

**MITSUMI MATSUSHIMA CO. LTD.**

# **Presentation of Financial Results for the First Quarter Ended June 2018**

**August 2018**



# Contents

- 1Q FY2018 Financial Results P. 3
- Consolidated Earnings Forecast P. 9
- Reference Materials P. 11

# 1Q FY2018 FINANCIAL RESULTS

# Consolidated Income Statement

(Million yen)	FY2017 1Q	FY2018 1Q	Yr/Yr Change	Main factor behind changes
Net sales	15,826	18,478	2,651	Sales increased in the Energy Business Division (Coal Sales Business) due to a hike in coal prices and an increase in the sales volume.
Operating profit [Operating profit before amortization of goodwill]*	442 (576)	975 (1,108)	533 (532)	Profit increased in the Energy Business Division (Coal Production Business) due to a hike in coal prices and a decrease in the production cost.
Ordinary profit	430	1,194	763	Posted a foreign exchange gain of 127 million yen. (Posted a foreign exchange loss of 118 million yen in the previous corresponding period).
Quarterly net profit attributable to owners of parent	266	851	585	

\* "Operating profit before amortization of goodwill" is operating profit excluding the amortization of goodwill that arises from business acquisitions.

# Consolidated Segment Information

## ■ Energy Business Division

The Energy Business segment comprises the Coal Sales Business, the Coal Production Business, and the Renewable Energy Business.

## ■ Consumer Goods and Services Business Division

The Consumer Goods and Services Business segment comprises the Electronic Parts Business, the Beverage & Food Packages Business, the Fashion Business, the Contract Service Business, and the Nursing Care Business.

### [Sales]

Business (Million yen)	FY2017 1Q	FY2018 1Q	Yr/Yr Change
Energy	10,700	13,646	2,945
Consumer Goods and Services	4,750	4,524	(226)
Others	349	289	(60)
Adjustments	25	18	(6)
<b>Total</b>	<b>15,826</b>	<b>18,478</b>	<b>2,651</b>

### [Segment profit]

Business (Million yen)	FY2017 1Q	FY2018 1Q	Yr/Yr Change
Energy [Before goodwill amortization]	321 (339)	861 (878)	540 (539)
Consumer Goods and Services [Before goodwill amortization]	392 (507)	422 (537)	29 (29)
Others	25	22	(2)
Adjustments	(296)	(331)	(34)
<b>Total [Before goodwill amortization]</b>	<b>442 (576)</b>	<b>975 (1,108)</b>	<b>533 (532)</b>

\* "Sales" represent sales before the elimination of inter-segment transactions.

\* "Others" represent business segments not included in reporting segments, and includes the Real Estate Business, the Stevedore and Warehouse Business, etc.

\* Segment profit for the Energy Business includes equity in net income of affiliates (Q1/FY2017: (9) million yen, Q1/FY2018: 28 million yen).

\* Adjustments to net sales include income from rental of Company-wide assets. Adjustments of segment profit include equity method investment returns/losses and Company-wide profits/expenses that are not allocated to reporting segments.

# Breakdown of the Energy Business Division

## ■ Coal Sales Business

Sales increased due to a rise in coal prices, an increase in coal sales volume, and other factors.  
Profit increased due to a rise in coal sales volume and other factors.

## ■ Coal Production Business

Sales increased due to a rise in coal prices, an increase in coal sales volume, and other factors.  
Profit increased due to a hike in coal prices and a decrease in production cost.

[Sales] (Million yen)	FY2017 1Q	FY2018 1Q	Yr/Yr Change	[Profit] (Million yen)	FY2017 1Q	FY2018 1Q	Yr/Yr Change
Coal Sales Business Sales volume	10,022 1.03 million tons	13,129 1.18 million tons	3,107 0.15 million tons	Coal Sales Business	47	69	22
Coal Production Business Sales volume	2,863 0.26 million tons	3,493 0.30 million tons	630 0.04 million tons	Coal Production Business (of which, equity in net income of affiliates)	205 [(9)]	731 (28)	525 (37)
Renewable Energy Business	110	102	(8)	Renewable Energy Business	68	60	(7)
Adjustments	(2,295)	(3,079)	(783)	Adjustments	-	-	-
<b>Total</b>	<b>10,700</b>	<b>13,646</b>	<b>2,945</b>	<b>Total</b>	<b>321</b>	<b>861</b>	<b>540</b>

\* Adjustments include transactions between businesses.

Major index	FY2017 1Q Results	FY2018 1Q Results	Change
Coal Sales Business (Apr.–Jun. results)			
Average coal price of import and sales	¥9,678	¥11,041	¥1,362
Exchange rate ¥/US\$ (average rate)	¥111.01	¥108.84	Yen appreciation ¥2.17
Coal Production Business (Jan.–Dec. results)			
Average coal price: Thermal coal	US\$ 87.54	US\$ 93.10	US\$ 5.57
Average coal price: Semi-soft coking coal	US\$171.00	US\$139.21	US\$ (31.79)
Exchange rate US\$/A\$ (average rate)	US\$0.7775	US\$0.7896	A\$ appreciation US\$0.0121
Exchange rate ¥/A\$ (average rate)	¥86.18	¥85.20	Yen appreciation (¥0.98)

# Consolidated Balance Sheet

	Mar. 31, 2018		Jun. 30, 2018		Change (Million yen)	Main factor behind changes
	Amount (Million yen)	Ratio (%) (%)	Amount (Million yen)	Ratio (%) (%)		
Current assets	26,984	46.3	24,548	45.1	(2,435)	Cash and deposits (1,740), Accounts receivable (1,078) Inventory assets +378
Fixed assets, Deferred assets	31,298	53.7	29,942	55.0	(1,355)	Tangible fixed assets (774), Intangible fixed assets (356)
<b>Total assets</b>	<b>58,282</b>	<b>100.0</b>	<b>54,491</b>	<b>100.0</b>	<b>(3,790)</b>	
Current liabilities	11,196	19.2	9,055	16.6	(2,140)	Short-term debt (1,588), Accounts payable (229)
Fixed liabilities	13,511	23.2	12,881	23.6	(629)	Long-term debt (451), Asset retirement obligations (88)
<b>Total liabilities</b>	<b>24,707</b>	<b>42.4</b>	<b>21,937</b>	<b>40.3</b>	<b>(2,770)</b>	
<b>Total net assets</b>	<b>33,574</b>	<b>57.6</b>	<b>32,553</b>	<b>59.7</b>	<b>(1,020)</b>	Quarterly net profit attributable to owners of parent: +851, Foreign currency translation adjustment: (1,379), Dividends paid: (522)
<b>Total liabilities and net assets</b>	<b>58,282</b>	<b>100.0</b>	<b>54,491</b>	<b>100.0</b>	<b>(3,790)</b>	

	Mar. 31, 2018	Jun. 30, 2018
<b>Cash and deposits</b> <i>(including long-term deposits)</i>	<b>16,600</b>	<b>14,859</b>
<b>Debt (including bonds)</b>	<b>(13,229)</b>	<b>(11,189)</b>
<b>Net cash and deposits</b>	<b>3,370</b>	<b>3,670</b>
<b>&lt;&lt;Management indicators&gt;&gt;</b>		
<b>Shareholders' equity ratio (%)</b>	<b>57.6</b>	<b>59.7</b>
<b>D/E ratio</b>	<b>0.48</b>	<b>0.41</b>

# Consolidated Balance Sheet (as of June 30, 2018)

<p><b>Current assets</b> <b>24.5 billion</b></p> <ul style="list-style-type: none"> <li>• Cash and deposits 14.8 billion</li> <li>• Accounts receivable 5.9 billion</li> <li>• Inventory assets 2.8 billion</li> </ul>	<p><b>Current liabilities</b> <b>9.0 billion</b></p> <ul style="list-style-type: none"> <li>• Accounts payable 2.3 billion</li> <li>• Short-term debt 2.7 billion</li> </ul>
<p><b>Fixed assets</b> <b>29.9 billion</b></p> <ul style="list-style-type: none"> <li>• Tangible fixed assets 18.2 billion (Buildings, machinery, etc.) (8.7 billion) (Land) (7.7 billion) (Leases) (1.5 billion)</li> <li>• Intangible fixed assets 7.4 billion (Goodwill) (6.3 billion)</li> <li>• Securities 2.7 billion</li> </ul>	<p><b>Fixed liabilities</b> <b>12.8 billion</b></p> <ul style="list-style-type: none"> <li>• Long-term debt 8.4 billion</li> <li>• Leases 1.4 billion</li> </ul>
<p><b>Net assets</b> <b>32.5 billion</b></p> <p><b>Shareholders' equity ratio</b> <b>59.7%</b></p>	

Total assets: 54.4 billion

Total liabilities and net assets: 54.4 billion

Effectively debt-free



High shareholders' equity ratio  
**59.7%**



**Strong financial base**



# Consolidated Earnings Forecast

# FY2018 Consolidated Earnings Forecast

- The latest coal prices staying above the initial forecast are a positive factor in the earnings forecast for the Coal Production Business.
- However, since there remain uncertainties such as coal spot prices and foreign exchange rates for the 2Q onward, **our initial forecast remains unchanged at this time.**  
(Prices for about half of the annual sales volume of the Coal Production Business are to be determined.)

(100 million yen)	FY2018		
	1Q (Results)	2 to 4Q (Forecast)	FY2018 (Forecast)
Net sales	184	546	730
Operating profit [Operating profit before amortization of goodwill]	9 (11)	16 (19)	25 (30)
Ordinary profit	11	18	29
Net profit attributable to owners of the parent company	8	9	17

\* The forecast above is based on information available as of the date of this publication. Actual results may vary due to various future factors.

If any revisions to the earnings forecast become necessary, they will be disclosed promptly.

# REFERENCE MATERIALS

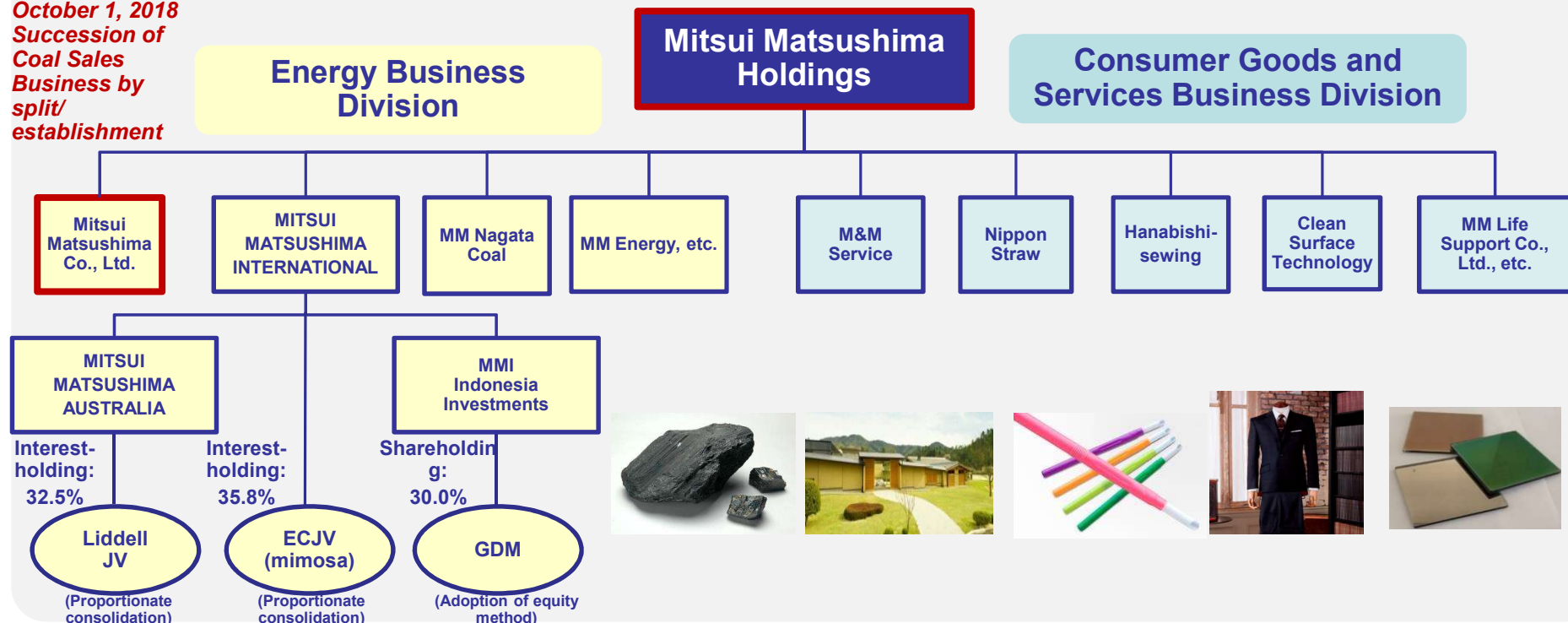
# Shift to a Holding Company Structure

- Effective October 1, 2018, the Coal Sales Business Segment, which is the original business of the Company, will be succeeded by Mitsui Matsushima Co., Ltd. (a wholly-owned subsidiary), a company newly established by a company split, and Mitsui Matsushima will shift to a **holding company structure** (trade name will be changed to **Mitsui Matsushima Holdings Co., Ltd.**).
- Under this structure, the Mitsui Matsushima Group will accelerate its growth strategies, and deploy new businesses multi-directionally while operating new and old businesses compositely with the aim of realizing management that can flexibly respond to changes in the environment.

## Mitsui Matsushima Group

## October 1, 2018 Shift to a holding company structure by company split

October 1, 2018  
Succession of  
Coal Sales  
Business by  
split/  
establishment



# Nippon Straw Efforts to Ban Plastic Straws

## Situation regarding plastic straws

Movements including plastic straw bans (only single straws at the moment) triggered by marine contamination are spreading among foreign chain-restaurants and hotels. **No impact on the Company's earnings has been seen so far.**

## Status of Nippon Straw

Telescopic straws, the Company's mainstay



[Replacement with paper straws is difficult.]

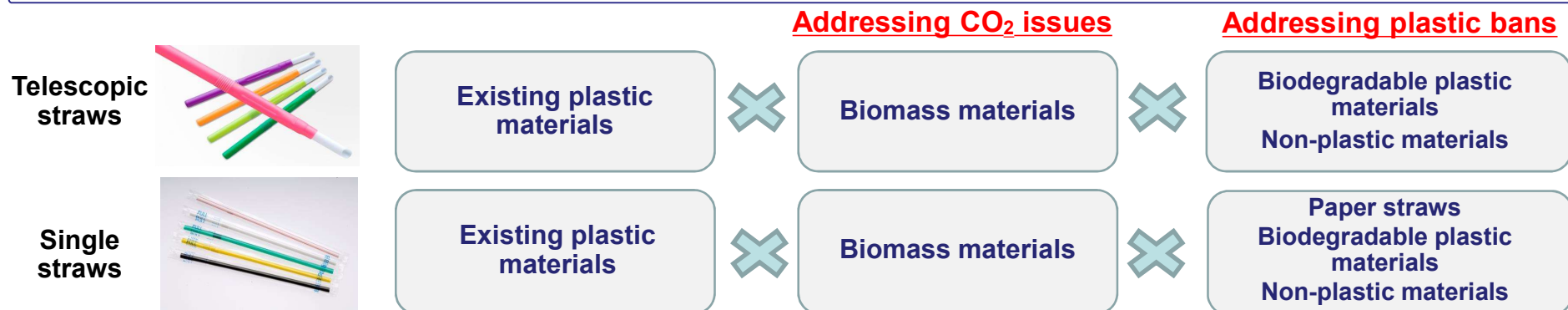
- ✓ Molding is necessary.
- ✓ Best for beverage manufacturers in terms of hygiene and cost



Japanese beverage manufacturers have shown no hint of immediately reconsidering existing products.

## Efforts to make the next leap

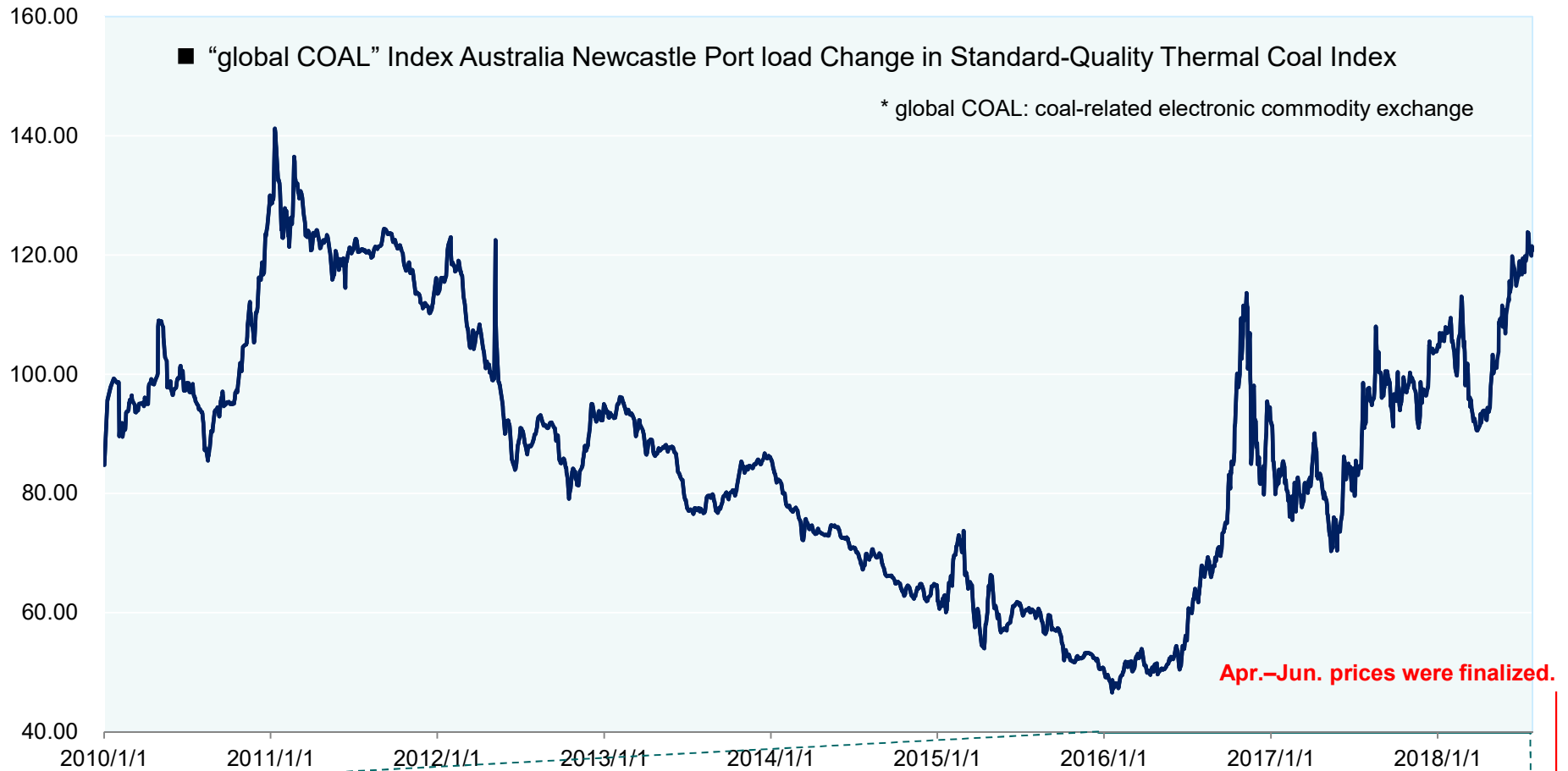
Although the earnings environment of existing products is stable, the Company will work on **developing and manufacturing straw products made of sustainable and renewable raw materials and ingredients that are environmentally friendly**, aiming for growth not only in the Japanese market but also via exports.



Establishing molding technology for new materials can increase the potential in the export market. As the Company has received many inquiries from foreign beverage manufacturers, **the development of straws made of new materials is highly awaited.**

(US\$/Mt)

# Trends in the Coal Market



		2016				2017				2018	
		Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.
Coking coal*	Heavy coking coal	81.0	84.0	92.5	200.0	285.0	193.0-194.0	170.0-171.0	191.0-192.0	237.0	196.0-197.0
	Semi-soft coking coal	66.0	70.0	74.0	130.0	171.0	126.0	120.0	126.0	150.0	Around 140* <sup>2</sup>
Thermal coal	Apr. contract	67.80	61.60			84.97			110.00		
	Oct. contract	64.60			94.75			94.75			
Foreign exchange	US\$/A\$	US\$0.74				US\$0.77				US\$0.77	
	¥ /A	¥80.7				¥86.0				¥86.0	

\*1 Effective April 2017, the method of calculating the price of coking coal was changed to a spot-linked method.

\*2 Each company individually decides semi-soft coking coal prices.

**These materials contain forward-looking statements that are in no way guarantees of future performance. Future performance is affected by risks and uncertainties. Future performance may vary due to changing assumptions and conditions in the business environment. These materials should not be relied on as the sole source of information, and should be used with discretion. Mitsui Matsushima Co., Ltd. is in no way responsible for any damages caused as a result of relying on or using these materials.**

**<IR Contact> General Affairs Dept./Business Planning Dept. TEL: +81-92-771-2171**