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January 30, 2023

Dear All,

Name of Company Mitsubishi Paper Mills Limited
Name of representative Ryuichi Kisaka, President and CEO
(Code No. 3864, TSE Prime)
Inquiries: Koji Kobata,
General Manager of Global Business Management
Department
(TEL.03-5600-1481)

**(Progress of Disclosure) Notice of Business Sale of the Flensburg Mill of the German subsidiary
(Spin-off of Business and Share Transfer of the Receiving Company)**

On January 30, 2023, the Board of Directors of the company has decided to sell the Flensburg Mill business of its German consolidated subsidiary, Mitsubishi HiTec Paper Europe GmbH ("MPE"), (the "Business").

Specifically, MPE will, through a spin-off (the "Spin-off"), transfer the Business to a company to be newly prepared by MPE ("NewCo"), and transfer all of the NewCo's shares to Timber QCP GmbH, an associated company of Quantum Capital Partners GmbH.(Hereafter, this transaction is referred to as the "Business Sale".)

Since the Spin-off is between wholly owned subsidiaries, certain disclosure items and details regarding the Spin-off are omitted.

Notice

1. Reason for the Business Sale

As announced in the " Notice of withdrawal from business at the Flensburg Mill " on August 5, 2022, the company has decided to withdraw from the Business and has been studying various options of the withdrawal. As a result, we have decided the best option is to sell the Business to Timber QCP GmbH.

2. Schedule of the Business Sale

Date of resolution at the meeting of Board of Directors approving the Business Sale	January 30, 2023
Date of conclusion of the Share Purchase Agreement	Early February 2023 (planned)
Date of conclusion of the Spin-off Agreement	Late March 2023 (planned)
Effective date of the Spin-off	First half of the year 2023 (planned)
Date of closing of the Share Purchase Agreement	First half of the year 2023 (planned)

3. Summary of the Spin-off

(1) Schedule of the Spin-off

As described in "2. Schedule of the Business Sale" above.

(2) Method of Spin-off

This is a Spin-off with MPE as the transferring company and NewCo as the Receiving Company.

(3) Details of allotment related to the Spin-off

Upon the Spin-off, all shares issued by the NewCo will be issued to MPE. Thereafter, MPE will transfer all the NewCo's shares to Timber QCP GmbH.

(4) Handling of stock acquisition rights associated with the Spin-off

Not applicable.

(5) Increase or decrease in share capital due to the Spin-off

There will be no increase or decrease in share capital of MPE due to the Spin-off.

(6) Rights and obligations succeeded by the Receiving Company

NewCo will succeed the assets, liabilities, contractual status and other rights and obligations associated with the Business subject to the Spin-off as set forth in the Spin-off agreement.

(7) Prospect of fulfillment of obligations

It has been decided that the NewCo has no problem in fulfilling its obligations after the effective date of the Spin-off.

(8) Overview of companies involved in the Spin-off

	Transferring Company	Receiving Company
① Name	Mitsubishi HiTec Paper Europe GmbH	
② Location	Bielefeld, Germany	Germany
③ Job Title and name of representative	Title: Managing Director Name: Matsuzawa, Shigeji	To be determined
④ Description of business	Manufacture and sale of paper	To be determined
⑤ Share Capital	EUR 11,759,000	To be determined
⑥ Year of Establishment	1799	To be determined
⑦ End of Fiscal year	December 31	To be determined
⑧ Major shareholders and ownership ratios	Mitsubishi Paper Holding (Europe) GmbH 100%	Mitsubishi HiTec Paper Europe GmbH 100%
⑨ Financial position and operating results for the most recent fiscal year (Fiscal year ended Dec, 2021)		
Net assets	EUR △6,804,000	-
Total assets	EUR 161,506,000	-
Net sales	EUR 263,832,000	-
Ordinary profit	EUR △18,354,000	-
Net income	EUR △20,531,000	-

*Mitsubishi Paper Holding (Europe) GmbH is a wholly-owned subsidiary of the company.

*The Receiving Company is a company to be newly prepared by MPE, and disclosure of its financial position and operating results for the most recent fiscal year is omitted.

*Per share information is not provided for the Transferring Company because the Transferring Company is a limited liability company under the company act in Germany.

(9) Overview of the Business to be Spun-Off

① Businesses of the division to be Spun-Off

Manufacturing and sale of thermal paper, inkjet paper and barrier coat paper at the Flensburg Mill

② Operating results of the Business to be Spun-Off (fiscal year ended December 2021)

Sales: EUR 60,333,000

③ Items and amounts of assets and liabilities to be Spun-Off

Total assets: EUR 37,258,000, Total liabilities: EUR 25,671,000

*The above information is as of December 31, 2021. The actual amount of assets and liabilities to be Spun-Off will be determined after adjusting the above amount for the increase or decrease up to the effective date of the Spin-off.

④ Situation after the Spin-off

There will be no change to the name, location, title and name of the representative, business, capital, and fiscal year of the company with the Spin-off. On the execution date of the Share Transfer, all NewCo shares will be transferred to Timber QCP GmbH.

4. Overview of the Share Transfer

(1) Schedule for the Share Transfer

As described in "2. Schedule of the Business Sale" above.

(2) Overview of NewCo to be transferred

As described in "3. Summary of the Spin-off - (8) Overview of companies involved in the Spin-off" above.

(3) Outline of the counterparty of the Transfer

① Name	Timber QCP GmbH	
② Location	Seidl-Str. 62, 82031 Grünwald, Germany	
③ Title and name of representative	Steffen Goerig (Managing Director), Tilman-Claudius Richter (Managing Director), Christian Vonier (Managing Director)	
④ Description of business	Managing own assets	
⑤ Share capital	EUR 25,000	
⑥ Date of establishment	June 9, 2022	
⑦ Net assets	EUR 22,800 (December 31, 2022)	
⑧ Total assets	EUR 23,540 (December 31, 2022)	
⑨ Major shareholders and ownership ratios	QCP Equity GmbH (100%)	
⑩ Relationship between the Company and said company	Capital relationship	Not applicable.
	Personal relationship	Not applicable.
	Business relationship	Not applicable.
	Related party relationship	Not applicable.

(4) Percentage of shares to be transferred, transfer price and ownership status before and after acquisition

① Ownership ratio before transfer (Ratio of voting rights held)	100%(100%)
② Ratio of shares to be transferred (Ratio of voting rights held)	100%(100%)
③ Ownership ratio after transfer (Ratio of voting rights held)	0%(0%)

*We refrain from disclosing the transfer price from perspective of confidentiality with the transferee.

5. Outlook

As a result of the Business Sale, an extraordinary loss of approximately 3.2 billion yen is expected to be recorded as provision of allowance for loss on business transfer in the third quarter of the fiscal year ending March 31, 2023. The impact of this matter on our consolidated business performance is currently under scrutiny, including recent business performance trends. If it becomes necessary to revise the earnings forecast announced on November 14, 2022, we will announce it promptly.