



Annual Report
2015

Profile

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

Since its founding, the Mitsubishi Paper Mills Group has contributed to the development of publishing, printing and photography media culture through its high value-added printing and communication paper, and products.

Dedicated to contributing to society by providing customers with products backed by advanced technological capabilities, we have the following three goals as a Group Philosophy:

- 1. A corporate group that lives up to the trust of its customers in the world market**
- 2. A corporate group that is always on the leading edge of technology**
- 3. A corporate group that contributes to preserving the global environment and creating a recycling society**

Mitsubishi Paper Mills produces and develops not only printing paper, printing plate materials and printing systems supporting offset and other printing, but also supplies the media for almost all recording formats, such as pressure-sensitive, thermal, magnetic, electrographic, silver halide photography and inkjet paper. Furthermore, we are adding functional materials such as chemical paper, highly functional filters to our operating business domains, and increasing emphasis on research and development in new business areas.

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

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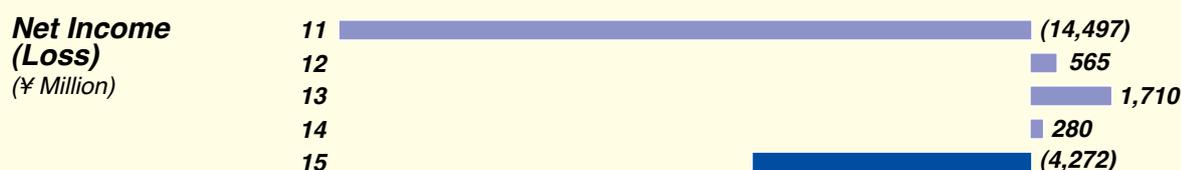
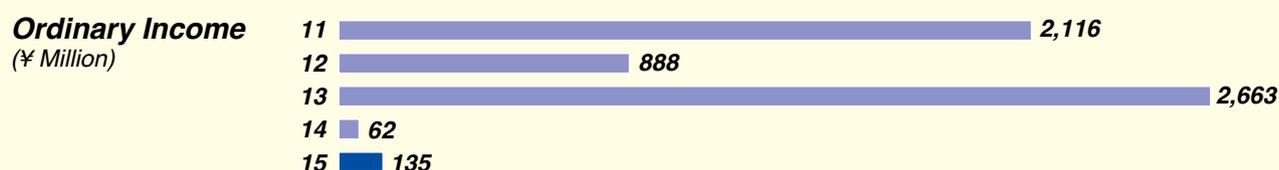
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Financial Highlights (Consolidated)

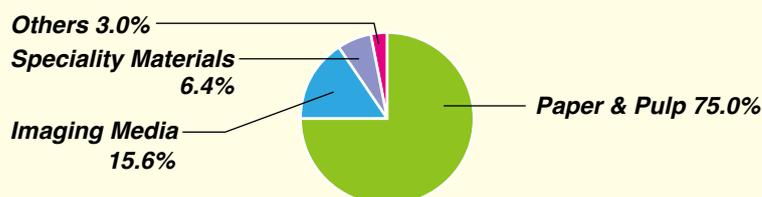
	Millions of yen (1)		Thousands of U.S. dollars (1) and (2)
	2015	2014	2015
For the years ended March 31			
Net sales	¥214,944	¥207,470	\$1,788,668
Ordinary income	135	62	1,127
Net income (loss)	(4,272)	280	(35,551)
Net income (loss) per share (in yen and dollars)	(12.50)	0.82	0.1
Cash dividends per share (in yen and dollars)	-	-	-
As at March 31			
Total assets	¥253,482	¥258,599	\$2,109,369
Total net assets	55,094	55,586	458,470
Common stock	32,756	32,756	272,583
Number of shareholders	17,063	17,987	
Number of employees	3,622	3,982	

Notes: (1) In this annual report, Japanese yen (in millions) and U.S. dollars (in thousands) are indicated with fractions omitted.

(2) U.S. dollar amounts in this report represent translations of yen amounts at the rate of ¥120.17 = U.S.\$1, as of March 31, 2015.



Sales Composition



Message from the President



Kunio Suzuki, President & C.E.O.

Overview of the Reporting Term

In the term under review, the Japanese economy gently recovered, because corporate earnings increased mainly in the export industry thanks to the yen depreciation and share prices got higher, but the business environment of the paper and pulp industry was stringent, because personal consumption was sluggish due to the consumption tax hike, the domestic demand for paper declined structurally due to the shift to electronic media, material costs augmented steeply due to the weakened yen, and so on.

In this circumstance, our corporate group engages in some efforts for “strengthening the revenue base for growth” based on “the Phase 2 Rolling Plan for the First Medium-term Management Plan” designed in November 2013. In that term, we actively promoted structural reform, including the spin-off of Hachinohe Mill (April 2014), solicited voluntary retirement (August 2014), reduced costs thoroughly, and so on in order to respond to the harsh business environment the paper and pulp industry had been facing.

For our core business of printing paper business, we continued the production-decreased system considering the demand-supply balance, and adjusted prices as material costs skyrocketed. For the imaging media business, we enhanced sales outside Japan, and for the speciality materials business, we concentrated on the overseas sales promotion mainly of water processing film supports and cabin filters for automobiles, etc.

As a result, consolidated net sales were ¥214,944 million(US\$1,788 million), up 3.6% from the previous term. As for incomes, consolidated operating income was ¥1,038 million (US\$8 million), up 119.2% from the previous term, and consolidated ordinary income was ¥135 million(US\$1 million), up 117.4% from the previous term, as we reduced fixed costs, including labor cost, through the structural reform of the above-mentioned Hachinohe Mill and the promotion of voluntary retirement, and made efforts to increase profits by enhancing the productivity of factories. However, consolidated current net loss was ¥4,272 million(US\$35 million), as the expenses for structural reform related to voluntary retirement and the impairment loss due to the cessation of the operation of some production equipment in Takasago Mill were posted in the extraordinary loss section, and income taxes-deferred augmented due to the use of deferred tax assets.

As for the nonconsolidated results of our company, net sales were ¥113,965 million(US\$948 million), ordinary loss was ¥393 million(US\$3 million), and current net loss was ¥5,504 million (US\$45 million).

On August 25, 2014, our company and Hokuetsu Kishu Paper Co., Ltd. announced that they would start having discussions for integrating the businesses of their subsidiaries that distribute their products, but we did not reach agreements on some conditions, and so we decided to stop discussing and consulting about the integration of the businesses.

Our Goals to Address

We engage in some measures centered on “strengthening the revenue base for growth” in accordance with the Phase 2 Rolling Plan for the First Medium-term Management Plan. In order to cope with the stringent business environment, we will enhance the following activities for the 151st term.

<Printing Paper Business>

We will take some measures for moving into the black, by continuing thoroughgoing cost reduction, in addition to adjusting prices in response to the skyrocketing of material costs, and increasing the sales of communication paper, by exporting industrial inkjet printing paper, etc.

<Imaging Media Business>

We aim to further enrich existing products that are about to get matured by actively conducting businesses in overseas markets while strengthening the business base utilizing the alliance, and expand our business scale by accelerating the advance to the promising fields including functional films by utilizing the imaging technology.

<Speciality Materials Business>

We will expand our businesses by promoting the sales of mainly filter products, water processing film supports, and rewritable media in overseas markets, and releasing battery separators inside and outside Japan, and proceed with the activities for establishing new businesses.

In the shrinking paper and pulp market in Japan, it is anticipated that competitions will become fiercer, and so we will strive to improve our financial standing and earning base, by bettering our business portfolio and reducing costs further.

On the other hand, at the Mitsubishi Paper Mills Group, we consider it necessary not only to secure profit but also fulfill an important social responsibility to various stakeholders in order to survive as a member of society.

We recognize that the fulfillment of our CSR activities is vital in enhancing the Group’s corporate value through winning your trust and understanding. Accordingly, we promote distinctive CSR activities while working to expand and enhance our initiatives in this area.

In this term, our priorities were “redoubling efforts to eradicate unsafe practices,” and “initiatives to ensure strict legal compliance.” With regard to products, we took steps to expand our lineup of environment-conscious products such as FSC forest-certified paper products and Thermal DigiPlate System.

In the 151st term, we will place our priority on the following two

issues; “enhancement of activity on safety and health” and “initiatives to ensure strict legal compliance.” Forming a foundation to realize medium- to long-term growth, we promote activities leading to the improvement of our corporate value.

Forecasts

In the next term, we will implement some measures for completing the Phase 2 Rolling Plan for the First Medium-term Management Plan, and make efforts to improve profitability further. As for consolidated results, we estimate that net sales will be ¥223 billion (US\$1,858 million), operating income will be ¥3.5 billion (US\$29 million), ordinary income will be ¥1.5 billion (US\$12 million), and current net profit attributable to owners of parent will be ¥0.5 billion (US\$4 million).

For the above earnings forecast, it is assumed that exchange rate will be 120 yen/US dollar and 130 yen/euro.

The earnings forecast is based on currently available information, and includes risks and uncertainties. Accordingly, there is a possibility that actual results will be different from forecasted values due to various factors.

June 2015

鈴木邦夫

Kunio Suzuki,
President & C.E.O.

Breakdown of Operations by Division

Paper and Pulp Divisions

Net sales (¥ Million)



The sales volume of printing paper, which is our core product, decreased because of the consumption tax hike, the decline in demand, etc. The sales volume of communication paper increased, because the sales of main brands, including PPC paper, steadily grew. The sales amount of printing and communication papers increased, thanks to the effect of price adjustment, etc.

As for the performance of European subsidiaries, sales amount increased, because of the effect of exchange rates, although the situations of the markets of our mainstay carbon-

less copy papers and thermal papers worsened.

The sales volume and amount of commercial pulp declined.

As a result, the total net sales of the Paper and Pulp Divisions were ¥165,449 million, up 2.3% from the previous term, and operating loss was ¥1,326 million.

Imaging Media Division

Net sales (¥ Million)



In the domestic market, the demands for inkjet printing paper and platemaking materials were sluggish, but the sales of photographic sensitive materials were healthy. As a result, sales amount was nearly equal to the value for the previous term.

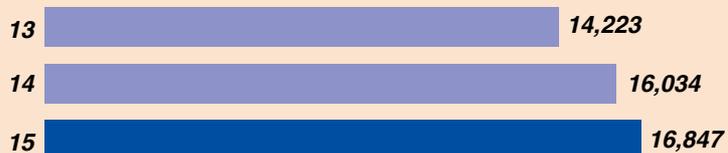
In overseas markets, photographic sensitive materials were affected by the worsening of the market environment as competition became fierce, but the sales of inkjet printing paper were healthy, and sales amount increased.

As a result, the total net sales of the Imaging Media Division

were ¥43,535 million, up 4.6% from the previous term, and operating income was ¥1,481 million.

Speciality Materials Division

Net sales (¥ Million)



The sales amounts of non-woven fabric, filters and rewritable media increased because of the growth of sales of major products including water processing film supports, the increase in sales of cabin filters for automobiles and the sales promotion of home appliances, and sales growth outside Japan, respectively.

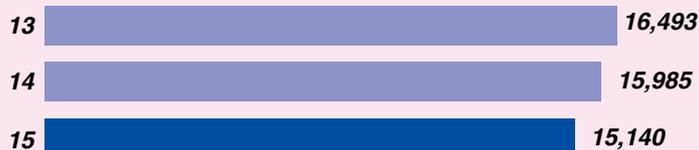
The sales amount of chemical paper declined, because the sales of board paper for decorative sheets as building materials decreased.

As a result, the total net sales of the Speciality Materials

Division were ¥16,847 million, up 5.1% from the previous term, and operating income was ¥561 million.

Other Divisions

Net sales (¥ Million)



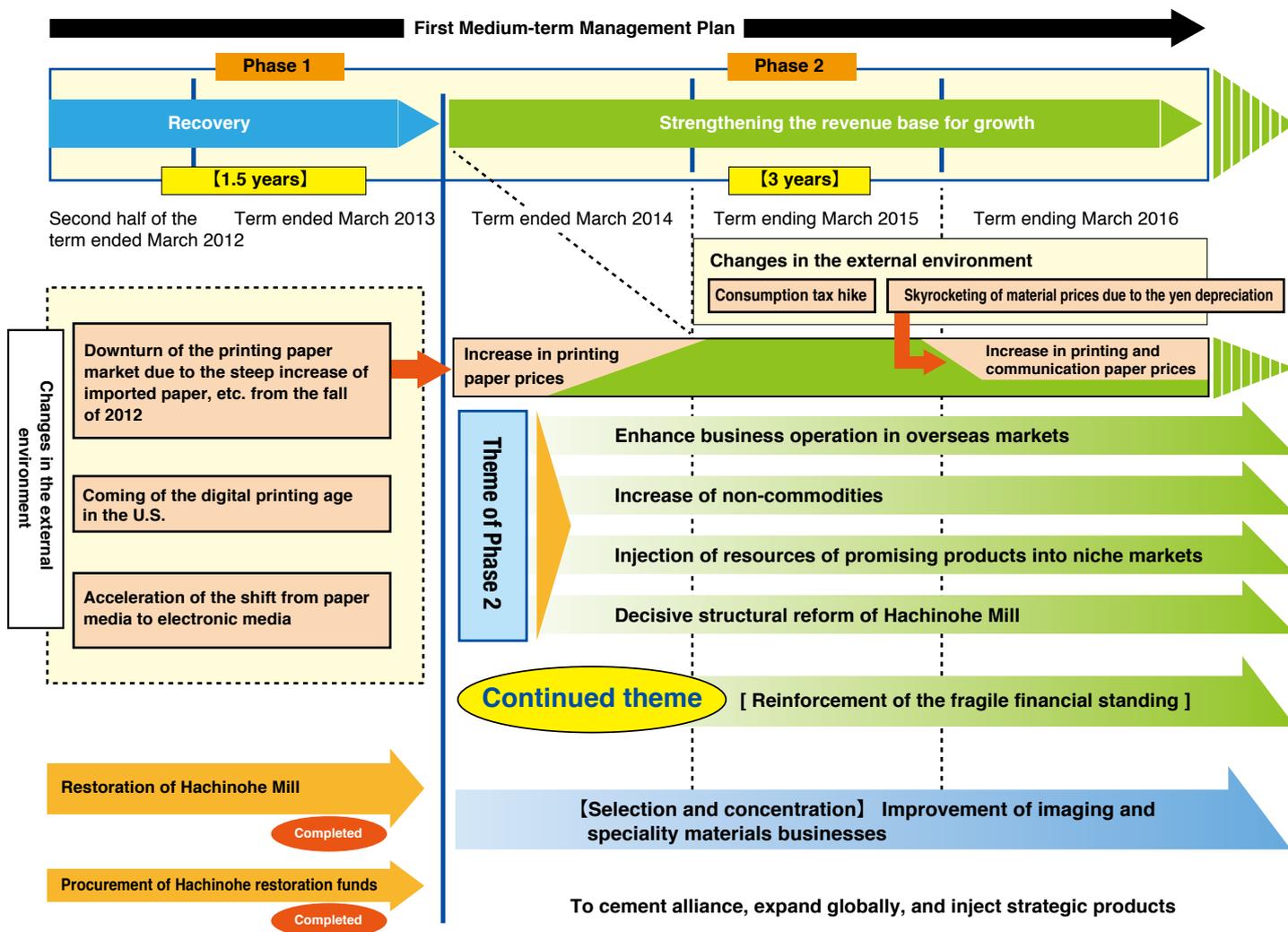
Due to the decline in sales of subsidiaries in the fields of engineering, warehousing and transportation, etc., total net sales were ¥15,140 million, down 5.3% from the previous term, and operating income was ¥395 million.

Progress Made under Medium-term Management Plan

The medium-term business strategy of our corporate group is to complete the Phase 2 Rolling Plan of the First Medium-term Management Plan produced in November 2013, and we are making efforts to attain the final goals for the term ending March 2016.

The schedule and Basic Policies of the Phase 2 Rolling Plan of the First Medium-term Management Plan are as follows:

(1) Schedule and Basic Policies



(2) Strategies for Each Business — Printing Paper Business

Target value for the Printing Paper Division: Operating income for the term ending Mar. 2016: 0.0 billion yen

- ☆ To secure profits by adjusting prices → Full exertion and maintenance of the effect of price increase
- ☆ To resume the operation of No.3 Paper Machine at Hachinohe → In July 2015 (5,000 tons/month)



Variance in “Hachinohe communication paper (incl. alliance products) + export ” (monthly average)

	When No.3 machine were halted (December 2012)	March 2015	Term ending March 2016 (estimate for the first half)
Domestic communication paper	10,500 tons	14,200 tons	15,000 tons
Export	500 tons	600 tons	1,000 tons
Total	11,000 tons	14,800 tons	16,000 tons

Maintenance of the domestic base while monitoring the market situation after price increase

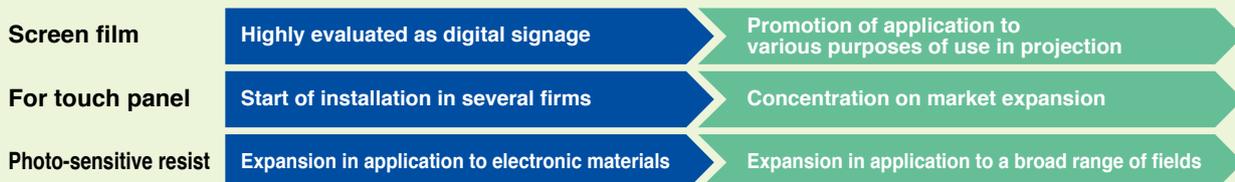
- ☆ Rationalization of distribution → The integration of sales firms was abandoned. (April 2015)
- ☆ Hachinohe FIT business (Power generation level: 88,300 kW) → We aim to start operating in fiscal 2018.

(3) Strategies for Each Business — Imaging Business

Target value for the Imaging Media Division: Operating income for the term ending Mar. 2016: 2.5 billion yen

- ☆ To enter the growing fields using the imaging technology

- To enter the growing fields including functional films (term ended March 2015: 700 million yen)



- ☆ Enhancement of the alliance with Fuji Film

To surely increase the effects of the alliance

- The effects of the alliance are steadily enhanced, through the increase of transactions about base paper and the implementation of new measures

- ☆ Further enrichment of existing products

- Horizontal expansion of IJ Mini Lab from the U.S. market to Asian and European markets

North American market grew
(year-on-year ratio: 160%)

Promotion in Asian and European markets
(year-on-year ratio: 130%)

- Cultivation of new customers through the enrichment of printing and plate making materials

Injection of TDP platemaking equipment
compatible with large sizes

Entry to the screen printing market
(year-on-year ratio: 120%)

- ☆ New additional strategies . . . Entry to the medical apparatus production and sales businesses

Release of the indwelling needle fixation tape
“DiaEkuur”

Injection of developed products one by one
Embryo freezing and storage devices
introduced at an academic conference

(4) Strategies for Each Business — Speciality Materials Business

Target value for the Speciality Materials Division: Consolidated operating income for the term ending Mar. 2016: 0.8 billion yen

The parenthesis indicates the ratio to the value for the previous term:

Results for
FY 3/15

Outlook for
FY 3/16

☆ **Non-woven fabric: Global promotion of water processing film supports (RO film), etc.**

Increase of users in China, the U.S., and Europe (276%)

Expansion in application to other purposes of use, such as MBR films (116%)

☆ **BS: Sales promotion of lithium-ion batteries, separators, etc.**

Increase in sales of paper machine types (205%)

Upgrade of coating-type equipment and sales growth (227%)

☆ **Rewritable media: Cultivation of new markets**

Sales promotion in China (127%)

Cultivation of new markets in ASEAN (102%)

☆ **Filter: Global promotion of cabin filters for automobiles**

Establishment of the tri-polar production and sales system (Japan, China, and North America) (118%)

Worldwide manufacturing and sales (109%)

☆ **KJ specialty paper: Release of new products**

Discussion on CNT (carbon nanotube)-related businesses

Mass production of CNT-related products

Received “Nothing Ventured, Nothing Gained Award” at “Freewheeling Awards about Business and Biodiversity” of WWF Japan

Our corporate group received the special award titled “Nothing Ventured, Nothing Gained Award” at “Freewheeling Awards about Business and Biodiversity” organized by WWF Japan (the public interest incorporated foundation World Wide Fund for Nature in Japan). This commending system is unique in that WWF Japan selects the firms that have contributed to the conservation of biodiversity through material procurement and announces them based on its original evaluation system. This was the first event.

Our corporate group was highly evaluated, because we utilize the lumber with the FSC certification, intrepidly address the difficult issues about the conservation of the earth environment, although it is not easy to secure the traceability and sustainability of procurement resources, make efforts to diffuse the FSC certification system, and pursue social interests.

WWF Japan perused the CSR reports of 1,818 companies listed in the first section of Tokyo Stock Exchange, and selected 9 companies.



The screen film “SaiVis” adopted by Sumida Aquarium

The screen film “SaiVis” of our company was adopted as a projection mapping screen for effectively projecting an image onto the surface of a large water tank at Sumida Aquarium. The right photo shows the rendering of a humpback whale swimming in the sea around the Ogasawara Islands.

Through the practical activity (FSC supporting project) of the workshop by Mitsubishi Paper Sales of our corporate group, the plan was realized, and it is highly evaluated as exciting spatial rendering.



Start of the discussion on agricultural business

Hachinohe Mill is planning the agricultural business (strawberry cultivation) utilizing the energy and materials of the mill, as one of new potential businesses, as our core business of printing paper is at the ebb.

In April 2014, a greenhouse was built on the premises of the mill by utilizing the energy and waste materials produced inside the mill, including the steam for temperature control, the electricity for lighting and the materials for floors and planters, and then the demonstrative experiment for cultivating “Natsu-Akari,” a strawberry for the summer and fall seasons, has begun.

We plan to carry out the demonstrative experiment repeatedly, while increasing its scale at the subsidiary “MPM Operation Co., Ltd.” in order to evaluate the potential of the agricultural business.



Corporate Social Responsibility (CSR)

Overview of Our CSR Activities

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We recognize that the fulfillment of our CSR is vital in enhancing the Group's corporate value through winning your trust and understanding. Accordingly, we promote distinctive CSR activities while working to expand and enhance our initiatives in this area.

In fiscal 2014, our top priorities were "redoubling efforts to eradicate unsafe practices at production sites," and "initiatives to ensure strict legal compliance." With regard to products, we took steps to expand our lineup of FSC forest-certified products and other environment-conscious products such as Thermal DigiPlate System.

In fiscal 2015, we will place our priority on the following two issues; "enhancement of activity on safety and health" and "initiatives to ensure strict legal compliance." Forming a foundation to realize medium- to long-term growth, we promote activities leading to the improvement of our corporate value.

Special Features

Increasing Awareness of the FSC Mark

We attended the Eco Products 2014 held at Tokyo Big Sight in December 2014. Under the theme of "wisdom for ecology of Mitsubishi Paper Mills Group," we introduced initiatives on environmental conservation and environment-conscious products, particularly FSC® forest-certified products.



Booth of the Mitsubishi Paper Mills Group

Mori-Smile® Projects

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

The FSC Certification Forest Supporter System

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

The Forest Neighborhood Association “Paper that contributes to tree thinning”

In collaboration with Office-Chonai-kai, we have supported the tree thinning activities conducted by the Forest Neighborhood Association and utilized thinnings since 2006. With shortfalls of expenses for tree thinning born by the users of “paper that contributes to tree thinning” as “cost to promote tree thinning,” we promote tree thinning activities which are at a standstill for economic reasons.

As this year marks ten-year anniversary, we continue to disseminate the information together with Office-Chonai-kai.



The Ecosystem Academy

This is environmental education that aims to include everything from forestry to manufacturing that utilizes the forests' wood, under the theme of “Nature's blessing and collaboration between nature and industry.” The main pillars of the Academy are hands-on-type learning experience sessions, forest research and survey, and environmental seminars using FSC certified forests.



Topics

Mitsubishi Paper Mills Receives DBJ's Highest Environmental Responsibility Rating for Three Years in a Row

Our company received the highest environmental responsibility rating from the Development Bank of Japan (DBJ) for three years in a row for the following measures:

- (1) Responsibly procuring materials at all stages from the collection of raw materials, process to distribution in consideration of social, environmental and economic aspects such as participating in JBIB(*) working group, and making efforts to disseminate and promote FSC® forest-certified paper.
- (2) Through the environmental education program “Ecosystem Academy” which utilizes company-owned forests and other activities, continually and actively promoting conservation initiatives on biodiversity.
- (3) By utilizing biomass and refuse derived fuel, etc., reducing the final disposal amount of wastes and usage amount of fossil fuel, thus promoting conversion to energy with less environmental burden.

(*) JBIB : Abbreviation of Japan Business Initiative for Biodiversity

Our Mills and Their Product Lines



SHIRAKAWA SITE

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



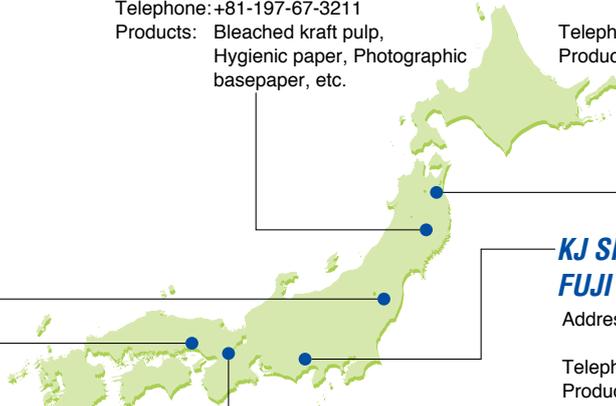
KITAKAMI HITEC PAPER CORP.

Address: 35, Sasanagane, Aisari-cho,
Kitakami-shi, Iwate 024-0051
Telephone: +81-197-67-3211
Products: Bleached kraft pulp,
Hygienic paper, Photographic
basepaper, etc.



HACHINOHE MILL

Address: Kawaragi-Aomoriyachi,
Hachinohe-shi,
Aomori 039-1197
Telephone: +81-178-29-2111
Products: Bleached kraft pulp,
Coated printing paper,
Uncoated printing paper,
White card board, etc.



TAKASAGO MILL

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

KYOTO MILL

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

KJ SPECIALTY PAPER CO., LTD. FUJI MILL

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



Overseas

Mitsubishi HiTec Paper Europe GmbH Bielefeld Mill

Address: Niedernholz 23, D-33699 Bielefeld,
Germany
Telephone: +49-521-2091-401
Products: Carbonless paper, Thermal paper,
Inkjet paper

(Bielefeld, Germany)



Mitsubishi HiTec Paper Europe GmbH Flensburg Mill

Address: Husumer Strasse 12 D-24941
Flensburg, Germany
Telephone: +49-461-8695-204
Products: Thermal paper, etc.
(Flensburg, Germany)



MP Juarez LLC

Address: Ave. Valle del Cedro #1551 Paraq. Ind Intermex
C.P. 32690 Cd. Juarez. Chih., Mexico
Telephone: +1-915-534-8230 (U.S. Head Office)
Products: Inkjet paper
(Juarez, Mexico)



Zhuhai MPM Filter, Ltd.

Address: #17 Yijing Lane, Pingsha Town, Jinwan District,
Zhuhai, Guangdong, China
Telephone: +86-756-8895033
Products: Various filters
(Zhuhai, China)

Six-Year Summary (Consolidated)

	Millions of yen						Thousands of U.S. dollars
	2015	2014	2013	2012	2011	2010	2015
For the years ended March 31							
Net sales	¥214,944	¥ 207,470	¥200,850	¥194,856	¥210,846	¥219,728	\$1,788,668
Operating income	1,038	473	3,332	2,164	3,477	4,253	8,643
Ordinary income	135	62	2,663	888	2,116	2,658	1,127
Net income (loss)	(4,272)	280	1,710	565	(14,497)	(1,597)	(35,551)
Net income (loss) per share (in yen and dollars)	(12.50)	0.82	5.00	1.65	(42.39)	(4.67)	0.00
As at March 31							
Total assets	¥253,482	¥ 258,599	¥265,234	¥276,305	¥248,506	¥282,131	\$2,109,369
Total net assets	55,094	55,586	55,370	52,108	52,117	68,709	458,470

Consolidated Balance Sheets

As at March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
ASSETS			
Current assets:			
Cash and bank deposits (Note 3 (12))	¥6,505	¥ 8,382	\$54,134
Receivables:			
Trade notes and accounts (Note 13)	47,045	42,424	391,492
Other	2,588	3,271	21,544
	49,634	45,696	413,037
Less: Allowance for doubtful accounts	(149)	(264)	(1,241)
	49,485	45,431	411,795
Inventories	49,537	51,879	412,231
Deferred income taxes (Note 17)	892	1,261	7,423
Other	2,796	2,372	23,269
Total current assets	109,217	109,328	908,854
Property, plant and equipment (Note 4):			
Land	22,950	23,198	190,984
Buildings and structures	98,238	98,410	817,496
Machinery and equipment	365,033	362,157	3,037,644
Construction in progress	516	1,107	4,301
Leased assets	3,115	3,086	25,923
Other	10,037	10,170	83,529
	499,892	498,130	4,159,879
Less: Accumulated depreciation	(382,428)	(373,785)	(3,182,397)
Accumulated impairment losses	(807)	(540)	(6,719)
Net property, plant and equipment	116,656	123,805	970,761
Investments and other assets:			
Investments in securities (Notes 4, 13 and 14)	20,491	19,213	170,524
Investments in unconsolidated subsidiaries and affiliated companies	977	1,015	8,130
Long-term loans	772	815	6,429
Net defined benefit asset	2,638	471	21,957
Less: Allowance for doubtful accounts	(1,027)	(1,055)	(8,550)
Deferred income taxes (Note 17)	247	1,657	2,063
Other	3,508	3,347	29,198
Total investments and other assets	27,609	25,465	229,752
Total assets	¥253,482	¥258,599	\$2,109,369

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Note 13)	¥56,306	¥ 53,227	\$468,556
Current portion of long-term debt (Note 13)	20,780	20,675	172,923
Lease obligations	394	378	3,285
Payables:			
Trade notes and accounts (Note 13)	24,062	26,074	200,240
Other	2,861	4,388	23,813
Accrued expenses	7,270	6,969	60,502
Income taxes payable	356	390	2,965
Other	3,774	3,090	31,413
Total current liabilities	115,807	115,194	963,699
Long-term liabilities:			
Long-term debt (Note 13)	67,234	74,417	559,498
Lease obligations	1,617	1,864	13,455
Accrued retirement benefits for directors and statutory auditors	34	54	288
Reserve for loss on dissolution of employee pension fund	115	206	961
Net defined benefit liability	9,682	8,872	80,570
Deferred income taxes (Note 17)	2,069	487	17,225
Asset retirement obligations	880	877	7,329
Other	945	1,037	7,869
Total long-term liabilities	82,580	87,818	687,198
Contingent liabilities (Note 5)			
NET ASSETS			
Shareholders' equity:			
Common stock:			
Authorized: 900,000,000 shares at March 31, 2015 and 2014			
Issued: 342,584,332 shares at March 31, 2015 and 2014	32,756	32,756	272,583
Capital surplus	7,523	7,523	62,608
Retained earnings	5,147	9,164	42,838
Less: Treasury stock, at cost	(143)	(141)	(1,196)
Total shareholders' equity	45,284	49,302	376,833
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	4,663	2,804	38,804
Translation adjustments	1,815	1,576	15,107
Accumulated remeasurements of defined benefit plans	254	(924)	2,121
Total accumulated other comprehensive income	6,733	3,456	56,033
Minority interests in consolidated subsidiaries	3,076	2,827	25,603
Total net assets	55,094	55,586	458,470
Total liabilities and net assets	¥253,482	¥ 258,599	\$2,109,369

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

Consolidated Statements of Operations

For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Net sales	¥214,944	¥ 207,470	\$1,788,668
Cost of sales	184,907	178,273	1,538,718
Gross profit	30,036	29,197	249,949
Selling, general and administrative expenses	28,997	28,723	241,306
Operating income	1,038	473	8,643
Other income (expenses):			
Interest and dividend income	670	614	5,576
Interest expense	(2,519)	(2,440)	(20,964)
Losses on disposal of property, plant and equipment (Note 6)	(319)	(241)	(2,656)
Gains on sales of investments in securities	783	3,099	6,521
Compensation for damage income	405	–	3,373
Special severance payments	(163)	(36)	(1,359)
Gain on negative goodwill (Note 18 (5))	–	199	–
Subsidy income (Note 7)	5	889	48
Impairment loss on fixed assets (Note 8)	(386)	–	(3,218)
Cost for business structure reform (Note 9)	(1,665)	(464)	(13,858)
Legal settlement (Note 10)	–	(2,027)	–
Other, net	903	1,238	7,518
Total	(2,285)	829	(19,019)
Income before income taxes and minority interests	(1,246)	1,303	(10,375)
Income taxes:			
Current	545	484	4,541
Deferred (Note 17)	2,478	341	20,625
	3,024	825	25,167
Income before minority interests	(4,271)	477	(35,542)
Minority interests in income of consolidated subsidiaries	1	197	8
Net income	¥(4,272)	¥ 280	\$(35,551)

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

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2015 and 2014

	Millions of yen											
	Shareholders' equity						Total accumulated other comprehensive income					
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2013	342,584,332	¥32,756	¥7,523	¥8,883	¥(138)	¥49,024	¥3,775	¥626	¥(897)	¥3,504	¥2,841	¥55,370
Changes during the year:												
Net income				280		280						280
Acquisition of treasury stock					(2)	(2)						(2)
Changes in items other than shareholders' equity							(971)	950	(26)	(48)	(13)	(61)
Total changes during the year	-	-	-	280	(2)	277	(971)	950	(26)	(48)	(13)	216
Balance at April 1, 2014	342,584,332	¥32,756	¥7,523	¥9,164	¥(141)	¥49,302	¥2,804	¥1,576	¥(924)	¥3,456	¥2,827	¥55,586
Cumulative effect of changes in accounting policies				256		256					56	312
Balance at the beginning of the term reflecting the change of accounting policies		32,756	7,523	9,420	(141)	49,558	2,804	1,576	(924)	3,456	2,883	55,898
Changes during the year:												
Net loss				(4,272)		(4,272)						(4,272)
Acquisition of treasury stock					(2)	(2)						(2)
Disposal of treasury stock				(0)	0	0						0
Changes in items other than shareholders' equity							1,858	238	1,179	3,276	193	3,470
Total changes during the year	-	-	-	(4,272)	(2)	(4,274)	1,858	238	1,179	3,276	193	(804)
Balance at March 31, 2015	342,584,332	¥32,756	¥7,523	¥5,147	¥(143)	¥45,284	¥4,663	¥1,815	¥254	¥6,733	¥3,076	¥55,094

	Thousands of U.S. dollars											
	Shareholders' equity						Total accumulated other comprehensive income					
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2014	342,584,332	\$272,583	\$62,608	\$76,260	\$(1,177)	\$410,274	\$23,336	\$13,119	\$(7,692)	\$28,764	\$23,528	\$462,567
Cumulative effect of changes in accounting policies				\$2,130		\$2,130					\$466	\$2,597
Balance at the beginning of the term reflecting the change of accounting policies		\$272,583	\$62,608	\$78,390	\$(1,177)	\$412,404	\$23,336	\$13,119	\$(7,692)	\$28,764	\$23,994	\$465,164
Changes during the year:												
Net income				(35,551)		(35,551)						(35,551)
Acquisition of treasury stock					(20)	(20)						(20)
Disposal of treasury stock				(1)	2	0						0
Changes in items other than shareholders' equity							15,468	1,987	9,813	27,269	1,608	28,877
Total changes during the year	-	-	-	(35,552)	(18)	(35,571)	15,468	1,987	9,813	27,269	1,608	(6,694)
Balance at March 31, 2015	342,584,332	\$272,583	\$62,608	\$42,838	\$(1,196)	\$376,833	\$38,804	\$15,107	\$2,121	\$56,033	\$25,603	\$458,470

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
I Cash flows from operating activities:			
Income before income taxes and minority interests	¥(1,246)	¥ 1,303	\$(10,375)
Depreciation and amortization	10,955	11,214	91,163
Impairment loss on fixed assets (Note 8)	386	–	3,218
Accrued retirement benefits for employees	–	(7,697)	–
Increase in liabilities for net defined benefit liability (Note 16)	289	6,858	2,407
Decrease in assets for net defined benefit asset (Note 16)	(272)	65	(2,269)
Accrued retirement benefits for directors and statutory auditors	3	(1)	32
Interest and dividend income	(670)	(614)	(5,576)
Interest expense	2,519	2,440	20,964
Subsidy income (Note 7)	–	(889)	–
Gain on negative goodwill (Note 18 (5))	–	(199)	–
Gains on sales of investments in securities	(830)	(3,099)	(6,914)
Losses on disposal of property, plant and equipment (Note 6)	319	241	2,656
Cost for business structure reform (Note 9)	1,665	464	13,858
Legal settlement (Note 10)	–	2,027	–
Increase (decrease) in trade accounts receivable	(5,165)	4,901	(42,984)
Decrease in inventories	2,638	3,208	21,959
Decrease in trade accounts payable	(1,567)	(2,095)	(13,043)
Other, net	(547)	(2,585)	(4,556)
Sub-total	8,476	15,543	70,539
Interest and dividends received	670	645	5,581
Proceeds from subsidy (Note 7)	–	889	–
Interest paid	(2,557)	(2,499)	(21,282)
Income taxes paid	(522)	(328)	(4,351)
Payments for business restructuring costs (Note 9)	(2,159)	–	(17,969)
Pay of legal settlement (Note 10)	–	(2,027)	–
Net cash provided by (used in) operating activities	3,907	12,222	32,516
II Cash flows from investing activities:			
Acquisition of property, plant and equipment	(4,735)	(6,525)	(39,406)
Proceeds from sales of property, plant and equipment	140	72	1,170
Purchases of investment securities	(29)	(40)	(247)
Proceeds from sales of investment securities	2,936	5,976	24,436
Purchases of shares in an affiliated company and subsidiaries	–	(78)	–
Proceeds from sales of shares in an affiliated company and subsidiaries	20	–	174
Loans made	(9)	(365)	(75)
Proceeds from collection of loans	354	355	2,953
Other, net	153	171	1,273
Net cash (used in) provided by investing activities	(1,168)	(433)	(9,721)
III Cash flows from financing activities:			
Decrease in short-term bank loans	2,910	(6,081)	24,219
Proceeds from long-term debt	14,000	14,361	116,501
Repayment of long-term debt	(21,074)	(16,747)	(175,374)
Repayment of lease obligations	(379)	(367)	(3,155)
Acquisition of treasury stock	(2)	(30)	(20)
Proceeds from sales of treasury stock	0	–	1
Payments of cash dividends by subsidiaries to minority shareholders	(30)	(24)	(250)
Net cash (used in) provided by financing activities	(4,576)	(8,888)	(38,079)
IV Effect of foreign currency translation on cash and cash equivalents	(40)	244	(338)
V Net (decrease) increase in cash and cash equivalents	(1,877)	3,144	(15,622)
VI Cash and cash equivalents at beginning of year	8,382	5,237	69,756
VII Cash and cash equivalents at end of year (Note 3 (12))	¥6,505	¥8,382	\$54,134

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

Notes to Consolidated Financial Statements

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements of Mitsubishi Paper Mills Limited (the "Company") and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau (a regional branch organization of the Ministry of Finance in Japan) have been reclassified for the convenience of readers outside Japan.

2. United States Dollar Amounts

The Company maintains its accounting records in yen. The dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥120.17 = U.S.\$1, the exchange rate prevailing as of March 31, 2015. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rate.

3. Summary of Significant Accounting Policies

(1) Scope of consolidation

The Company had 35 subsidiaries as of March 31, 2015 (35 as of March 31, 2014). The accompanying consolidated financial statements include the accounts of the Company and 25 (25 for 2014) of its subsidiaries for the year ended March 31, 2015 (together, hereinafter referred to as the "Companies"). Furthermore, MPM Operation Co., Ltd. newly established in this consolidated fiscal year is included within the scope of the consolidation. In addition, Ostrichdia Co., Ltd., which was a consolidated subsidiary, has been excluded from the scope the consolidation from this consolidated fiscal year due to the selling of their stocks.

The accounts of the remaining 10 (10 for 2014) unconsolidated subsidiaries for the year ended March 31, 2015 have been excluded from consolidation since the aggregate amounts of these subsidiaries in terms of combined assets, net sales, retained earnings and net income were immaterial in relation to those of the consolidated financial statements of the Companies.

Mitsubishi Paper Holding (Europe) GmbH and other four (4 for 2014) subsidiaries are consolidated using the financial statements as of the respective fiscal year end which falls on December 31 and necessary adjustments are made to their adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31.

(2) Consolidation and elimination

For the purposes of preparing the accompanying consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated.

Elimination of investments in shares of consolidated subsidiaries, together with the underlying equity in net assets of such subsidiaries, has been made to include equity in net income of subsidiaries subsequent to the respective dates of acquisition in the consolidated statements of income. Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary, unless specifically identified and reclassified to the applicable accounts from which the value originates, is treated as goodwill or negative goodwill. Goodwill and negative goodwill (only incurred before March 31, 2010) are amortized over five years on a straight line basis.

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

(3) Investments in unconsolidated subsidiaries and affiliates

The Company had 11 affiliates as of March 31, 2015 (12 for 2014). 2 affiliated companies were accounted for by the equity method.

However, the remaining 10 (10 for 2014) subsidiaries and 9 (10 for 2014) affiliates did not have a material effect on net income and retained earnings in the accompanying consolidated financial statements and, therefore, these investments have been carried at cost.

(4) Financial instruments

(i) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net income or loss for the year in which they arise, except for those that are designated as "hedging instruments."

(ii) Securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(iii) Hedge Accounting

Unrealized gains or losses arising from changes in fair value of derivative financial instruments designated as "hedging instruments" are carried as an asset or a liability until the losses or gains on the hedged items or transactions are recognized.

In accordance with the exceptional measure under the Japanese Accounting Standard for Foreign Currency Translations, the Companies do not record certain forward exchange contracts at market value but translate the underlying foreign currency denominated assets or liabilities using the contractual rate under these contracts as long as such contracts meet the criteria for applying hedge accounting under the Japanese Accounting Standard for Financial Instruments.

Furthermore, in accordance with the special measure under the Accounting Standard for Financial Instruments, the Companies do not record certain interest rate swap arrangements at market value but charge or credit net cash flows arising from the swap arrangements to interest arising from the hedged borrowings, as long as these arrangements meet the specific criteria under the standard.

(5) Inventories

Finished products, merchandise and work in process are primarily stated at lower of cost or market, cost being determined by the average method and other inventories are stated at lower of cost or market, cost being determined by the moving average method.

(6) Property, plant and equipment

Mainly depreciation excluding for leased assets is computed by the straight-line method for property, plant and equipment. But in part, depreciation of machinery held by the head office of the Company and certain consolidated subsidiaries is computed by the declining-balance method. Estimated useful lives of assets used in computing depreciation are as follows:

Buildings and structures.....	31 to 47 years
Machinery and equipment.....	12 years

Leased assets under finance lease agreements of the Company and its domestic consolidated subsidiaries, which do not stipulate the transfer ownership of the leased assets to the lessee, are depreciated principally over the lease term by the straight-line method with no residual value except for the following transactions. Lease transactions which have been entered into before April 1, 2008 and do not stipulate the transfer of ownership of the leased assets to the lessee have been accounted for as operating leases.

(7) Allowance for doubtful accounts

The Company and the domestic consolidated subsidiaries provide the allowance for doubtful accounts based on the bad debt loss ratio derived from their own loss history plus the amount of uncollectible receivables estimated on an individual basis.

Overseas consolidated subsidiaries provide the allowance for doubtful accounts based on methods prescribed by their respective countries' regulations.

(8) Accounting method for retirement benefits

(i) Method of attributing the projected benefits to periods of service

As for the calculation of retirement benefit obligation, the benefit formula basis is used for including estimated retirement benefits in a period till the end of this consolidated fiscal year. Some consolidated subsidiaries adopt the simplified method for calculating the liabilities and costs for retirement benefits, while defining the term-end privately necessary payment for retirement benefits as retirement benefit obligation for the lump-sum severance pay plan, and defining the actuarial obligation in the latest pension finance calculation as retirement benefit obligation for the corporate pension plan.

(ii) Amortization of unrecognized prior service cost

Unrecognized prior service cost is amortized on a straight-line basis over a term that does not exceed the average remaining service period of the employees who are expected to receive benefits under the plans (10 to 15 years).

(iii) Amortization of unrecognized net actuarial gain or loss

Unrecognized net actuarial gains or losses are amortized from the year following the year in which such gains or losses are recognized on a straight-line basis over a term that does not exceed the average remaining service period of the employees who are expected to receive benefits under the plans (10 to 15 years).

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

The Company and certain domestic consolidated subsidiaries reserve for loss on dissolution of employee pension fund.

(10) Translation of foreign currency financial statements (accounts of overseas subsidiaries and affiliates)

The financial statements of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates prevailing at the respective balance sheet dates of those subsidiaries for assets and liabilities, and at the historical exchange rate for capital accounts and retained earnings. All income and expense accounts are translated at the average rates of exchange during the fiscal year of those subsidiaries. The resulting translation adjustments are included in net assets.

(11) Net income or loss per share

Net income or loss per share is based on the weighted average-number of common shares outstanding less the number of treasury stock during each year, appropriately adjusted for subsequent free distributions of common shares.

(12) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits that are able to be withdrawn on demand and short-term investments with original maturities of three months or less that are exposed to a minor risk of fluctuation in value.

A reconciliation of cash and cash equivalents in the accompanying consolidated statements of cash flows and cash and bank deposits in the accompanying consolidated balance sheets at March 31, 2015 and 2014 is shown below:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and bank deposits	¥6,505	¥8,382	\$54,134
Cash and cash equivalents	¥6,505	¥8,382	\$54,134

(13) Dividends

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock amount. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, however neither the capital reserve nor the legal reserve is available for distributions.

(14) Accounting changes

Accounting Standard for Retirement Benefits

Effective from the fiscal year of 2014, the Company adopted the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012), and its accompanying implementation guidance, "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015) with respect to certain provisions described in Section 35 of the standard and in Section 67 of the guidance.

By adhering to these accounting standards, the Company has revised the method for calculating retirement benefit obligations and service costs. The Company has changed the method for attributing projected benefits to periods from the point standard used by the Company and a part of consolidated subsidiaries to a benefit formula. The same is applied to the straight-line basis some of the other consolidated subsidiaries used. In addition, the method to determine the discount rate has changed to use a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of projected benefits every such period.

In accordance with transitional treatment determined by article 37 of the Retirement Benefits Accounting Standards, the amount of financial impact associated with changing calculation method for retirement benefit obligations and service costs was added to removed from the beginning balance of retained earnings.

As a result of this, our liabilities related to retirement benefits at the beginning of this consolidated fiscal year decreased by 487 million yen, and retained earnings and minority interest increased by 256 million and 56 million yen, respectively. Furthermore, the effect on our profit and loss for this consolidated fiscal year is immaterial.

(15) Changes in Accounting Estimates

With regards to the number of years for posting actuarial difference and past service costs, the average remaining years of service of an employee has shortened, therefore from this consolidated fiscal year, the number of years for the Company is altered from 15 to 13. Certain domestic consolidated subsidiaries have adjusted from 15 to 14, while certain overseas consolidated subsidiar-

ies have altered from 12 to 11. This change resulted in a 102 million yen decrease in operating income and ordinary income for this consolidated fiscal year, respectively, including an increase of 102 million yen in net loss before income taxes and minority interests.

(16) Reclassification

Certain reclassification have been made to the prior years' consolidated financial statements to conform to the presentation for the year ended March 31, 2015.

4. Assets Pledged as Collateral

Assets pledged as collateral primarily for short-term loans, long-term debt and debentures at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Buildings and structures	¥18,281	¥ 19,458	\$152,133
Machinery and equipment	37,604	43,086	312,929
Land	10,497	10,514	87,352
Other	138	178	1,155
Investments in securities	4,444	3,532	36,989
	¥70,967	¥76,769	\$590,561

5. Contingent Liabilities

As at March 31, 2015 the Companies were contingently liable for guarantees of loans, primarily of their employees and unconsolidated subsidiaries and affiliates, in the aggregate amount of ¥2,216 million (\$18,442 thousand), and also liable for a recourse obligation of credit securitization in the aggregate amount of ¥1,396 million (\$11,618 thousand).

6. Disposal of Property, Plant and Equipment

(1) Gains on disposal of property, plant and equipment

Main items under gains on disposal of property, plant and equipment were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Machinery and equipment	¥7	¥20	\$60
Land	0	25	2

(2) Losses on disposal of property, plant and equipment

Main items under losses on disposal of property, plant and equipment were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Machinery and equipment	¥122	¥109	\$1,017
Scrapping and removal expenses	185	146	1,542

7. Subsidy Income

Previous consolidated fiscal year (April 1, 2013 – March 31, 2014)

The subsidy income includes the subsidy for projects promoting domestic location given to the Company's Hachinohe Mill and consolidated subsidiaries.

8. Impairment Loss on Fixed Assets

Consolidated fiscal year under review (April 1, 2014 – March 31, 2015)

Our group's main business assets are the factories that are used as production bases. Idle assets are grouped per individual unit.

Application	Location	Category	Millions of yen	Thousands of U.S. dollars
			Impairment loss	
Business assets	Hyogo	Machinery and equipment, etc.	¥247	\$2,061
Idle assets	Tokyo	Land, etc.	139	1,157

Based on the decision to discontinue the use of manufacturing equipment and the scheduled disposal of assets, their book values are reduced to recoverable values. Such loss is reported as an impairment loss under extraordinary losses. Furthermore, the recoverable value is measured with the net sale value. Land and buildings are evaluated based on the values by real estate appraisers, and other assets are reduced their book value to the residual value.

9. Cost for Business Structure Reform

Previous consolidated fiscal year (April 1, 2013 – March 31, 2014)

The cost for business structure reform includes the special retirement benefit for the transfer of employees to the new subsidiary MPM Operation Co., Ltd. Through the restructuring of the Hachinohe Mill.

Consolidated fiscal year under review (April 1, 2014 – March 31, 2015)

There are additional charges etc. due to voluntary retirement.

10. Legal Settlement

Previous consolidated fiscal year (April 1, 2013 – March 31, 2014)

The legal settlement are the settlement money for the damage suit that had been filed by the Urban Renaissance Agency and was under dispute.

11. Other Comprehensive Income

The following table shows reclassification adjustment for each component of other comprehensive income for the year ended March 31, 2015:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized gain (loss) on available-for-sale securities			
Amount arising during the year	¥3,873	¥ 1,533	\$32,235
Reclassification adjustments for gain and losses included in net income	(808)	(3,043)	(6,727)
Amount before tax effect	3,065	(1,510)	25,507
Tax effect	(847)	537	(7,053)
Total	¥2,217	¥ (972)	\$18,454
Foreign currency translation adjustment			
Amount arising during the year	¥151	¥ 861	\$1,259
Reclassification adjustments for gains and losses included in net income	–	–	–
Amount before tax effect	151	861	1,259
Tax effect	–	–	–
Total	¥151	¥ 861	\$1,259
Remeasurements of defined benefit plans			
Amount arising during the year	¥831	¥ (316)	\$6,922
Reclassification adjustments for gains and losses included in net income	68	106	570
Amount before tax effect	900	(209)	7,493
Tax effect	112	–	936
Total	¥1,013	¥ (209)	\$8,429
Share of other comprehensive income of investments for which the equity method is applied			
Amount arising during the year	¥154	¥ 169	\$1,288
Reclassification adjustments for gains and losses included in net income	–	–	–
Total	154	169	1,288
Total other comprehensive income	¥3,536	¥ (150)	\$29,431

12. Leases

Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, of which transaction date is on or before March 31, 2008 were as follows:

(1) Equivalent of purchase price, accumulated depreciation and net book value of leased assets

	Millions of yen						Thousands of U.S. dollars		
	2015			2014			2015		
	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total
Purchase price equivalent	¥-	¥-	¥-	¥38	¥24	¥62	\$ -	\$ -	\$ -
Accumulated depreciation equivalent	-	-	-	34	24	59	-	-	-
Net book value equivalent	¥-	¥-	¥-	¥3	¥0	¥3	\$ -	\$ -	\$ -

(2) Lease commitments

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
	Due within one year	¥-	¥3
Due after one year	-	-	-
Total	¥-	¥3	\$ -

(3) Lease expenses and depreciation equivalents

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
	Lease expenses	¥3	¥10
Depreciation equivalents	3	10	32

13. Financial Instruments

(1) Summary of financial instruments

(i) Policy regarding financial instruments

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

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

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

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

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

Trade notes and accounts payable are obligations due within one year. Some of these obligations are denominated in foreign currencies in connection with imports of raw materials, and are exposed to exchange-rate fluctuation risk. The Company hedges against risk regarding net receivables and payables denominated in foreign currencies using forward exchange contracts.

Short-term borrowings are raised mainly in connection with business activities, while long-term debt, corporate bonds and lease obligations related to finance lease transactions are the main means for procurement of funds needed for capital expenditures. In most cases, the repayment date is within five years from the balance sheet date.

For some long-term debt with floating interest rates exposed to interest-rate fluctuation risk, the Company uses derivative transactions (interest-rate swaps) for hedging purposes.

For derivative transactions, the Company uses forward exchange contracts to hedge against exchange-rate risk affecting trade notes and accounts receivable and payable denominated in foreign currencies, and interest rate swap transactions to hedge interest rate fluctuation risks on loans. We do not assess the effectiveness of our hedging strategies, since all derivative transactions meet the conditions for special accounting treatment for interest rate swaps.

For carrying out and managing derivative transactions, the Company adheres closely to internal policies delimiting the authority for engaging in such transactions. To reduce credit risk in using derivatives, the Company works only with the financial institutions with good credit-ratings.

The Company is exposed to liquidity risk in its payables and borrowings. Risk-management methods including compilation of a monthly cash flow plan are used to mitigate the risks by each Group company.

(iii) Additional notes on the fair value of financial instruments, etc.

Calculations of the fair value of financial instruments are based on their quoted market prices, as well as their reasonably estimated fair value when the quoted market prices are not available. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the contract values of derivatives in Note 15. Derivatives are not necessarily indicative of the actual market risk involved in derivative transactions.

(2) Fair value of financial instruments

Book value, fair values and differences between them as of March 31, 2015 are as follows. The following table does not include financial instruments for which the fair value is extremely difficult to determine (please refer to note below).

	Millions of yen		
	2015		
	Book value	Fair value	Difference
Trade notes and accounts receivable	¥47,045	¥47,045	¥-
Investments in securities			
Available-for-sale securities	19,881	19,881	-
Total of assets	66,927	66,927	-
Trade notes and accounts payable	24,015	24,015	-
Short-term bank loans (excluding current portion of long-term debt)	56,306	56,306	-
Long-term debt (including current portion of long-term debt)	88,015	88,155	140
Total of liabilities	168,337	168,477	140
Derivative transactions	¥-	¥-	¥-

	Thousands of U.S. dollars		
	2015		
	Book value	Fair value	Difference
Trade notes and accounts receivable	\$391,492	\$391,492	\$-
Investments in securities			
Available-for-sale securities	165,448	165,448	-
Total of assets	556,941	556,941	-
Trade notes and accounts payable	199,849	199,849	-
Short-term bank loans (excluding current portion of long-term debt)	468,556	468,556	-
Long-term debt (including current portion of long-term debt)	732,422	733,589	1,167
Total of liabilities	1,400,827	1,401,994	1,167
Derivative transactions	\$-	\$-	\$-

	Millions of yen		
	2014		
	Book value	Fair value	Difference
Trade notes and accounts receivable	¥ 42,424	¥ 42,424	¥-
Investments in securities			
Available-for-sale securities	18,606	18,606	-
Total of assets	61,031	61,031	-
Trade notes and accounts payable	26,014	26,014	-
Short-term bank loans (excluding current portion of long-term debt)	53,227	53,227	-
Long-term debt (including current portion of long-term debt)	95,093	95,021	(72)
Total of liabilities	174,335	174,262	(72)
Derivative transactions	¥-	¥-	¥-

(i) Trade notes and accounts receivable

Because these are settled in a short period of time, fair value approximates book value. Accordingly, fair value is recognized as book value.

(ii) Investment in securities

Fair value of investment in securities is based on quoted share prices at stock exchanges, and bond prices are based on indicative published prices in the papermaking sector.

(iii) Trade notes and accounts payable

Because these are settled in a short period of time, fair value approximates book value. Accordingly, fair value is recognized as book value.

(iv) Short-term borrowings

Because these are settled in a short period of time, fair value approximates book value. Accordingly, fair value is recognized as book value.

(v) Long-term debt

The fair value of long-term debt is calculated by discounting the total principal and interest using the assumed interest rate given equivalent new borrowings.

For long-term debt with floating interest rates, loans are subject to special settlement for interest swaps. The fair value is calculated by discounting the total principal and interest (including interest-rate swap) using the interest rate reasonably estimated given equivalent new borrowings. The amount also includes the total current portion of long-term debt of ¥20,780 million (\$172,923 thousand).

(vi) Derivatives

Please see Note 15.

Unlisted equity securities (in the amount of ¥1,586 million (\$13,205 thousand) on the consolidated balance sheet) are not included in available-for-sale securities, due to the difficulty of measuring their fair value as the stock has no quoted share price and future cash flow cannot be predicted.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unlisted equity securities	¥1,586	¥1,622	\$13,205

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

	Millions of yen					
	2015					
	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term bank loans	¥56,306	¥-	¥-	¥-	¥-	¥-
Long-term debt	20,780	27,847	15,779	15,790	3,180	4,638
Lease obligations	394	364	346	331	314	259
Total	¥77,481	¥28,211	¥16,126	¥16,122	¥3,494	¥4,897

	Thousands of U.S. dollars					
	2015					
	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term bank loans	\$468,556	\$-	\$-	\$-	\$-	\$-
Long-term debt	172,923	231,730	131,310	131,398	26,463	38,595
Lease obligations	3,285	3,031	2,884	2,761	2,617	2,160
Total	\$644,764	\$234,761	\$134,195	\$134,160	\$29,081	\$40,756

	Millions of yen					
	2014					
	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term bank loans	¥ 53,227	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term debt	20,675	20,500	27,077	9,458	10,462	6,918
Lease obligations	378	361	331	316	302	551
Total	¥ 74,281	¥ 20,861	¥ 27,409	¥ 9,775	¥ 10,765	¥ 7,470

14. Investments in Securities

The acquisition cost, carrying amount, gross unrealized holding gains and gross unrealized holding losses for securities with fair value by security type at March 31, 2015 and 2014 are summarized as follows:

Available-for-sale securities:

	Millions of yen			
	2015			
	Acquisition	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses
Equity securities	¥12,332	¥19,881	¥7,669	¥119
	¥12,332	¥19,881	¥7,669	¥119
	Thousands of U.S. dollars			
	2015			
	Acquisition	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses
Equity securities	\$102,625	\$165,448	\$63,820	\$996
	\$102,625	\$165,448	\$63,820	\$996
	Millions of yen			
	2014			
	Acquisition	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses
Equity securities	¥14,086	¥18,606	¥4,960	¥439
	¥14,086	¥18,606	¥4,960	¥439

15. Derivatives

(1) Transactions not subject to hedge accounting

No applicable transactions

(2) Transactions subject to hedge accounting

(i) Currency-related

No applicable transactions

(ii) Interest-rate related

Hedge accounting method	Type of derivative transaction, etc.	Main targets of hedging	Contract value	Contract value of instruments due within more than a year
Special settlement of interest rate swap	Interest rate swap transactions, fixed payments, variable receivables	Long-term debt	¥47,957 million	¥39,446 million
			\$399,082 thousand	\$328,255 thousand

Transactions subject to special settlement for interest rate swaps are settled as a combined sum with the long-term debt being hedged so the fair value is included in the fair value of the long-term debt.

16. Retirement and Pension Plans

(1) Outline of retirement benefit plan

Our company and consolidated subsidiaries adopt reserve-type and non-reserve-type defined benefit and defined contribution plans for the retirement benefits of our employees.

In the defined benefit pension plan (reserve-type), employees will receive lump-sum payments or pensions, which are calculated based on their salaries and employment periods.

In the lump-sum retirement benefit plan (non-reserve-type), employees will receive lump-sum retirement benefits, which are calculated based on their salaries and employment periods. Our company and some consolidated subsidiaries establish retirement benefit trusts for the lump-sum retirement benefit plan to make it reserve-type.

In addition, additional retirement benefits may be paid, at the time of the retirement, etc. of our employees.

In the defined benefit pension and lump-sum retirement benefit plans adopted by some consolidated companies, the simplified method is used for calculating the liabilities and costs for retirement benefits.

As for defined contribution plans, our company and some consolidated subsidiaries establish the defined contribution pension plan, while the other consolidated subsidiaries subscribe to Smaller Enterprise Retirement Allowance Mutual Aid System.

(2) Defined benefit plans

(i) The schedule of the defined benefit obligation at 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year (period)	¥21,539	¥ 21,329	\$179,242
Cumulative effect of changes in accounting policies	(487)	–	(4,055)
Balance at the beginning of the term reflecting the change of accounting policies	21,052	21,329	175,187
Current service cost	1,144	1,144	9,527
Interest cost	317	309	2,646
Actuarial losses	1,729	407	14,392
Benefit paid	(2,443)	(2,427)	(20,336)
Other	57	777	476
Balance at end of year (period)	¥21,858	¥ 21,539	\$181,893

(ii) The schedule of the pension assets at 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year (period)	¥13,834	¥ 13,327	\$115,123
Expected return on pension assets	14	12	117
Actuarial losses	2,545	596	21,178
Contributions by the employer	98	108	818
Benefit paid	(1,041)	(211)	(8,665)
Balance at end of year (period)	¥15,450	¥ 13,834	\$128,572

(iii) The schedule of the net defined benefit liability for simplified method at 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year (period)	¥695	¥ 738	\$5,789
Periodic benefit cost	104	90	869
Benefit paid	(86)	(110)	(716)
Contribution to systems	(18)	(22)	(152)
Increase (Decrease) of business combination	(59)	–	(498)
Balance at end of year (period)	¥635	¥ 695	\$5,292

- (iv) The reconciliation of the defined benefit obligations and pension assets to the liabilities and assets on retirement benefits recognized in the consolidated balance sheet as of 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded defined benefit obligations	¥13,755	¥ 14,683	\$114,469
Pension assets	(15,771)	(14,144)	(131,245)
	(2,015)	539	(16,776)
Unfunded defined benefit obligations	9,059	7,861	75,389
Net amount of liabilities and assets recognized in consolidated balance sheet	7,043	8,400	58,613
Retirement benefit liabilities	9,682	8,872	80,570
Retirement benefit asset	(2,638)	(471)	(21,957)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥7,043	¥ 8,400	\$58,613

- (v) The profits and losses related to retirement benefits for fiscal period ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current service cost	¥1,144	¥ 1,144	\$9,527
Interest cost	317	309	2,646
Expected return on pension assets	(14)	(12)	(117)
Actuarial loss recognized in the year	207	100	1,724
Prior service cost recognized in the year	(138)	(93)	(1,154)
Periodic benefit cost in simplified method	104	90	869
Periodic benefit costs of retirement benefit plan	¥1,621	¥ 1,537	\$13,495

In addition to the above, the premium severance payment has been reported as extraordinary losses of 484 million yen (\$4,031 thousand) in the previous consolidated fiscal year and 1,611 million yen (\$13,407 thousand) for this consolidated fiscal year.

- (vi) The breakdown of items in other comprehensive income for fiscal period ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Actuarial loss	¥1,039	¥(209)	\$8,647
Prior service cost	(138)	–	(1,154)
Total	¥900	¥(209)	\$7,493

- (vii) The breakdown of items in accumulated other comprehensive income for fiscal period ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2014
Unrecognized actuarial loss	¥(559)	¥(1,598)	\$(4,654)
Unrecognized prior service cost	289	427	2,407
Total	¥(270)	¥(1,170)	\$(2,247)

(viii) The breakdown of pension assets by major category as of March 31, 2015 and 2014 were as follows:

	2015	2014
Equities	33%	24%
Bonds	33%	29%
General account of life insurance	32%	45%
Other	2%	2%
	100%	100%

(ix) The items of actuarial assumptions as of fiscal period ended March 31, 2015 and 2014 were as follows:

	2015	2014
Discount rate	0.6~2.0%	0.6~3.4%
Expected long-term return on plan assets	0.0~2.0%	0.0~2.0%

(3) Defined contribution plan

The necessary contribution to the defined contribution plan of our company and consolidated subsidiaries is ¥388 million(\$3,230 thousand) and ¥321 million(\$3,128 thousand) for the fiscal year ended March 31, 2015 and 2014, respectively.

(4) Multi-employer pension plan

As for the multi-employer pension plan(comprehensive employees' pension system) used by some consolidated subsidiaries, its importance is not significant, and so its notes are omitted.

17. Deferred Income Taxes

At March 31, 2015 and 2014, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Accrued enterprise taxes	¥75	¥ 70	\$625
Accrued expenses	690	620	5,746
Net defined benefit liability	1,752	2,989	14,582
Allowance for doubtful accounts	470	542	3,911
Loss on revaluation of fixed assets	610	578	5,080
Unrealized gains on property, plant and equipment	186	215	1,551
Tax loss carryforwards	6,963	8,137	57,946
Other	8,785	8,759	73,112
Gross deferred tax assets	19,534	21,913	162,557
Valuation allowance	(17,351)	(16,810)	(144,393)
Total deferred tax assets	2,182	5,103	18,163
Deferred tax liabilities:			
Reserve based on Special Taxation Measures Law	(22)	(24)	(185)
Unrealized gains on available-for-sale securities	(2,435)	(1,610)	(20,265)
Liability adjustment account	(313)	(658)	(2,612)
Other	(341)	(378)	(2,838)
Total deferred tax liabilities	(3,112)	(2,672)	(25,901)
Net deferred tax assets (liabilities)	¥(929)	¥ 2,431	\$(7,738)

For the year ended March 31, 2015 and 2014, a reconciliation of the statutory tax rate to the effective tax rates was as follows:

	2015	2014
Statutory tax rate	– %	38.0%
Permanently non-deductible expenses	–	7.1
Permanently non-taxable income	–	(3.7)
Per capita inhabitants' taxes	–	4.8
The effect of tax rate changes	–	(1.8)
Valuation allowance	–	40.8
Unrealized gains (losses)	–	(20.1)
Other	–	(1.7)
Effective tax rates	– %	63.4%

Notes were omitted in the year ended March 31, 2015, due to the posting of loss before income taxes and minority interests.

(Amendments to amounts of deferred tax assets and liabilities as a result of change in normal effective statutory tax rate)

On March 31, 2015 saw the promulgation of the "Partial Revision of Income Tax Act" (Act No.9 of 2015). Accordingly, the effective legal tax rate, used to calculate deferred tax assets and deferred tax liabilities, will decline from 35.6%(in the previous fiscal year) to 33.1% between April 1, 2015 and March 31, 2016(the period in which the temporary difference and other items are expected to be abolished). As of April 1, 2016, it will be changed to 32.3%.

As a result of this, deferred tax assets, deferred tax liabilities and the adjusted total sum for retirement benefits reported in this consolidated fiscal year have decreased by 114 million, 290 million and 6 million yen, respectively. The marketable securities valuation difference and the income taxes - deferred have increased by 242 million and 59 million yen, respectively.

18. Segment Information

(1) Reportable segment information

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

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

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

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

Year ended March 31, 2015	Millions of yen							
	Reportable segments				Other	Total	Adjustments	Consolidated
Paper and Pulp	Imaging Media	Speciality Materials	Total					
Sales								
Sales to unaffiliated customers	¥161,300	¥33,496	¥13,829	¥208,626	¥6,317	¥214,944	¥–	¥214,944
Intersegment sales and transfers	4,149	10,039	3,017	17,205	8,823	26,029	(26,029)	–
Total sales	165,449	43,535	16,847	225,832	15,140	240,973	(26,029)	214,944
Segment income (loss)	¥(1,326)	¥1,481	¥561	¥715	¥395	¥1,110	¥(71)	¥1,038
Segment assets	¥196,861	¥44,192	¥15,976	¥257,031	¥10,466	¥267,497	¥(14,014)	¥253,482
Amortization	8,107	2,160	529	10,797	245	11,043	(88)	10,955
Investment in equity-method affiliates	1,902	–	–	1,902	–	1,902	–	1,902
Increase in tangible and intangible fixed assets	3,407	739	427	4,575	61	4,637	(70)	4,566

Year ended March 31, 2015	Thousands of U.S. dollars							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Total				
Sales								
Sales to unaffiliated customers	\$1,342,270	\$278,741	\$115,085	\$1,736,097	\$52,570	\$1,788,668	\$-	\$1,788,668
Intersegment sales and transfers	34,526	83,542	25,110	143,179	73,423	216,603	(216,603)	-
Total sales	1,376,796	362,283	140,195	1,879,276	125,993	2,005,271	(216,603)	1,788,668
Segment income (loss)	\$(11,041)	\$12,326	\$4,669	\$5,954	\$3,288	\$9,242	\$(599)	\$8,643
Segment assets	\$1,638,195	\$367,752	\$132,947	\$2,138,895	\$87,100	\$2,225,995	\$(116,625)	\$2,109,369
Amortization	67,468	17,974	4,409	89,852	2,044	91,896	(732)	91,163
Investment in equity-method affiliates	15,833	-	-	15,833	-	15,833	-	15,833
Increase in tangible and intangible fixed assets	28,358	6,154	3,560	38,074	513	38,587	(583)	38,004

(i) The storage and transport business as well as the engineering business are included in "Other." They are not included in the reportable segments.

(ii) Adjustments are:

- Adjustments and eliminations for segment income(loss) include ¥(42) million (\$351 thousand) of elimination of inter-segment income and loss and ¥(29) million (\$247 thousand) of corporate expenses, which are general and administrative expenses and are not allocable to the reportable segments.
- Adjustments and eliminations for segment assets include ¥12,823 million (\$106,715 thousand) of corporate assets and ¥(26,838) million (\$223,341 thousand) of elimination of inter-segment assets.
- Adjustments and eliminations for amortization of ¥(88) million (\$732 thousand) is elimination of inter-segment.
- Adjustments and eliminations for increase in tangible and intangible fixed assets include ¥(70) million (\$583 thousand) of elimination of inter-segment increase in tangible and intangible fixed assets.

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

Year ended March 31, 2014	Millions of yen							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Total				
Sales								
Sales to unaffiliated customers	¥ 157,974	¥ 29,886	¥ 13,019	¥ 200,880	¥ 6,589	¥ 207,470	¥ -	¥ 207,470
Intersegment sales and transfers	3,683	11,727	3,015	18,426	9,395	27,821	(27,821)	-
Total sales	161,657	41,614	16,034	219,307	15,985	235,292	(27,821)	207,470
Segment income (loss)	¥ (1,806)	¥ 1,526	¥ 294	¥ 13	¥ 463	¥ 477	¥ (3)	¥ 473
Segment assets	¥ 201,995	¥ 41,668	¥ 15,380	¥ 259,044	¥ 10,866	¥ 269,910	¥ (11,311)	¥ 258,599
Amortization	8,443	2,094	506	11,044	254	11,298	(84)	11,214
Investment in equity-method affiliates	488	-	-	488	-	488	-	488
Increase in tangible and intangible fixed assets	4,348	1,659	483	6,491	105	6,596	(101)	6,494

(i) The storage and transport business as well as the engineering business are included in "Other." They are not included in the reportable segments.

(ii) Adjustments are:

- Adjustments and eliminations for segment income (loss) include ¥21 million of elimination of inter-segment income and loss and ¥(24) million of corporate expenses, which are general and administrative expenses and are not allocable to the reportable segments.
- Adjustments and eliminations for segment assets include ¥19,751 million of corporate assets and ¥(31,062) million of elimination of inter-segment assets.
- Adjustments and eliminations for amortization of ¥(84) million is elimination of inter-segment.
- Adjustments and eliminations for increase in tangible and intangible fixed assets include ¥(101) million of elimination of intersegment increase in tangible and intangible fixed assets.

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

(2) Geographical information

(i) Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japan	¥148,059	¥ 146,547	\$1,232,086
Europe	36,668	30,218	305,142
Asia	13,031	12,080	108,443
North America	10,467	10,708	87,102
Other	6,716	7,915	55,892
Consolidated	¥214,944	¥ 207,470	\$1,788,668

Net sales information above are based on customer location.

(ii) Property, plant and equipment by countries or geographical areas at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japan	¥104,534	¥ 111,779	\$869,891
Europe	11,973	11,900	99,640
North America	147	125	1,229
Consolidated	¥116,656	¥ 123,805	\$970,761

(3) Impairment loss on fixed assets by reportable segments

Consolidated fiscal year under review (April 1, 2014 – March 31, 2015)

Year ended March 31, 2015	Millions of yen							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Total				
Impairment losses	¥373	¥13	¥-	¥386	¥-	¥386	¥-	¥386

Year ended March 31, 2015	Thousands of U.S. dollars							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Total				
Impairment losses	\$3,104	\$113	\$-	\$3,218	\$-	\$3,218	\$-	\$3,218

(4) Amortization and balance of goodwill

	Millions of yen							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Total				
Year ended March 31, 2015								
Amortization	¥-	¥-	¥-	¥-	¥-	¥-	¥-	¥-
Balance as of March 31	-	-	-	-	-	-	-	-
(Negative goodwill)								
Amortization	30	-	-	30	-	30	-	30
Balance as of March 31	¥-	¥-	¥-	¥-	¥-	¥-	¥-	¥-

	Thousands of U.S. dollars							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Total				
Year ended March 31, 2015								
Amortization	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Balance as of March 31	-	-	-	-	-	-	-	-
(Negative goodwill)	-	-	-	-	-	-	-	-
Amortization	255	-	-	255	-	255	-	255
Balance as of March 31	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-

	Millions of yen							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Total				
Year ended March 31, 2014								
Amortization	¥-	¥-	¥-	¥-	¥-	¥-	¥-	¥-
Balance as of March 31	-	-	-	-	-	-	-	-
(Negative goodwill)								
Amortization	105	-	-	105	3	109	-	109
Balance as of March 31	¥30	¥-	¥-	¥30	¥-	¥30	¥-	¥30

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

	Millions of yen							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Total				
Year ended March 31, 2015								
Gain on negative goodwill	¥-	¥-	¥-	¥-	¥-	¥-	¥-	¥-

	Thousands of U.S. dollars							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Total				
Year ended March 31, 2015								
Gain on negative goodwill	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-

	Millions of yen							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Paper and Pulp	Imaging Media	Speciality Materials	Total				
Year ended March 31, 2014								
Gain on negative goodwill	¥198	¥0	¥-	¥199	¥-	¥199	¥-	¥199

Independent Auditor's Report



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

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Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
Mitsubishi Paper Mills Limited

We have audited the accompanying consolidated financial statements of Mitsubishi Paper Mills Limited and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Paper Mills Limited and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 26, 2015

Board of Directors, Executive Officers and Corporate Auditors

Managing Executive Officers



Kunio Suzuki

President and Chief Executive Officer



Kazuhisa Taguchi

Director and Senior Executive Vice President



Kanji Morioka

Director and Senior Managing Executive Officer



Junji Harada

Director and Managing Executive Officer



Masaki Shuto

Director and Managing Executive Officer



Tsuneaki Handa

Director and Managing Executive Officer



Naoya Tashiro

Managing Executive Officer



Kiyoshi Maeda

Managing Executive Officer

President and Chief Executive Officer

Kunio Suzuki
President

Director and Senior Executive Vice President

Kazuhisa Taguchi
Supervisor, President's Office and Imaging Media Div.; In charge of Kitakami Div. Internal Audit Dept. Energy Business Dept. and Technology & Environmental Dept. General Manager, Kitakami Div.; Director responsible for Corporate Social Responsibility

Director and Senior Managing Executive Officer

Kanji Morioka
Supervisor, Raw Materials & Purchasing Dept.

Director and Managing Executive Officers

Junji Harada
In charge of Speciality Materials Div. and Intellectual Property Dept.; General Manager, Speciality Materials Div.

Masaki Shuto
In charge of Finance & Accounting Dept.

Tsuneaki Handa
Supervisor, German Operations; In Charge of Paper Div.; General Manager, Paper Div.

Managing Executive Officers

Naoya Tashiro
President & CEO, MPM Operation Co., Ltd. Head, Hachinohe Mill; Deputy General Manager, Paper Div.

Kiyoshi Maeda
In charge of President's Office General Manager, President's Office

Outside Director

Tomohisa Shinagawa

Senior Executive Officers

Kiyoharu Yamada
General Manager, Raw Materials & Purchasing Dept.

Yutaka Oka
President & CEO, Diamic Co., Ltd.

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

Director and Executive Officer

Naoki Okawa
In charge of General Affairs & Personnel Dept., Legal Dept. and Shirakawa Office General Manager, General Affairs & Personnel Dept.

Executive Officers

Nobuhiro Sato
In charge of German Operations; Deputy General Manager, Paper Div.

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

Shimpei Yamada
General Manager, Imaging Media Div. and General Manager, Ink Jet & Photo Sales Dept.

Akira Inoue
General Manager, Commercial Printing Paper Sales Dept., Paper Div.

Kenji Manabe
Deputy General Manager, Kitakami Div.; President & CEO, Kitakami Hitec Paper Corp.

Corporate Auditor

Kenji Oka

Outside Corporate Auditors

Yasuharu Takamatsu
Koji Kaihotsu
Tsuyoshi Inoue

(as of June 26, 2015)

Company Data

Established:

April 1, 1898

Head Office:

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

Telephone:

- +81-3-5600-1488 (*Information*)
- +81-3-5600-1481 (*President's Office*)
- +81-3-5600-1459 (*Commercial Printing Paper Sales Dept. Paper Division*)
- +81-3-5600-1463 (*Business Communication & Specialty Paper Sales Dept. Paper Division*)
- +81-3-5600-1464 (*Sales Administration Dept. Paper Division*)
- +81-3-5600-1536 (*International Sales Dept. Paper Division*)
- +81-3-5600-1479 (*Ink Jet & Photo Dept. Imaging Media Division*)
- +81-3-5600-1475 (*Graphic Systems Dept. Imaging Media Division*)
- +81-3-5600-1471 (*Speciality Materials Division*)
- +81-3-5600-1453 (*Purchasing Dept.*)
- +81-3-5600-1454 (*Forestry Dept.*)

Facsimile:

- +81-3-5600-1489 (*Information*)
- +81-3-5600-1489 (*President's Office*)
- +81-3-5600-1467 (*Commercial Printing Paper Sales Dept. Paper Division*)
- +81-3-5600-1468 (*Business Communication & Specialty Paper Sales Dept. Paper Division*)
- +81-3-5600-1469 (*Sales Administration Dept. Paper Division*)
- +81-3-5600-1539 (*International Sales Dept. Paper Division*)
- +81-3-5600-1418 (*Ink Jet & Photo Dept. Imaging Media Division*)
- +81-3-5600-1413 (*Graphic Systems Dept. Imaging Media Division*)
- +81-3-5600-1419 (*Speciality Materials Division*)
- +81-3-5600-1451 (*Purchasing Dept.*)
- +81-3-5600-1451 (*Forestry Dept.*)

Sales Branch:

Osaka

Corporate Research Center:

Tsukuba R&D Laboratory
Kyoto R&D Laboratory
Process Development Laboratory

Mills:

Takasago, Kyoto, Hachinohe

Major Affiliates:

Domestic

Mitsubishi Paper Sales Co., Ltd.
Toho Tokushu Pulp Co., Ltd.
Hachinohe Paper Processing Co., Ltd.
Shin-Hokuryo Forest Products Co., Ltd.
Hachiryō Co., Ltd.
Hokuryo Co., Ltd.
Hakuryo Co., Ltd.
Takasago Paper Processing Co., Ltd.
Kitakami HiTec Paper Corp.
Diamic Co., Ltd.
Pictorico Co., Ltd.
Kyoryo Chemical Co., Ltd.
NAMITSU Co., Ltd.
Mitsubishi Paper Engineering Co., Ltd.
Ryoshi Co., Ltd.
MPM Shared-service Co., Ltd.
MPM CAE Center Co., Ltd.
KJ Specialty Paper Co., Ltd.
Ryoko Co., Ltd.
MPM Operation Co., Ltd.

Overseas

Mitsubishi Paper Holding (Europe) GmbH (Germany)
Mitsubishi Paper GmbH (Germany)
Mitsubishi HiTec Paper Europe GmbH (Germany)
Mitsubishi Imaging (MPM), Inc. (U.S.A.)
MP Juarez LLC (Mexico)
Zuhai MPM Filter, Ltd. (China)

Disclaimer Regarding Forward-Looking Statements

This material contains forward-looking statements relating to the businesses and prospects of the Company. These statements are based on our expectations at MAY 2015, and are subject to the risks and uncertainties that may affect our businesses, which could cause actual results to differ materially from those anticipated.

We will not be liable for any damage or loss incurred by you arising out of or in connection with this material.

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