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Matters Concerning Electronic Provision Measure for the Convocation Notice for the 159th Ordinary Shareholders' Meeting

(From April 1, 2023 to March 31, 2024)

Systems necessary to ensure the properness of operations

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

Basic policy for controlling the management of the Company

Consolidated statements of changes in shareholders' equity

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Statements of changes in shareholders' equity

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Mitsubishi Paper Mills Limited

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

Systems necessary to ensure the properness of operations

The following is the Company's basic policy on the system to ensure the conformity of the performance of duties of Directors to laws and regulations and the Company's Articles of Incorporation and the system to ensure the appropriateness of the Company's other operations and the operations of the corporate group consisting of the Company and its subsidiaries. (Last revised on: March 29, 2024)

- Core approach to corporate governance -

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

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

- Overview of corporate organization -

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

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

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

Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members have established the Audit & Supervisory Board and hold meetings of the Audit & Supervisory Board on a regular basis and as necessary.

Executive Officers and other executives hold management meetings, in principle, once a week to determine management policies and strategies and basic business strategies in an effort to ensure prompt and optimal decision-making, implement thorough group governance, discuss group strategies and share important information.

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

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

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

- Basic policy -

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A. System to report matters concerning the execution of duties by Directors of subsidiaries to the Company

According to its Subsidiary Management Regulations, the Company builds a system for departments to receive reports from subsidiaries under their management on a regular basis and as necessary and a system requiring subsidiaries to obtain the approval of departments controlling them.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The overview of the operation status of the system to ensure the appropriateness of operations implemented in the fiscal year ended March 31, 2024, is as follows.

(Systems for the execution of duties)

During the fiscal year ended March 31, 2024, eight Directors (including three independent Outside Directors) who make up the Board of Directors, four Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members) who make up the Audit & Supervisory Board, and 17 Executive Officers (including five Executive Officers concurrently holding the position of Directors) performed their duties. Systems for the execution of duties were enhanced from the perspective of diversity by selecting one female Director and one female member of the Audit & Supervisory Board. A total of 12 ordinary meetings of the Board of Directors, four extraordinary meetings of the Board of Directors, and 17 meetings of the Audit & Supervisory Board were held to make important decisions on the Company's management and supervise and audit the performance of duties.

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

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

(Compliance structure)

During the fiscal year ended March 31, 2024, the Compliance Committee met twice, primarily to develop a training plan and confirm their implementation, confirm trends related to business and human rights and conduct a study on the relationship between the Group and human rights, consider initiatives to address human rights issues, inspect the status of legal procedures, and confirm the status of reports made through the hotline.

Seminars for line managers and training based on the cascade method (theme: elimination of harassment) for all employees (including part-time and dispatched employees) of the Group companies in Japan were conducted, with line managers deploying the training to their workplaces.

Using the compliance promotion leader system, appointed promotion leaders are developing initiatives to share information and raise compliance awareness at each workplace. In addition, the intranet is used to provide information on a regular basis, and promotion leaders are working to elevate their skill levels.

(Risk management structure)

During the fiscal year ended March 31, 2024, the Risk Management Committee met twice to oversee and promote activities related to the Group's risk management, including identifying, analyzing and evaluating risks that exist in the Group in response to changes in the business environment, formulating risk response measures, examining the business continuity plan (BCP), and conducting training on emergency responses.

In addition, viewing responses to climate change as an important business issue, the Group examined and disclosed climate change-related risks in a company-wide, cross-functional TCFD response project team under the Risk Management Committee.

(Management of subsidiaries)
The Company's relevant department provides subsidiaries with guidance and supervises them to rationalize and improve the Group's subsidiary management according to its Subsidiary Management Regulations. In the fiscal year ended March 31, 2024, the Company facilitated integration of subsidiaries (from 17 to 12 companies) to strengthen the Group's integrated management promotion system, and the relevant departments in charge conducted audits of subsidiaries to confirm that they are managed appropriately. The Company will continue to integrate the subsidiaries in the fiscal year ending March 31, 2025.

(Internal audits)
Internal Audit Department conducted audits of overall business activities in line with the J-SOX to confirm that they are operated appropriately.

(Audit & Supervisory Board Members' audits)
Full-time members of the Audit & Supervisory Board attend meetings of the Board of Directors as well as management meetings and confirm decision-making on business execution, etc. Outside members of the Audit & Supervisory Board attend the management briefing for outside officers (once a month in principle; Outside Directors and Full-time members of the Audit & Supervisory Board also attend the briefing) to be informed about the content of management meetings. In addition, opinion exchange workshops are held periodically with Representative Directors, the accounting auditor and Outside members of the Audit & Supervisory Board in order to enhance the effectiveness of audits.

Basic policy for controlling the management of the Company
Basic policy for controlling the management of the Company

(i) Details of the Basic Policy

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

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

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

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

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

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

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

A. Objectives of the Plan

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

B. Procedures for taking the countermeasures based on the Plan

(a) Large-scale purchases subject to the measures

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

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

(b) Request to Large-Scale Purchaser for information

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

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

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

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

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

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

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

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

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

If the proposal to implement the countermeasure has been passed at the general meeting of shareholders to confirm the shareholders' intention, the Board of Directors will make a resolution on the implementation of the countermeasure against the Large-Scale Purchaser. However, if the proposal to implement the countermeasure is rejected, the countermeasure will not be implemented against the Large-scale Purchase.

(f) Specific contents of the countermeasure

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

C. Feature of the Plan

(a) Establishment of the Basic Policy

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

(b) Establishment of Independent Committee

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

(c) Approval for the Plan at Shareholders' Meeting

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

(d) Timely disclosure

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

(e) Effective term of the Plan

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

D. Influence on our shareholders

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

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

(b) Impact of issuing share acquisition rights on shareholders

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

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

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

As stated in the paragraph A in the above section (iii), the Board of Directors of MPM believes that the Plan was adopted for the purpose of ensuring and raising the corporate value and/or the common interests of shareholders and is in line with the Basic Policy. The Board of Directors of MPM does not believe that the Plan will impair the corporate value of MPM or the common interests of shareholders and will not act to maintain the positions of the executives of MPM, in particular due to the following: 1) the Plan will be abolished immediately if a proposal to abolish the Plan is approved at a Shareholders' Meeting, and the intentions of shareholders are prioritized in the sense that the continuation of the Plan is contingent on shareholder approval, and in certain cases, the confirmation of the will of shareholders at the general meeting of shareholders to confirm the shareholders' intention is required regarding the appropriateness of implementing countermeasures, 2) the Plan requires the establishment of an Independent Committee maintaining a high level of independence, whose recommendation is required when taking countermeasures in all cases, and 3) the standards used to make decisions on whether to take, not to take, or to cancel a countermeasure has been established.

Consolidated statements of changes in shareholders' equity

FY2023 Apr '23 - Mar '24

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	36,561	6,524	13,357	(430)	56,012
Changes during period					
Dividends of surplus			(223)		(223)
Profit attributable to owners of parent			4,170		4,170
Disposal of treasury shares			(0)	15	15
Purchase of treasury shares				(0)	(0)
Increase by merger		(0)	31		31
Net changes in items other than shareholders' equity					
Total changes during period	–	(0)	3,978	14	3,993
Balance at end of period	36,561	6,523	17,336	(416)	60,005

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,532	1,111	9,372	16,015	13	72,041
Changes during period						
Dividends of surplus						(223)
Profit attributable to owners of parent						4,170
Disposal of treasury shares						15
Purchase of treasury shares						(0)
Increase by merger						31
Net changes in items other than shareholders' equity	3,866	(347)	11,390	14,910	9	14,919
Total changes during period	3,866	(347)	11,390	14,910	9	18,912
Balance at end of period	9,399	763	20,763	30,926	22	90,954

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

Notes to consolidated financial statements

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

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 19

Names of major consolidated subsidiaries	Mitsubishi Oji Paper Sales Co., Ltd. KJ SPECIALTY PAPER Co., Ltd. Mitsubishi Paper Holding (Europe) GmbH Mitsubishi HiTec Paper Europe GmbH

Due to mergers involving Group companies in the organizational reform carried out on April 1, 2023, five companies dissolved in absorption-type mergers (Kitakami HiTec Paper Corporation, Ryoukou Co., Ltd., Diamic Co., Ltd., Hachinohe Paper Processing Co., Ltd. and Hachiryo Co., Ltd) were excluded from the scope of consolidation in the fiscal year under review.

(2) Names of major non-consolidated subsidiaries:

Names of major non-consolidated subsidiaries	MP Juarez, LLC.
Reason for exclusion from the scope of consolidation	The non-consolidated subsidiaries (2 companies) have been excluded from the scope of consolidation as they are all small in size and the amounts of total assets, net sales, profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) do not materially impact the consolidated financial statements.

2. Matters related to the application of the equity method

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

Names of major equity method companies	MPM Oji Eco Energy Co., Ltd. Hyogo Clay Co., Ltd. Forestal Tierra Chilena Ltda.

(2) Names, etc. of non-consolidated subsidiaries and affiliates to which the equity method does not apply

Name of major company	MP Juarez, LLC.
Reason for not applying the equity method	The profit/loss (corresponding to the equity owned by the Company), retained earnings (corresponding to the equity owned by the Company), and other factors of the companies (7 companies) excluded from the application of the equity method have a negligible impact on the consolidated financial statements and lack overall significance.

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

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

3. Fiscal years of consolidated subsidiaries

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

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

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

4. Notes regarding accounting policies

(1) Valuation standards and methods for important assets

(i) Securities

Available-for-sale securities

Securities other than shares, etc. without market value

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

Shares, etc. without market value

Stated at cost determined by the moving-average method

(ii) Derivative transaction

Stated at market value

(iii) Inventories

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

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

(2) Depreciation method for important depreciable assets

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

Buildings

Straight-line method

Property, plant and equipment excluding buildings

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

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

(ii) Intangible assets (excluding leased assets)

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

(iii) Leased assets

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

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

(3) Accounting standards for significant allowances and provisions

(i) Allowance for doubtful accounts

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

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

(ii) Provision for share awards

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

(4) Accounting standards for significant revenues and expenses

The Group recognizes revenues through the following five steps:

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the separate performance obligations in the contract.
Step 5: Recognize revenue when or as the entity satisfies the performance obligations.

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

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

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

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

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

(i) Standard for posting retirement benefit liability

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

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

Prior service costs are expensed based on the straight-line method for a certain number of years (seven to 13 years) within the average remaining years of service of employees when costs accrue from their service.

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

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

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

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

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

(iii) Significant hedge accounting

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

Designated hedge accounting is applied to certain monetary receivables and payables denominated in foreign currencies hedged by forward exchange.

(iv) Application of the group tax sharing system

The Company applies the group tax sharing system.

(Change in method of presentation)

"Insurance claim income," which was included in "Other" under "Extraordinary income" in the previous fiscal year, is separately presented in the fiscal year under review, since it has become significant in terms of amount.

In addition, "Extra retirement payments," which was separately stated in "Extraordinary losses" in the previous fiscal year, is presented in "Other" in the fiscal year under review, since it has become insignificant in terms of monetary amount.

(Notes to accounting estimates)

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

1. Impairment loss on fixed assets

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

The Company is conducting impairment tests in accordance with International Financial Reporting Standards (IFRS) on the tangible fixed assets amounting to 64.46 billion yen, which serve as the cash-generating unit for Mitsubishi Paper Holdings (Europe) GmbH, a part of functional material business segment. This is due to a significant deterioration in operating profit compared to the plan, resulting from a decrease in sales volume caused by the deterioration of market conditions in Europe.

The recoverable amount for the asset group was calculated, using the present value of estimated future cash flows, and compared with book value. As a result, the present discounted value exceeded the book value and no loss on impairment was recorded.

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

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

The impairment test is conducted by comparing the discounted present value of estimated future cash flows derived from the cash-generating unit with the carrying amount. If the discounted present value of estimated future cash flows is lower than the book value, the difference is recognized as an impairment loss.

The estimation of future cash flows derived from the cash-generating unit is based on the next fiscal year's plan and future business plans. The next fiscal year's plan assumes that sales quantities, product prices, and raw material prices of key products will remain at current levels. The future business plan takes into account growth rates based on market forecasts for major products in Europe, as well as a certain operating profit margin. The discount rate used in the calculation of present value is determined by considering the Weighted Average Cost of Capital (WACC).

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

2. Recoverability of deferred tax assets

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

Deferred tax liabilities (net)	7,210	million yen
Deferred tax assets before offsetting deferred tax liabilities	1,827	million yen

This is mainly posted by the companies to which group tax sharing system is applied ("companies under the group tax sharing system").

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

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

Estimates of future taxable income of companies under the group tax sharing system are based on plans for the next fiscal year and future business plans.

The sales volume of Functional Materials Business is expected to remain stable in the future, while that of major products in Sustainable Fiber Materials Business is projected to be affected by changes in structural demand environment of the domestic market.

The main assumptions for the next fiscal year's and future business plans are derived from a decline in demand in the domestic market for the paper materials market.The estimate for raw material and fuel prices is based on the current market conditions.

While such estimates are based on information available at the time of preparing the consolidated financial documents, the assumptions used for the estimation are highly uncertain and any failure to ensure stable taxable income in the future owing to factors such as changes in economic conditions may have a significant impact on the amount of deferred tax assets in the following fiscal year.

(Notes on changes made to accounting estimates)

For the Company and some of its domestic consolidated subsidiaries, the Company changed the number of years in the expense period of actuarial differences in the accounting treatment of retirement benefits from 10 years to 9 years beginning in the fiscal year under review due to the reduction of the average remaining years of service of employees. As a result of this change, operating income, ordinary income and profit before income taxes each increased 364 million yen in the fiscal year under review.

(Additional information)

(Performance-linked stock compensation plan)

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

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

(1) Transaction overview

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

(2) Treasury shares remaining in the trust

The Company’s shares remaining in the trust are recorded at the book value (excluding all incidental expenses) in the section of net assets as treasury shares in the trust. The book value and number of these treasury shares were 262 million yen and 863,739 shares, respectively, as of March 31, 2024.

(Transfer of non-current assets)

At the meeting of the Board of Directors held on March 29, 2024, the Company resolved to transfer fixed assets held by Mitsubishi Oji Paper Sales Co., Ltd., a consolidated subsidiary of the Company.

(1) Overview of the consolidated subsidiary

Name	Mitsubishi Oji Paper Sales Co., Ltd.
Location	2-10-14 Ryogoku, Sumida-ku, Tokyo
Representative	Yuji Takagami, Director, President
Businesses (summary)	Sales of paper, paper products and industrial chemicals for papermaking Sales of materials for CTP and photosensitive materials, inkjet paper, amenity and hygiene products Sales and lending of medical equipment, health appliances, disaster prevention equipment, etc. Others
Capital stock	600 million yen
Established	August 1, 1956

(2) Details of the assets to be transferred

Description and location of assets	Capital gain (billion yen)	Present status
Land and building with leasehold interest 2-6 Kyobashi, Chuo-ku, Tokyo	Approx. 3.9 billion yen	Office building (currently under lease)

* The amount of capital gain is an estimated amount obtained by subtracting book value and expenses from transfer value.

(3) Schedule for the transfer

Date of agreement	March 29, 2024
Date of transfer (plan)	October 31, 2024

(4) Outlook

Regarding the said transfer of fixed assets, the capital gain described in (2) is planned to be posted in the consolidated financial statements for the fiscal year ending March 31, 2025.

(Notes to the consolidated balance sheet)

1. Collateral assets

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

Collateral assets

Machinery, equipment and vehicles	577 million yen

Collateralized loans

Long-term borrowings (including current portion)	577 million yen

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

Buildings and structures	9,085 million yen
Machinery, equipment and vehicles	8,812 million yen
Land	8,855 million yen
Other	41 million yen
Total	26,795 million yen

2. Accumulated depreciation on property, plant and equipment totaled

405,544 million yen

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

4. Liabilities on guarantee

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

Employees (property accumulation residence fund loans, etc.)	157 million yen
Other: 1 account	2 million yen
Total	160 million yen

5. Contingent liability

There was a discovery of instances of partial data manipulation and failure to conduct certain inspections before shipping heat-resistant pressboard products manufactured at our wholly owned subsidiary, Mitsubishi Paper Engineering Co., Ltd.'s Shirakawa Mill. These incidents have the potential to impact our future financial position and operating performance. However, as it is currently difficult to reasonably estimate the extent of the impact, as they have not been reflected in the consolidated financial statements for the current fiscal year.

(Notes to consolidated statements of income)

1. Accident-related loss

A boiler accident occurred at Hachinohe Mill on August 22, 2023 and normal operations were resumed on December 6, 2023. The Company has recently recorded 2,687 million yen in restoration expenses as an accident-related loss in extraordinary losses. Insurance income of 1,571 million yen was posted as special income in relation to the said incident.

2. Business restructuring expenses

As a result of the business structure reform of Bielefeld Mill in the German operations, restructuring costs, which mainly included 627 million yen in special retirement benefits, a 175 million yen inventory valuation loss and a 48 million yen impairment loss, were posted under extraordinary losses.

3. Impairment losses

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

Location	Use	Type	Impairment losses
Shirakawa, Fukushima	Idle assets	Buildings, structures, machinery and equipment, etc.	269 million yen
Asaka, Saitama	Sold assets	Land, etc.	178 million yen
Kitakami, Iwate	Idle assets	Machinery and equipment, etc.	98 million yen
Bielefeld, Germany	Idle assets	Machinery and equipment	48 million yen

Regarding idle assets and assets sold, their book value was reduced to recoverable amounts and the reduced amounts were recognized as an impairment loss under extraordinary losses. Recoverable amounts are measured based on their net realizable values. Idle assets are assessed by reducing the book value to the memorandum value, while assets sold are assessed based on a reasonable estimate of the selling price, etc.

(Notes to the consolidated statements of changes in equity)

1. Class and number of issued shares

Class of shares	At the beginning of the fiscal year ended March 31, 2024	Increase	Decrease	At the end of the fiscal year ended March 31, 2024
Common shares	44,741,433	–	–	44,741,433

2. Dividends

(1) Cash dividends paid

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

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

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

Resolution	Class of shares	Source of dividends	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
May 30, 2024 Board of Directors	Common shares	Retained earnings	446	10.00	March 31, 2024	June 10, 2024

(Note) The total amount of dividends includes dividends of 8 million yen for 863,739 shares of the Company held by the executive compensation BIP trust.

(Notes to financial instruments)

1. Matters related to the status of financial instruments

(1) Policies on the use of financial instruments

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

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

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

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

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

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

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

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

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

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

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

The balance sheet amount and fair value of each category of financial instruments, and the difference between them as of March 31, 2024 are shown in the table below. Stocks and others without a quoted market price are not included in the table below (see Note 2 below).

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

(Million yen)

	Consolidated balance sheet amount	Market value	Difference
(1) Investment securities Available-for-sale securities	19,874	19,874	–
Total assets	19,874	19,874	–
(2) Long-term borrowings (including the current portion of long-term borrowings) (Note 1)	39,453	39,312	(140)
Total liabilities	39,453	39,312	(140)
(3) Derivative transactions	–	–	–

(Note 1) The current portion of long-term borrowings (17,171 million yen on the consolidated balance sheet) is included.

(Note 2) Unlisted shares without market price (6,501 million yen on the consolidated balance sheet) are not included in (1) available-for-sale securities under investment securities due to the absence of market prices.

3. Breakdown of financial instruments by level of market value

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

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

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

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

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

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

Classification	Market value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Stocks	19,874	–	–	19,874
Total assets	19,874	–	–	19,874
Derivative transaction Related to interest rates	–	–	–	–
Derivative transaction	–	–	–	–

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

Classification	Market value (million yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans payable (including the current portion of long-term borrowings)	–	39,312	–	39,312
Total liabilities	–	39,312	–	39,312

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

Investment securities

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

Derivative transaction

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

Long-term loans payable

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

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

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

These are classified to Level 2 market value.

(Notes on mergers and related matters)

(Common control transactions, etc.)

The merger of a wholly owned subsidiary and the consolidation of subsidiary companies

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

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

(1) Purpose of the Reorganization

In the fiscal year ended March 31, 2023, the Group has launched the Medium-Term Management Plan (FY2023/3-FY2025/3) and is working to strengthen the management base and create a new Mitsubishi Paper Mills Group. As one of the initiatives in this effort, the Group will reduce fixed costs through organizational rationalization and strengthen corporate governance by merging its group subsidiaries.

(2) Overview of the Reorganization

With April 1, 2023 as the business combination date, the Reorganization described below has been implemented. The names of the companies have not changed after the business combination.

(i) Combination of the Company and Kitakami site subsidiaries

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

<Names of combined companies and description of their businesses>

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

(ii) Combination of sales subsidiaries

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

<Names of combined companies and description of their businesses>

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

(iii) Combination of Hachinohe site subsidiaries

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

<Names of combined companies and description of their businesses>

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

(3) Overview of accounting procedures implemented

The transactions have been processed as transactions under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

(4) Change in equity of the Company related to transaction with non-controlling shareholders

(i) Main factor for change in capital surplus

Change in ownership interest due to merger

(ii) Amount of decrease in capital surplus due to the transaction with non-controlling shareholders

0 million yen

(Transfer of German operations)

At a meeting of the Board of Directors held on January 30, 2023, the Company decided to sell its business (hereinafter the "Business") in the Flensburg Mill of Mitsubishi HiTec Paper Europe GmbH (hereinafter "MPE"), consolidated subsidiary in Germany. It completed the sale as of September 1.

(1) Outline of the business divestiture

(i) Name of successor enterprise

Timber QCP GmbH

(ii) Details of divested business

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

(iii) Main reason for conducting business divestiture

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

(iv) Date of business divestiture

September 1, 2023 (Germany Time)

(v) Description of transaction, including legal form

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

(2) Outline of accounting treatment

(i) Amount of gain (loss) on transfer

A loss on sale of business of 3,192 million yen was posted under extraordinary losses in the previous consolidated fiscal year and 119 million yen in the fiscal year under review, respectively.

(ii) Appropriate book value of assets and liabilities relating to the business transferred and the major breakdown thereof

Current assets	3,428 million yen
Total assets	3,428 million yen
Current liabilities	449 million yen
Non-current liabilities	1,601 million yen
Total liabilities	2,050 million yen

(iii) Accounting

Investments relating to the transferred business were considered to have been liquidated, and the difference between the current price of the assets received as compensation for the transfer and the amount equivalent to shareholders' equity for the transferred business, in addition to expenses, etc. for the business transfer, was recognized as transfer loss/profit.

(3) Name of the reportable segment that includes the business to be divested

Functional Materials Business

(4) The estimated amount of loss/profit relating to the divested business stated in the consolidated financial statements of the fiscal year under review

Net sales	5,297 million yen
Operating loss	802 million yen

(Transfer of sports club business)

At a meeting of the Board of Directors held on September 29, 2023, the Company decided to sell the sports club business operated by Ryoshi Co., Ltd., a wholly owned subsidiary of the Company, and establish an investment trust on the relevant fixed assets (real estate) and transfer beneficial rights. The transfer was completed as of March 28, 2024.

(1) Outline of the business divestiture

(i) Name of successor enterprise

RENAISSANCE INC.

(ii) Details of divested business

Operation of fitness club and swimming school by Ryoshi Co., Ltd.

(iii) Main reason for conducting business divestiture

Based on “selection and concentration,” one of the basic policies established in the Company’s medium-term management plan (FY2023/3 - FY2025/3), the Company decided to transfer the Business, which has a low probability of realizing synergies with the mainstay Functional Materials Business and Sustainable Fiber Materials Business.

(iv) Date of business divestiture

March 28, 2024

(v) Description of transaction, including legal form

The Business was transferred to Renaissance Inc., while an investment trust was established on the relevant fixed assets (real estate) and beneficial rights were transferred to a party designated by Renaissance Inc.

(2) Outline of accounting treatment

(i) Amount of gain (loss) on transfer

In the fiscal year under review, gain on sales of fixed assets of 1,288 million yen and gain from business transfer of 4 million yen were posted respectively under extraordinary profit.

(ii) Appropriate book value of assets and liabilities relating to the business transferred and the major breakdown thereof

Non-current assets: 1,225 million yen

(iii) Accounting

The Company made accounting entries in accordance with the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

(3) Name of the reportable segment in which the divested business is included

Other Businesses

(4) Estimated amount of profit and loss of the divested business posted in the fiscal year under review

Net sales	529 million yen
Operating loss	11 million yen

(Notes to rental properties)

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

(Notes to revenue recognition)

1. A breakdown of revenue generated from contracts with customers

(Million yen)

	Reportable Segments			Others (Note)	Total
	Functional Materials Business	Sustainable Fiber Materials Business	Total		
Japan	42,718	88,215	130,934	2,289	133,223
Europe	30,600	–	30,600	–	30,600
Asia	8,588	6,372	14,960	–	14,960
North America	11,928	–	11,928	–	11,928
Other	2,590	1	2,592	–	2,592
Revenue from contracts with customers	96,426	94,589	191,016	2,289	193,305
Other revenue	–	156	156	–	156
Sales to external customers	96,426	94,746	191,172	2,289	193,462

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

2. Basic information for understanding revenue from contracts with customers

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

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

(1) Balance, etc. of contract liabilities

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

(2) Transaction prices allocated to outstanding performance obligations

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

(Notes on per share information)

(1) Net assets per share	2,076.52 yen
(2) Profit per share	95.28 yen

(Notes to significant subsequent events)

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

At a meeting of the Board of Directors held on November 13, 2023, the Company resolved to implement organizational restructuring of the Group (the “Organizational Restructuring”). It implemented the following Organizational Restructuring as of April 1, 2024. The effective date of the absorption-type merger with the Company as the surviving company and KJ Specialty Paper Co., Ltd. as the absorbed company is planned to be July 1, 2024.

(1) Purpose of the Organizational Restructuring

In the medium-term management plan (FY2023/3-FY2025/3), the Group has set, and is working to establish, a solid business foundation and create a new Mitsubishi Paper Mills Group. As part of these initiatives, the Group integrated Diamic Co., Ltd. into Mitsubishi Oji Paper Sales Co., Ltd. on April 1, 2023, and implemented a merger of subsidiaries in the Kitakami site and the Hachinohe site, etc. This time, the Group will reduce fixed costs through organizational rationalization and strengthen corporate governance by merging its subsidiaries described below.

(2) Overview of the Organizational Restructuring

<Absorption-type merger of wholly owned subsidiary>

(i) Legal form of the business combination

It is absorption-type merger whereby the Company is the surviving company, and Shin Hokuryo Forest Products Co., Ltd, Kyoryo Chemical Co., Ltd., Takasago Paper Processing Co., Ltd. and KJ Specialty Paper Co., Ltd. are the absorbed companies.

(ii) Business combination date

April 1, 2024	Shin-Hokuryo Forest Products Co., Ltd., Kyoryo Chemical Co., Ltd. and Takasago Paper Processing Co., Ltd.
July 1, 2024 (plan)	KJ SPECIALTY PAPER Co., Ltd.

(iii) Names of combined companies and description of their businesses

	Names of combined companies	Description of business
Surviving company	Mitsubishi Paper Mills Limited	Manufacturing, processing and sale of paper, pulp and photosensitive materials
Absorbed company	Shin-Hokuryo Forest Products Co., Ltd.	Production, purchase and sales, etc. of wood chips
	Kyoryo Chemical Co., Ltd.	Finishes of photosensitive materials and coated paper, manufacture of sanitizer and disinfectant solution, etc.
	Takasago Paper Processing Co., Ltd.	Paper trimming, grading and packaging
	KJ SPECIALTY PAPER Co., Ltd.	Manufacturing, processing and sale of chemical paper

(iv) Name of the company after business combination

No change

<Merger between consolidated subsidiaries>

(i) Legal form of the business combination

It is an absorption-type merger whereby Mitsubishi Paper Engineering Co., Ltd. is the surviving company and Ryoko Co., Ltd. is the absorbed company.

(ii) Business combination date

April 1, 2024

(iii) Names of combined companies and description of their businesses

	Names of combined companies	Description of business
Surviving company	Mitsubishi Paper Engineering Co., Ltd.	Design/installation of various machine and equipment construction
Absorbed company	Ryoukou Co., Ltd.	Construction industry, machine repair

(iv) Name of the company after business combination

No change

<Merger between consolidated subsidiaries>

(i) Legal form of the business combination

It is an absorption-type merger whereby Mitsubishi Oji Paper Sales Co., Ltd. is the surviving Company and Ryoshi Co., Ltd. is the absorbed company.

(ii) Business combination date

April 1, 2024

(iii) Names of combined companies and description of their businesses

	Names of combined companies	Description of business
Surviving company	Mitsubishi Oji Paper Sales Co., Ltd.	Sale of paper, Printing plate materials, chemicals, etc.
Absorbed company	RYOSHI Co., Ltd.	Insurance business, property leasing, management and operation of parking lots, merchandizing, funeral brokerage

(iv) Name of the company after business combination

No change

(3) Overview of accounting treatment to be taken

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

Statements of changes in shareholders' equity

FY2023 Apr '23 - Mar '24

(Million yen)

	Shareholders' equity					
		Capital surplus		Retained earnings		
					Other retained earnings	
	Capital stock	Legal capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	36,561	8,094	8,094	–	2,427	2,427
Changes during period						
Profit					60	60
Dividends of surplus				22	(245)	(223)
Disposal of treasury shares					(0)	(0)
Purchase of treasury shares						
Net changes in items other than shareholders' equity						
Total changes during period	–	–	–	22	(184)	(162)
Balance at end of period	36,561	8,094	8,094	22	2,242	2,265

	Shareholders' equity		Valuation and translation adjustments		
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Total net assets
Balance at beginning of period	(386)	46,697	3,092	3,092	49,789
Changes during period					
Profit		60			60
Dividends of surplus		(223)			(223)
Disposal of treasury shares	15	15			15
Purchase of treasury shares	(0)	(0)			(0)
Net changes in items other than shareholders' equity			1,396	1,396	1,396
Total changes during period	14	(147)	1,396	1,396	1,249
Balance at end of period	(372)	46,549	4,489	4,489	51,038

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

Notes to non-consolidated financial statements

(Notes on significant accounting policies)

1. Asset valuation standards and valuation method
   (1) Valuation standards and valuation methods for securities
      (i) Shares in subsidiary and affiliated companies
         Stated at cost determined by the moving-average method

      (ii) Other securities
         Securities other than shares, etc. without market value
            Market value method (Valuation differences are reported as a component of shareholders' equity and the cost of securities sold is calculated using the moving average method.)
         Shares, etc. without market value
            Stated at cost determined by the moving-average method

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

   (3) Valuation standards and valuation methods for inventory assets
      Merchandise and finished goods: Cost method through periodic average method
      Work in process: Cost method through periodic average method
      Raw materials and supplies: Cost method determined by the moving average method
      (The value in the balance sheet is calculated by the method of book value devaluation based on lowering of profitability)

2. Depreciation method for non-current assets
   (1) Property, plant and equipment (excluding leased assets)
      Buildings
         Straight-line method
      Property, plant and equipment excluding buildings
         Straight-line method. The declining-balance method is used for the head office and other properties. The straight-line method is applied for structures acquired from April 1, 2016.

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

   (3) Leased assets
      Leased assets relating to finance leases wherein ownership of the leased asset does not transfer to the lessee
         Calculated by assuming the lease term is the useful life and depreciating the remaining amount to zero using the straight-line method.

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

   (2) Provision for retirement benefits
      To prepare retirement benefits for employees, this provision is posted based on the estimated size of retirement benefit obligations and pension assets (retirement benefit trusts) as of the end of the fiscal year under review.
      Prior service costs are expensed based on the straight-line method for a certain number of years (9 years) within the average remaining years of service of employees when costs accrue from their service. Actuarial differences are expensed from the business year following the year in which the expenses accrue, which

are based on the straight-line method for a certain number of years (9 years) within the average remaining years of service of employees when actuarial differences accrue.

Any amount of pension assets to be recognized at the end of the fiscal year under review in excess of the amount derived from subtracting unrecognized actuarial gain or loss, etc. from retirement benefit obligations is posted as prepaid pension costs in investments and other assets.

(3) Provision for share awards

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

4. Accounting standards for significant revenues and expenses

The Company recognizes revenues through the following five steps:

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

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

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

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

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

5. Hedge accounting method

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

6. Accounting treatment of retirement benefits

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

7. Application of the group tax sharing system

The Company applies the group tax sharing system.

(Notes to changes in presentation method)

"Extra retirement payments," which was separately stated in "Extraordinary losses" in the previous fiscal year, is presented in "Other" in the fiscal year under review, since it has become insignificant in terms of monetary amount.

(Notes to accounting estimates)

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

Recoverability of deferred tax assets

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

Deferred tax assets (net) 2,238 million yen

The amount before offsetting deferred tax liabilities was 3,689 million yen, which is obtained by deducting 10,545 million yen, the amount of valuation allowance, from 14,235 million yen, the total amount of deferred tax assets pertaining to deductible temporary differences and tax losses carried forward.

(2) Information on accounting estimates

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

(Notes on changes made to accounting estimates)

The Company changed the number of years in the expense period of actuarial differences in the accounting treatment of retirement benefits from 10 years to 9 years beginning in the business year under review due to a reduction in the average remaining years of service of employees.

This change resulted in operating income, ordinary income, and profit before income taxes all increasing 378 million yen each.

(Additional information)

(Performance-linked stock compensation plan)

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

(Notes to balance sheet)

1. Collateral assets

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

Buildings	7,618 million yen
Structures	1,466 million yen
Machinery and equipment	8,796 million yen
Vehicles	15 million yen
Tools, furniture and fixtures	41 million yen
Land	8,855 million yen
Total	26,795 million yen

2. Accumulated depreciation on property, plant and equipment totaled

299,499 million yen

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

4. Liabilities on guarantee

(i) Guarantee for borrowings from financial institutions through asset-building savings system of the Company's employees 157 million yen

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

Mitsubishi HiTec Paper Europe GmbH	6,807 million yen
MPM Operation Co., Ltd.	577 million yen
Other: 1 account	2 million yen
Total	7,387 million yen

5. Monetary claims and liabilities to affiliated companies

Short-term monetary claims	33,336 million yen
Long-term monetary claims	2,009 million yen
Short-term monetary obligations	9,248 million yen

6. Contingent liabilities

The details are the same as those in the Notes to the Consolidated Financial Statements, "(Notes to the Consolidated Balance Sheet) 5. Contingent liabilities," so they have been omitted.

(Notes to statement of income)

1. Total transaction volume with subsidiaries and associates

Net sales	68,135 million yen
Cost of sales and selling, general and administrative expenses	19,338 million yen
Volume of trade arising from other than business transactions	1,457 million yen

2. Impairment losses

An impairment loss was posted for the following asset group.

Location	Use	Type	Impairment losses
Shirakawa, Fukushima	Idle assets	Buildings, structures, machinery and equipment, etc.	269 million yen
Kitakami, Iwate	Idle assets	Machinery and equipment, etc.	98 million yen

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

(Notes on statements of changes in shareholders' equity)

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

Class of shares	At the beginning of the fiscal year ended March 31, 2024	Increase	Decrease	At the end of the fiscal year ended March 31, 2024
Common shares	986,044	1,724	48,235	939,533

(Notes) 1. The number of shares of the Company's common stock held as treasury shares includes shares of the Company's stock held by the executive compensation BIP trust (863,739 shares at the end of business year under review).

2. Overview of reason of change

The breakdown of the increase is as follows:

Increase due to demand for purchases of shares of less than one unit	1,724 shares

The breakdown of the decrease is as follows:

Decrease due to demand for increased purchase of shares of less than one unit	103 shares
Decrease due to the issuance of treasury shares by the executive compensation BIP trust	48,132 shares

(Notes to tax effect accounting)

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

Deferred tax assets	
Accrued expenses	188 million yen
Provision for retirement benefits	2,537 million yen
Accumulated impairment of non-current assets	435 million yen
Loss on valuation of investments in capital of subsidiaries and associates	8,073 million yen
Loss on valuation of shares of subsidiaries and associates	1,119 million yen
Tax losses carried forward	416 million yen
Other	1,462 million yen
Subtotal of deferred tax assets	14,235 million yen
Valuation allowance related to tax losses carried forward	-89 million yen
Valuation allowance related to deductible temporary differences	-10,456 million yen
Valuation allowance subtotal	-10,545 million yen
Total deferred tax assets	3,689 million yen
Deferred tax liabilities	
Gain on contribution of securities to retirement benefit trust	-11 million yen
Valuation difference on available-for-sale securities	-1,315 million yen
Other	-123 million yen
Total deferred tax liabilities	-1,451 million yen
Net deferred tax assets	2,238 million yen

(Notes to related party transactions)

1. Subsidiaries and associates

Type	Company name	Percentage of voting rights	Relationship with related party	Content of the transaction	Transaction value	Item	Balance at end of period
		%			Million yen		Million yen
Subsidiary	Mitsubishi Oji Paper Sales Co., Ltd.	Direct: 99.9 Indirect: -	Sales agents. Lease a part of real estate. Executives may hold concurrent positions.	Sale of paper, printing plate materials, pharmaceuticals, etc. (*Note 1)	62,226	Accounts receivable - trade	19,378
				Group finance transaction (*Notes 1 and 2)	3,791	Short-term loans receivable	8,154
	Mitsubishi HiTec Paper Europe GmbH (*Note 3)	Direct: - Indirect: 100	Funding and technological assistance for business operation in Europe. Executives may hold concurrent positions.	Collection of funds (*Notes 1 and 4) Loans of funds (*Note 1)	8,993 3,937	Short-term loans receivable	–
	Mitsubishi Paper Holding (Europe) GmbH	Direct: 100.0 Indirect: -	Executives may hold concurrent positions.	Collection of funds (*Note 1) Loans of funds (*Notes 1)	1,600 1,793	Short-term loans receivable	1,793
				Underwriting of capital increase (*Notes 1 and 5)	9,377	–	–
	MPM OJI Home Products Co., Ltd.	Direct: 70.0 Indirect: -	Purchase of products of Kitakami HiTec. Supply of raw materials. Executives may hold concurrent positions.	Collection of funds (*Note 1)	242	Short-term loans receivable	242
				Loans of funds (*Note 1)	–	Long-term loans receivable	1,694
Associates	MPM Oji Eco Energy Co., Ltd.	Direct: 45.0 Indirect: -	Loans, etc. provided by the Company. Executives may hold concurrent positions.	Collection of funds (*Note 1)	450	Long-term loans receivable	315

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

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

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

(*Note 4) With the collection of loans to Mitsubishi HiTec Paper Europe GmbH, reversal of allowance for doubtful accounts from affiliates of 3,239 million yen was posted under extraordinary income.

(*Note 5) The Company underwrote the capital increase by Mitsubishi Paper Holding (Europe) GmbH.

(Note 6) Guarantee obligations are listed in the notes to the balance sheet in the notes to specific items, and are operated under general terms of business.

2. Sister companies

Type	Company name	Percentage of voting rights	Relationship with related party	Content of the transaction	Transaction value	Item	Balance at end of period
		%			Million yen		Million yen
Subsidiaries of other associates	OCM Fiber Trading Co., Ltd.	Direct: 14.0 Indirect: -	Sale of imported chips to the Company	Purchase of imported chips (*Note)	16,462	Accounts payable - trade	2,120

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

(Notes to business combination, etc.)

(Transactions under common control)

The description has been omitted as it is the same content as "(Notes regarding business combinations, etc.) (Common control transactions, etc.) Mergers of wholly owned subsidiaries and mergers between consolidated subsidiaries ①Integration of the Company and Kitakami Site's subsidiaries" in the consolidated notes within the financial statements.

(Notes to revenue recognition)

Basic information for understanding revenue from contracts with customers

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

(Notes on per share information)

(1) Net assets per share	1,165.22 yen
(2) Profit per share	1.39 yen

(Notes to significant subsequent events)

(Absorption-type merger of wholly owned subsidiary)

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(1) Purpose of the Organizational Restructuring

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(2) Overview of the Organizational Restructuring

<Absorption-type merger of wholly owned subsidiary>

(i) Legal form of the business combination

It is absorption-type merger whereby the Company is the surviving company, and Shin Hokuryo Forest Products Co., Ltd, Kyoryo Chemical Co., Ltd., Takasago Paper Processing Co., Ltd. and KJ Specialty Paper Co., Ltd. are the absorbed companies.

(ii) Business combination date

April 1, 2024	Shin-Hokuryo Forest Products Co., Ltd., Kyoryo Chemical Co., Ltd. and Takasago Paper Processing Co., Ltd.
July 1, 2024 (plan)	KJ SPECIALTY PAPER Co., Ltd.

(iii) Names of combined companies and description of their businesses

	Names of combined companies	Description of business
Surviving company	Mitsubishi Paper Mills Limited	Manufacturing, processing and sale of paper, pulp and photosensitive materials
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	Takasago Paper Processing Co., Ltd.	Paper trimming, grading and packaging
	KJ SPECIALTY PAPER Co., Ltd.	Manufacturing, processing and sale of chemical paper

(iv) Name of the company after business combination

No change

(3) Overview of accounting treatment to be taken

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