td>
<td>Domestic afforestation, overseas afforestation, and energy conservation measures</td>
<td>54</td>
</tr>
<tr>
<td>2. Global environmental conservation costs</td>
<td>Recycling of waste paper and other products, countermeasures against waste products*</td>
<td>30</td>
</tr>
<tr>
<td>3. Resource circulation costs</td>
<td>246</td>
<td></td>
</tr>
<tr>
<td>(2) Upstream/downstream costs</td>
<td>Recovery and recycling of container and packaging materials</td>
<td>337</td>
</tr>
<tr>
<td>(3) Administration costs</td>
<td>Environmental education, environmental management systems, and acquisition of certifications</td>
<td>5</td>
</tr>
<tr>
<td>(4) R&amp;D costs</td>
<td>Development of environmentally conscious products</td>
<td>316</td>
</tr>
<tr>
<td>(5) Social activity costs</td>
<td>Greenification, environmental beautification, and environmental data disclosure</td>
<td>30</td>
</tr>
<tr>
<td>(6) Environmental remediation costs</td>
<td>Fees for pollution-related health damage</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td>880</td>
<td></td>
</tr>
</tbody>
</table>

Economic benefit of environmental conservation measures

<table>
<thead>
<tr>
<th>Category</th>
<th>Details of benefits</th>
<th>million yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Revenue</td>
<td>Benefits of reusing pallets</td>
<td>470</td>
</tr>
<tr>
<td>(2) Cost savings</td>
<td>Profits from sale of repurposed resources</td>
<td>13</td>
</tr>
<tr>
<td>(3) Cost savings</td>
<td>Cost savings from energy efficiency</td>
<td>27</td>
</tr>
<tr>
<td>(4) Cost savings</td>
<td>Cost savings from improved material yield</td>
<td>76</td>
</tr>
<tr>
<td>Total</td>
<td>586</td>
<td></td>
</tr>
</tbody>
</table>

*1. For CO₂ emissions from purchased electricity, we use the CO₂ emissions coefficient provided by the Federation of Electric Power Companies of Japan.

*2. Final disposal rate = (final disposal amount / amount produced) x 100
Relationship with Employees

The Mitsubishi Paper Mills Group is making continuous efforts to improve working environments, fully leveraging the abilities of every employee and making them feel comfortable and fulfilled based on our Principles and Guidelines Concerning Human Rights and Labor Practices (established July 2009).

Principles and Guidelines Concerning Human Rights and Labor Practices

- Principles
  - We respect the personhood of every employee and make safety the top priority in the workplace while fully leveraging each person's abilities and creating comfortable and fulfilling work environments.

- Guidelines
  1. Respect human rights and forbid discrimination
     - We shall work to maintain wholesome work environments, respect the human rights of every employee, never engage in sexual harassment, power harassment, or other practices that ignore human rights, and never take actions that are discriminatory on bases that include one's birth, nationality, race, ethnicity, religion, gender, age, disabilities, or academic background. We shall never use child labor or forced labor. We shall also ensure the proper handling of our employees' personal information in accordance with the Act on the Protection of Personal Information.
  2. Ensure workplace safety and health
     - We shall make safety and health the top priority in the workplace, work to maintain safe and healthy work environments, and know and comply with the Industrial Safety and Health Act and related laws.
  3. Comply with labor laws
     - We shall strive to maintain comfortable and wholesome work environments in compliance with the Labor Standards Act and related laws.

Occupational Safety and Health Initiatives

In accordance with our Group-wide Safety and Health Management Guideline, which incorporates our guiding principles concerning safety and health, we are also making efforts as a unified group from the viewpoint of CSR.

Group-wide Safety and Health Management Guideline

- Fundamental principle
  - With the view that the safety and health of all people involved in the business activities of the Mitsubishi Paper Mills Group takes top priority, we will foster a corporate culture where people can feel good about working and achieve wholesome work environments where none come to harm.

Fiscal 2017 activities

Based on the results of analyzing the state of safety in the Group during the last fiscal year, we carried out special audits of accidents caused by unsafe practices to prevent the recurrence of serious accidents arising from unsafe practices. In addition, we conducted wide-ranging activities that included establishing a stress check system, building a system for conducting chemical substance risk assessments, and having workplace patrols by women for the fresh perspective they bring.

FY 2017 Safety Awards

- Received the Class 5 (Gold Award) SME Zero-Accident Certificate
  - Toho Tokushu Pulp Co., Ltd.'s Kitakami Mill

- Received Safety Commendation at the 56th National Paper Pulp Safety and Health Conference
  - Excellence in Safety Award
  - Mitsubishi Paper Mills' Hachinohe Mill Collaboration Committee

Efforts to Create Comfortable Work Environments

We believe that achieving comfortable work environments and a good work-life balance contributes not only to healthier, more prosperous lives for employees but also makes the company more competitive. The Mitsubishi Paper Mills Group is undertaking a number of initiatives out of a desire to give the Group more vitality and make it a fulfilling place to work.

Regular program reviews done in conjunction with our labor union

Together with our labor union, we hold regular meetings of a specialized committee to review human resource programs and hold labor-management discussions on creating better programs. Meetings focus on issues such as wages, retirement benefits, the taking of annual paid leave, hours being worked, the reemployment situation, and work-life balance.

Work-life balance initiatives

To tackle the recent problem of children on waiting lists for day care, we extended the childcare leave period to allow all employees to have two opportunities to get their children into a childcare facility in April. We are also extending the period during which employees can work shortened hours to provide care for a first grader to the end of the school year. This is to help with the "first-grade wall" problem, which refers to how it becomes difficult to get morning-to-night childcare for children coming out of nursery school and going into first grade.

Furthermore, we have revised our programs based on revisions to the Child Care and Family Care Leave Law made in January 2017. In line with the nature of the revisions, we are improving our balance support programs with a focus on nursing care, including nursing care leave and shortened working hours to provide nursing care.
Relationship with Customers

In order to provide customers with products they can feel safe using, we formulated a Product Safety Code (established March 1995) and are proceeding with efforts to improve product safety. Along with maintaining legal compliance and conducting fair marketing practices, we will continue to actively communicate with our customers to provide products that benefit society.

Product Safety Code

Mitsubishi Paper Mills believes that the role of a company in society is to provide safe and useful products along with satisfying services to customers, and we have utilized our excellent technologies to provide safe products to society. From here on, we will steadily implement the following actions throughout the entire company in order to maintain stable management and continue providing society with safe products and satisfying services that meet the needs of the times.

1. We will strengthen our quality control systems and product safety control systems, and will provide products confirmed to be safe using state-of-the-art science and technology.
2. We will work to stabilize the manufacturing process to always provide products of uniform quality.
3. We will provide accurate and reliable information on the correct way to use products and the safety of products.

Quality Control System

To quickly respond to customer feedback and quality issues, we use a company-wide quality control system that has the president at the top and puts mill managers in charge of quality control at each of our mills. The Mitsubishi Paper Mills Group’s main production facilities have acquired ISO 9001 certification and are working to maintain and improve product quality.

Product Safety Control System

With the goal of actively promoting specific product safety initiatives, we have established a Product Liability (PL) Subcommittee and a Product Safety Judgment Panel under the Product Liability (PL) Committee, whose membership is composed of individuals appointed from every head office division, every mill, and affiliated companies. This committee supports every division in their product safety management activities.

Communication with Customers

In the Mitsubishi Paper Mills Group, sales departments have joined forces with R&D and production departments to provide products that satisfy the needs of customers around the world.

Our R&D and production personnel accompany sales staff and gather feedback from customers as we, a corporate group that is consistently on the cutting edge of technology, make efforts to create products that benefit the world at large.

Encouraging the Worry-Free Use of Our Products

The products the Mitsubishi Paper Mills Group provides are made from materials proven to be safe.

Along with swiftly obtaining information about new regulations and toxicity, all departments and affiliated companies involved share information with each other and conduct thorough safety inspections of materials used.

With respect to chemical substance control, we have established Chemical Substance Management Guidelines and Green Procurement Guidelines and strictly control everything from the raw materials we use to our products’ constituent substances.

Also, not only do we ensure compliance with laws and regulations, we also meet voluntary standards set by the industry according to product application and satisfy the demands of individual customers.

We will contribute to the betterment of society by continuing to provide eco-friendly, safe products that customers can feel safe and comfortable about using.
Relationship with Communities

The Mitsubishi Paper Mills Group aims to grow together with communities and has put formulated its Social Contribution - Direction of Activities (formulated in January 2008) to proactively interact with communities through its business activities. Through activities such as those conducted by the Ecosystem Academy (see page 37), which uses forests owned by Mitsubishi Paper Mills, we undertake a number of social contribution activities that take advantage of the characteristics of each of our business sites.

Social Contribution - Direction of Activities

- Environmental protection: We will contribute to the creation of a recycling society to maintain our precious global environment.
- Our efforts to conserve the global environment include supporting FSC®-certified forests, supporting forest thinning, etc. with the cooperation of NGOs, and protecting the environment through our business activities.
- Living alongside local communities: We are strengthening our social contributions rooted in local communities.
- Mills and offices play key roles actively engaging in local community activities and contributing to their development.
- Supporting volunteer activities: We support voluntary social contributions by our employees.

Communication with Community Members

As members of their communities, every business site in the Group proactively participates in local activities and furthers communication with every community member in a variety of ways.

Dialogue with community members

Our business sites regularly hold dialogues with community members as a means to learn their thoughts about and needs concerning our business, and we work to help stimulate local economies through our business activities.

- Shirakawa Site — Explanatory Meeting on the State of Operations (April)
- Kitakami HiTec Paper Corporation — Community Gathering (December)
- Hachinohe Mill — Environmental Monitoring Meeting (November) etc.

Students’ Work Experience

Mitsubishi Paper Mills regularly takes in local students looking to experience life in the workplace. Through lecture and actual work experience in various workplaces, the students use this program as a means to gain valuable experience wholly different from their school life.

Coexistence with the Community

In addition to actively participating in community events, our sites welcome and deepen our interaction with community members through efforts that include allowing our facilities to be used free-of-charge for events.

Sponsorship of the Takasago lantern festival

Our Takasago Mill participates in the Takasago lantern festival and provides a company facility as a venue for jazz concerts and other events.

Opening up our row of cherry trees to the general public

To share the enjoyment of viewing its cherry trees with the community, our Kyoto Mill lets the general public see the row of cherry trees on its grounds when they are in bloom. We also offer photography and printing services at the event, which has met with an excellent response every year.

Contributing to the Community Environment

Participation in the Nagaokakyo City Environmental Fair

Every year in November, Nagaokakyo City holds its Environmental Fair as a means to promote better environmental awareness among residents. In fiscal 2017, the Environmental Fair was host to a traveling class put on by the Ecosystem Academy at the Kyoto Mill. In addition to teaching visitors about Mitsubishi Paper Mills’ environmental initiatives, the class brought further excitement to the event.

Participation in Fuji Beech Forest Development Project

Every year, KJ SPECIALTY PAPER takes part in Fuji Beech Forest Development Project, put on by the city of Fuji. Last year, 2016, marked the Company’s ninth year of participation and saw the planting of 2,000 beech and other hardwood tree saplings. We will continue lending our support for activities aimed at preserving the natural environment of the Mt. Fuji foothills.
Relationship with Communities

Development of FSC® certified forests
Since January 2014, Mitsubishi Paper Sales employees have, with the support of Tanaka Forestry Co., Ltd., which is located in Hinohara Village, Tokyo, undertaken volunteer activities in Tanaka Forestry’s FSC-certified forests once a month. The activities include mowing grass, maintaining walkways, and cleaning up trash. We also began forest thinning in 2016, using the thinned wood to create walkway stairs and otherwise gradually expand the scope of our activities.

We began these maintenance efforts to deepen understanding of forest conservation, and there is no end to what the forest can teach us. We hope to continue these activities in the months and years to come.

Contributing to Local Communities
Volunteering at the opening ceremony of the Kiboukyou Iwate Kokutai
(National Sports Festival of Japan)
Kitakami HiTec Paper Corporation sent a volunteer team to provide medical and health services at the opening ceremony of the Kiboukyou Iwate Kokutai national sports festival held in Iwate Prefecture in October 2016.

Support for the Aomori Prefecture Reflective Materials Strategy traffic safety program
At the Ecosystem Academy’s traveling class session held at Hachinohe Tagadai Elementary School in February 2017, the Hachinohe Mill donated reflective key holders as part of the Aomori Prefecture Reflective Materials Strategy traffic safety program.

Support for charity organizations
Germany-based Mitsubishi HiTec Paper Europe GmbH provides support to Wagemut, a charity organization located in Flensburg. Wagemut provides counseling to girls and boys who have been victims of sexual assault and important information about sexual abuse.

Support for Coming of Age Day event in Fukushima Ward, Osaka
Namitsu supported a raffle as part of the Coming of Age Day Memorial Gathering event, which was held in January 2017 in Fukushima Ward, Osaka, where the company has its head office. Through efforts such as these, we will continue to strengthen relations with community members and grow with the community.

Making Use of our Business Activities
Support for calligraphy performance at Hachinohe Higashi High School
The Hachinohe Mill regularly provides Hachinohe Higashi High School’s calligraphy club with the jumbo-sized paper used at calligraphy performances. In addition to being a frequent participant in the Shodo Performance Koshien, a national calligraphy competition, the high school gives outstanding performances at various events in the area. We look forward to lending our support to future calligraphy performances by Hachinohe Higashi High School.

Photo printing service
Leveraging the technologies of Mitsubishi Paper Mills’ Imaging Media Business, we provided photography and printing services at events held near the Kyoto Mill and the Kitakami HiTec Paper Corporation.

Braille Calendar
The release of the 2017 edition of the Braille Calendar is the 21st edition, since the first edition was released in 1997. The calendar, which has contained food recipes in recent years, has been well received by those it has been donated to, such as social welfare organizations and the Japan Braille Library, as well as the visually impaired who use the calendar.

Philanthropic Expenditures
Mitsubishi Paper Mills is a member of the Keidanren 1% Club and is a company which continually contributes to improving social sustainability. Whether it’s in academics, research, or education, our aim is to be of benefit to society in many fields.

Breakdown of philanthropic expenditures (FY 2017)

- Social welfare: 10,000 yen
- International exchange, etc: 2,000 yen
- Environment: 6,000 yen
- Culture and arts: 4,000 yen
- Academics, research, education: 2,000 yen

Total: 20,000 yen

Forest Development Using Forest Thinnings (Mitsubishi Paper Sales)
Volunteer activity participants
Donating reflective key holders (Hachinohe Mill)
Donating to charity organization Wagemut
Raffle event at the Coming of Age Day Memorial Gathering
Braille Calendar (2017 edition)
Picture of the Braille Calendar
Calligraphy Performance at Hachinohe City Hospital

47 Mitsubishi Paper Mills Corporate Report 2017 Relationship with Communities FSC® C021528
48 Mitsubishi Paper Mills Corporate Report 2017 Relationship with Communities
## Fiscal 2017 Activity Results

In fiscal 2017, we selected our two top priority issues: 1) ensuring the effectiveness of corporate governance and 2) enhancing activities to ensure safety and health, and made efforts towards improving corporate value. We also reduced industrial waste and promoting environmental preservation activities. With respect to our products, we made efforts to enhance our offerings of environmentally friendly products including FSC-certified paper.

### Basic Policy 1. Strengthening our CSR management base

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Action Plan</th>
<th>Activity Results</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring the effectiveness of corporate governance</td>
<td>• Ensure good governance based on the Basic Policies on Corporate Governance</td>
<td>• Increased the number of outside directors, established a Nomination and Remuneration Committee, and other measures</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>• Review governance functions</td>
<td>• Conducted awareness-raising activities at all business sites</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Establishing a risk management structure</td>
<td>• Enhanced structural preparations and our risk map through a Group management viewpoint</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Discussed the drafting of a BCP</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Thoroughly familiarizing employees with the Corporate Code of Conduct and the Compliance Conduct Standards</td>
<td>• Improved employees' understanding of the Corporate Code of Conduct, the Compliance Conduct Standards, and related laws through more robust compliance education</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Conducted compliance training for all executives and presidents of affiliated companies in Japan</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Provided training for all line managers in the Group and had this extended to all employees (including part-time and contract employees) in the workplace</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Ensuring strict legal compliance</td>
<td>• Strengthen legal functions</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Promote a better understanding of laws applicable to our operations, and enforcing compliance</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Follow up on and install information management rules as well as information handling guidelines</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Promoting communication with stakeholders</td>
<td>• Further improve the IT infrastructure we have in place on our websites, etc.</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Disseminate information about new products, etc. (share information on affiliated companies)</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Enhance and make use of the Head Office gallery</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Enhance our Corporate Report</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Expanding initiatives out to affiliated companies</td>
<td>• Ensure compliance at subsidiaries in the wake of amendments to the Companies Act</td>
<td>○</td>
</tr>
</tbody>
</table>

### Basic Policy 2. Promoting environmental management

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Action Plan</th>
<th>Activity Results</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting activities to prevent global warming</td>
<td>• Promote CO2 emissions reductions in our business activities and employees' homes</td>
<td>• Maintained and managed equipment subject to the Revised Fluorocarbons Recovery and Distillation Law</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Study how to absorb more CO2 using company-owned forests in Japan</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Trade trends of Scope 3 CO2 emissions</td>
<td>○</td>
</tr>
<tr>
<td>Promoting activities to preserve biodiversity</td>
<td>• Increase the percentage of FSC-certified wood we procure</td>
<td>• Actively used FSC-certified wood chips</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Participate in the Japan Business Initiative For Biodiversity (JBI)</td>
<td>○</td>
</tr>
<tr>
<td>Improving and enlarging our environmentally conscious product line</td>
<td>• Promote the sales of environmentally conscious products such as FSC-certified paper</td>
<td>• Took part in EcoProducts 2016 and promoted the FSC logo</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Develop and roll out new environmentally conscious products</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Reducing environmental risk and impact</td>
<td>• Reduce industrial waste</td>
<td>• Completed fiscal year-end audits with high concentrations of PCBs for detoxification</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Began business operation of the waste recycling company-owned forest in Shichinohe</td>
<td>○</td>
</tr>
</tbody>
</table>

### Basic Policy 3. Raising customer satisfaction levels by carefully addressing user needs

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Action Plan</th>
<th>Activity Results</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring product safety</td>
<td>• Enhance chemical substance management</td>
<td>• Promoted controlled substance lists in light of regulatory revisions</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Enhance the activities of the Product Liability (PL) Subcommittee</td>
<td>○</td>
</tr>
<tr>
<td>Ensuring product quality</td>
<td>• Ensure thorough adherence to ISO 9001 management and improve customer satisfaction (fewer complaints, etc.)</td>
<td>• Established and began acting on 27 priorities in response to IH results</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>All business sites, including Group companies, conducted quality audits</td>
</tr>
</tbody>
</table>

### Basic Policy 4. Taking further measures to provide our employees with a comfortable working environment

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Action Plan</th>
<th>Activity Results</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancing activities to ensure safety and health</td>
<td>• Conduct special audits of accidents caused by unsafe practices</td>
<td>• Conducted two “special audits” and aimed to prevent accident reoccurrences</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Take measures towards making stress checks mandatory</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Take measures towards making chemical substance risk assessments mandatory</td>
<td>○</td>
</tr>
<tr>
<td>Promoting various measures to improve human resource performance</td>
<td>• Have women participate in workplace patrols</td>
<td>• Safety personnel working with the technology division and other divisions to build an action framework, and put it into action</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Promoted the establishment of female participation in workplace patrols</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Held general staff in preparation for business education and added more production floor operators</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Revised the systems for childcare leave and short working hours for childcare</td>
<td>○</td>
</tr>
</tbody>
</table>

### Basic Policy 5. Promoting activities that contribute to society

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Action Plan</th>
<th>Activity Results</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting community support activities</td>
<td>• Participate in regional activities at each of our sites and maintain good relations in those regions</td>
<td>• Every business site worked to strengthen relations with local communities through efforts that included participating in events and providing paper</td>
<td>○</td>
</tr>
<tr>
<td>Promoting cultural contribution activities</td>
<td>• Provide on-going support focusing on the Mitsubishi Group and related industry groups</td>
<td>• Made donations to and sponsored various related groups and their projects</td>
<td>○</td>
</tr>
<tr>
<td>Promoting activities of the Ecosystem Academy</td>
<td>• Enhance and expand efforts in the form of on-going activities</td>
<td>• Conducted instructor development and skill improvement training</td>
<td>○</td>
</tr>
</tbody>
</table>

### Basic Issues

- **Evaluation:** ○: Target achieved, □: Insufficient implementation, –: Not applicable
Fiscal 2018 Action Plan

For fiscal 2018, we established "ensuring product quality" and "enhancing activities to ensure safety and health" as our two top priority issues. In implementing our action plan, we will carry out the PDCA cycle in order to improve the quality of our CSR activities, while at the same time incorporating feedback gained through dialogue with stakeholders as we undertake initiatives characteristic of the Mitsubishi Paper Mills Group.

### Basic Policy 1. Strengthening our CSR management base

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Action Plan</th>
</tr>
</thead>
</table>
| Ensuring the effectiveness of corporate governance | - Ensure good governance based on the Basic Policies on Corporate Governance  
- Review governance functions |
| Establishing a risk management structure | - Enhance structural preparations and our risk map through a Group management viewpoint  
- Discuss the drafting of a BCP |
| Thoroughly familiarizing employees with the Corporate Code of Conduct and the Compliance Conduct Standards | - Improve employees' understanding of the Corporate Code of Conduct, the Compliance Conduct Standards, and related laws through more robust compliance education |
| Ensuring strict legal compliance | - Strengthen legal functions  
- Promote a better understanding of laws applicable to our operations, and enforcing compliance  
- Strengthen and enhance our system for responding to antisocial elements |
| Promoting communication with stakeholders | - Further improve the IR information we provide on our website and elsewhere  
- Disseminate information about new products, etc. (share information on affiliated companies)  
- Enhance and make use of the Head Office gallery  
- Enrich our Corporate Report |
| Expanding initiatives out to affiliated companies | - Step up efforts at continually promoting CSR activities |

### Basic Policy 2. Promoting environmental management

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Action Plan</th>
</tr>
</thead>
</table>
| Promoting activities to prevent global warming | - Promote CO2 emissions reductions in our business activities and employees' homes  
- Study how to absorb more CO2 using company-owned forests in Japan  
- Track trends of Scope 3 CO2 emissions |
| Promoting activities to preserve biodiversity | - Increase the percentage of FSC-certified wood we procure  
- Participate in the Japan Business Initiative For Biodiversity (JBIB) |
| Improving and enlarging our environmentally conscious product lineup | - Promote environmentally conscious products such as FSC-certified paper  
- Develop and roll out new environmentally conscious products |
| Reducing environmental risk and impact | - Reduce industrial waste  
- Improve environmental communication |

### Basic Policy 3. Raising customer satisfaction levels by carefully addressing user needs

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Action Plan</th>
</tr>
</thead>
</table>
| Ensuring product safety | - Enhance product safety  
- Enhance the activities of the Product Liability (PL) Subcommittee |
| Ensuring product quality | - Rolling out new products based on user input and building optimal sales channels |

### Basic Policy 4. Taking further measures to provide our employees with a comfortable working environment

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Action Plan</th>
</tr>
</thead>
</table>
| Enhancing activities to ensure safety and health | - Strengthen efforts to eliminate serious accidents  
- Improve safety system auditing  
- Follow up on stress check results and enhance the system |
| Promoting various measures to improve human resource performance | - Acquire necessary personnel through enhanced hiring activities and work to retain them  
- Discuss means of collecting information about and implementing work style reform |

### Basic Policy 5. Promoting activities that contribute to society

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting community support activities</td>
<td>- Participate in regional activities at each of our sites and maintain good relations in those regions</td>
</tr>
<tr>
<td>Promoting cultural contribution activities</td>
<td>- Provide on-going support focusing on the Mitsubishi Group and related industry groups</td>
</tr>
<tr>
<td>Promoting activities of the Ecosystem Academy</td>
<td>- Enhance and expand efforts in the form of on-going activities</td>
</tr>
</tbody>
</table>

**Top Priority Issues**

- Ensuring product safety  
- Enhancing activities to ensure safety and health  
- Rolling out new products based on user input and building optimal sales channels
Company Name  
Mitsubishi Paper Mills Limited

Address  
2-10-14 Ryogoku, Sumida-ku, Tokyo 130-0026, Japan

Representative  
Kunio Suzuki, President and Chief Executive Officer

Founded  
1898

Paid-in Capital  
32,756 million yen

Consolidated Number of Employees  
3,734

Shareholder Register Administrator  
Mitsubishi UFJ Trust and Banking Corporation

Independent Auditor  
Ernst & Young ShinNihon LLC

Main Business Activities  
The Mitsubishi Paper Mills Group is primarily engaged in the manufacture, processing, and sale of paper, pulp, and photosensitive materials, and the main products and services of each division are provided below.

Paper and pulp business  
Coated printing paper, uncoated printing paper, finely-coated printing paper, specialty printing paper, communication paper, hygienic paper, electrical insulation pressboard, high-quality white paperboard, specialty white paperboard, and other specialty paper, bleached kraft pulp, and specialty pulp

Imaging Media Business  
Inkjet paper, photographic paper, base paper for photographic paper, printing plate materials, printing machines, CTP software, and treatment chemicals

Speciality Materials Business  
Chemical paper (decorative laminate base paper, impregnated paper, wall coverings base, masking tape backing, etc.), non-woven fabrics, filters, rewritable media, battery separators, and specialty materials

Other Businesses  
Engineering operations, sports facility management, insurance agency business, real estate business, warehousing business, transport-related business

Consolidated subsidiaries  
19 in Japan, 7 overseas

Mitsubishi Paper Sales Co., Ltd.
Kitakami Hitec Paper Corp.
Mitsubishi Paper Engineering Co., Ltd.
Ryoshi Co., Ltd.
Diamic Co., Ltd.
NAMITSU Co., Ltd.
Pictorico Co., Ltd.
Shin-Hokuryo Forest Products Co., Ltd.
Toho Tokushu Pulp Co., Ltd.
Hachinohe Paper Processing Co., Ltd.
KJ SPECIALITY PAPER Co., Ltd.
Takasago Paper Processing Co., Ltd.
MPM Shared-service Co., Ltd.
Hachiryö Co., Ltd.
Ryoko Co., Ltd.
MPM Operation Co., Ltd.
Kyoryo Chemical Co., Ltd.
Hokuryö Co., Ltd.
Hakuryö Paper Technology Co., Ltd.
Mitsubishi Paper Holding (Europe) GmbH
Mitsubishi HiTec Paper Europe GmbH
Mitsubishi Paper GmbH
Mitsubishi Imaging (MPM), Inc.
MPM Hong Kong Limited
Zhuhai MPM Filter, Ltd.
MPE Real Estate GmbH

Total number of authorized shares  
90,000,000

Total number of outstanding shares  
34,258,433

Shareholders  
18,323

(1,846 year-over-year decrease)

Composition of shareholders

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial institutions</th>
<th>Financial instruments business operators</th>
<th>Other corporations</th>
<th>Foreign corporations, etc.</th>
<th>Individuals, other</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2017</td>
<td>31.9</td>
<td>1.6</td>
<td>20.4</td>
<td>11.2</td>
<td>34.9</td>
</tr>
<tr>
<td>March 31, 2016</td>
<td>31.6</td>
<td>1.3</td>
<td>20.5</td>
<td>10.1</td>
<td>36.5</td>
</tr>
<tr>
<td>March 31, 2015</td>
<td>30.1</td>
<td>2.2</td>
<td>20.9</td>
<td>7.5</td>
<td>39.3</td>
</tr>
</tbody>
</table>

See Mitsubishi Paper Mills’ website for more information.
☞https://www.mpm.co.jp/eng/company/gaiyo.html

See Mitsubishi Paper Mills’ website for more information.
☞https://www.mpm.co.jp/eng/ir/index.html