

# **Presentation of Financial Results for the Second Quarter Ended September 2019**



**三井松島ホールディングス**  
MITSUI MATSUSHIMA HOLDINGS

**November 2019**

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# 2Q FY2019 Financial Results

# Consolidated Income Statement

(Million yen)	FY2018 2Q	FY2019 2Q	Yr/Yr Change	Main factor behind changes
Net sales	37,781	32,509	(5,272)	A decline in sales volume in the Energy Business (Coal Sales Business)
Operating profit [Operating profit before amortization of goodwill]*	1,681 [1,947]	1,388 [1,736]	(293) [(211)]	A decrease in orders received in the Consumer Goods and Services Business Division (Electronic Parts Business).
Ordinary profit	2,183	1,506	(676)	Foreign exchange gain: 1 million yen (Foreign exchange gain of 221 million yen in the same period of the previous fiscal year)
<b>Quarterly net profit attributable to owners of parent</b>	<b>1,463</b>	<b>970</b>	<b>(492)</b>	

\* "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 Office Equipment Business, the Electronic Parts Business, the Beverage & Food Packages Business, the Fashion Business, the Contract Service Business, and the Nursing Care Business.

\* Sales increased as the Company acquired Meikoshokai (office equipment business) as a subsidiary in 1Q FY2019.

Profit declined due to a decrease in orders received in the Electronic Parts Business and other factors.

## [Net Sales]

Business (Million yen)	FY2018 2Q	FY2019 2Q	Yr/Yr Change
Energy	28,292	20,086	(8,205)
Consumer Goods and Services	8,846	11,784	+2,938
Others	605	609	+3
Adjustments	37	29	(8)
<b>Total</b>	<b>37,781</b>	<b>32,509</b>	<b>(5,272)</b>

## [Segment profit]

Business (Million yen)	FY2018 2Q	FY2019 2Q	Yr/Yr Change
Energy [Before goodwill amortization]	1,703 [1,738]	1,679 [1,679]	(23) [(58)]
Consumer Goods and Services [Before goodwill amortization]	614 [845]	397 [744]	(217) [(100)]
Others	40	37	(2)
Adjustments	(676)	(725)	(49)
<b>Total [Before goodwill amortization]</b>	<b>1,681 [1,947]</b>	<b>1,388 [1,736]</b>	<b>(293) [(211)]</b>

\* Segment profit for the Energy Business includes equity-method investment returns (2Q/FY2018: 82 million yen, 2Q/FY2019: 70 million yen).

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

\* Regarding adjustments, sales include rental income for corporate assets, and segment profits include deduction of the above-mentioned equity-method investment returns, and corporate revenues/corporate expenses not allocated in each reporting segment.

# Breakdown of the Energy Business Division

- ◆ Coal Sales Business Net Sales, Profit : Both sales and profit declined mainly due to a decrease in coal sales volume.
- ◆ Coal Production Business Sales : Declined mainly due to a decrease in coal sales volume.  
Profit : Increased due to a rise in coal prices and other factors.

## [Net Sales]

Business Name (Million yen)	FY2018 2Q	FY2019 2Q	Yr/Yr Change
Coal Sales Business Sales volume	26,317 2.17 million tons	16,067 1.57 million tons	(10,249) (0.59 million tons)
Coal Production Business Sales volume	7,590 0.65 million tons	7,093 0.57 million tons	(496) (0.08 million tons)
Renewable Energy Business	205	191	(14)
Adjustments	(5,821)	(3,266)	+2,554
<b>Total</b>	<b>28,292</b>	<b>20,086</b>	<b>(8,205)</b>

## [Profit]

Business Name (Million yen)	FY2018 2Q	FY2019 2Q	Yr/Yr Change
Coal Sales Business	121	43	(78)
Coal Production Business [of which, equity method investment return]	1,460 [82]	1,529 [70]	+69 [(12)]
Renewable Energy Business	121	106	(14)
Adjustments	-	-	-
<b>Total</b>	<b>1,703</b>	<b>1,679</b>	<b>(23)</b>

\* Adjustments include transactions between businesses.

Major index	FY2018 2Q Results	FY2019 2Q Results	Change
Coal Production Business (January–June financial results)	Sales volume: Thermal coal	0.55 million tons	0.47 million tons (0.08 million tons)
	Sales volume: Semi-soft coking coal	100,000 tons	100,000 tons +0.00 million tons
	Average coal price: Thermal coal	USD 99.0	USD 104.5 USD +5.5
	Average coal price: Semi-soft coking coal	USD 153.3	USD 137.6 (USD 15.7)
	Exchange rate USD/AUD (average rate)	USD 0.77	USD 0.70 AUD depreciation (USD 0.06)
	Exchange rate JPY/AUD (average rate)	JPY 83.9	JPY 77.7 JPY appreciation (JPY 6.2)

# Consolidated Balance Sheet

	Mar. 31, 2019		Sep. 30, 2019		Change (Million yen)	Main factor behind changes
	Amount (Million yen)	Ratio (%)	Amount (Million yen)	Ratio (%)		
Current assets	29,480	51.3	31,066	49.6	+1,586	Cash and deposits: +924; Inventory assets: +548
Fixed assets	27,984	48.7	31,614	50.4	+3,630	Intangible fixed assets: +5,266; Long-term deposits: (1,182)
<b>Total assets</b>	<b>57,464</b>	<b>100.0</b>	<b>62,681</b>	<b>100.0</b>	<b>+5,216</b>	
Current liabilities	12,358	21.5	12,991	20.7	+632	Short-term debt: +2,552; Accrued income taxes: (828); Notes and accounts payable - trade (833)
Fixed liabilities	12,143	21.1	17,188	27.4	+5,044	Long-term debt: +4,744; Fixed liabilities and Others; +305
<b>Total liabilities</b>	<b>24,502</b>	<b>42.6</b>	<b>30,179</b>	<b>48.2</b>	<b>+5,677</b>	
<b>Total net assets</b>	<b>32,961</b>	<b>57.4</b>	<b>32,501</b>	<b>51.9</b>	<b>(460)</b>	Quarterly net profit attributable to owners of parent: +970; Dividends paid: (653); Foreign currency translation adjustments: (597)
<b>Total liabilities and net assets</b>	<b>57,464</b>	<b>100.0</b>	<b>62,681</b>	<b>100.0</b>	<b>+5,216</b>	

	Mar. 31, 2019	Sep. 30, 2019	(Million yen)
<i>Cash and deposits</i> <i>(including long-term deposits)</i>	17,754	17,496	(258)
<i>Debt (including bonds)</i>	(10,086)	(17,384)	(7,297)
<i>Net cash and deposits</i>	7,668	112	(7,556)

## <<Management indicators>>

<i>Shareholders' equity ratio (%)</i>	57.4	51.9
<i>D/E ratio (times)</i>	0.36	0.58

# Consolidated Balance Sheet

(at the end of September 2019)



三井松島ホールディングス  
MITSUI MATSUSHIMA HOLDINGS

## Current assets

**JPY 31.1 billion**

- Cash and deposits  
17.5 billion
- Accounts receivable  
8.1 billion
- Inventory assets 3.6 billion

## Current liabilities

**JPY 13 billion**

- Accounts payable 3.8 billion
- Short-term debt 4.8 billion

## Fixed liabilities

**JPY 17.2 billion**

- Long-term debt 12.6 billion
- Leases 1.3 billion

## Fixed assets

**JPY 31.6 billion**

- Tangible fixed assets  
16.5 billion  
[Buildings, machinery, etc.]  
[7.1 billion]  
[Land] [7.4 billion]  
[Leases] [1.4 billion]
- Intangible fixed assets  
11.4 billion  
[Goodwill] [10.3 billion]
- Securities 2 billion

## Net assets

**JPY 32.5 billion**

**Shareholders' equity  
ratio  
51.9%**

Total assets: JPY 62.7 billion

Total liabilities and net assets:  
JPY 62.7 billion

# Consolidated Cash Flows

(Million yen)	FY2018 2Q	FY2019 2Q	Main factors
Net profit before income taxes	2,243	1,512	
Depreciation and amortization (including goodwill amortization expenses)	1,454	1,482	
Working capital	(1,382)	368	
Others	(1,067)	(2,405)	• Payments of income tax, etc.
<b>CF from operating activities</b>	<b>1,247</b>	<b>958</b>	
Changes in fixed assets	(585)	(668)	• Payment for acquisition of fixed assets
Investment securities	172	(81)	
Acquisition of subsidiaries accompanying a change in the scope of consolidation	-	(5,263)	• Payments for acquisition of shares of Meikoshokai
Others	1,041	(1,582)	• Increase in overseas time deposits (more than three months)
<b>CF from investing activities</b>	<b>627</b>	<b>(7,595)</b>	
Changes in debt and bonds	180	6,071	• Borrowing for acquisition of shares of Meikoshokai
Payment of dividends	(511)	(640)	
Purchase of treasury shares	(111)	(0)	
Others	(94)	(210)	
<b>CF from financing activities</b>	<b>(536)</b>	<b>5,219</b>	
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(494)</b>	<b>(191)</b>	
<b>Changes in cash and cash equivalents</b>	<b>844</b>	<b>(1,608)</b>	
<b>Cash and cash equivalents at beginning of period</b>	<b>13,411</b>	<b>11,809</b>	
<b>Cash and cash equivalents at end of period</b>	<b>14,255</b>	<b>10,201</b>	

# **FY2019 Consolidated Earnings Forecast**

# FY2019 Consolidated Earnings Forecast

◆ There is no change from the consolidated earnings forecast announced on May 15, 2019.

(Million yen)	FY2019		
	Full Year Released May 15 (Forecast)	1st Half (Results)	2nd Half (Forecast)
Net sales	75,000	32,509	42,491
Operating profit [Operating profit before amortization of goodwill]	3,000 [3,700]	1,388 [1,736]	1,612 [1,964]
Ordinary profit	3,500	1,506	1,994
Net profit	2,000	970	1,030
Dividend per share (yen)	50	-	-

\* 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 a revision of the forecast of financial results becomes necessary, the Company will disclose the revised figures promptly.

# **Businesses of the Mitsui Matsushima Group**

# Energy Business Division

# Coal Production Business — Liddell Coal Mine in Australia (1)

## In Operation Liddell Coal Mine in Australia

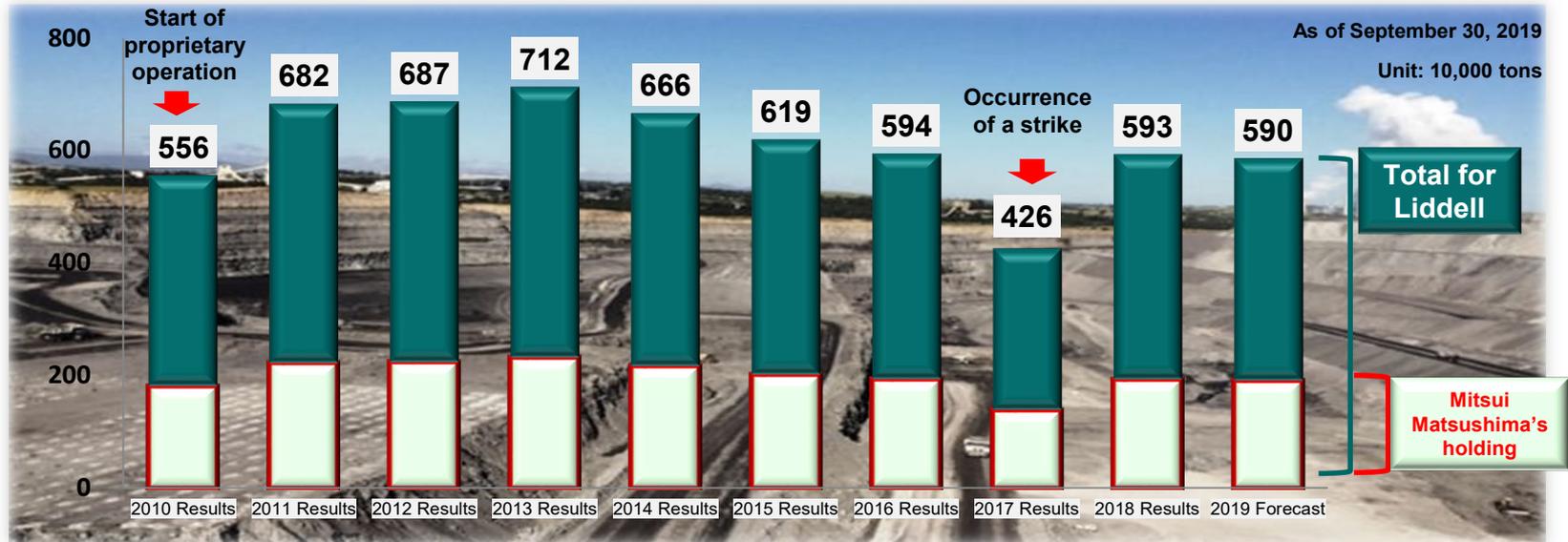
- ◆ Operating format: Joint venture of local unit Mitsui Matsushima Australia Pty Ltd (32.5%) and Glencore (67.5%)
- ◆ Reserves: 760 million tons  
(Proven reserves: 160 million tons; probable reserves: 200 million tons; possible reserves: 400 million tons)  
Recoverable reserves: 24 million tons (volume in mining areas approved by the state government as of present)
- ◆ Raw coal production volume: 5.9 million tons (2019 forecast)
- ◆ Charcoal production volume (sales volume): 3.4 million tons (2019 forecast)

### Australia



# Coal Production Business — Liddell Coal Mine in Australia (2)

## Liddell Coal Mine production (raw coal) results



- ◆ High-quality thermal coal and coking coal (semi-soft coking coal) are produced (approximately 90% thermal coal) and shipped mainly to Japan.
- ◆ Mining areas approved by the state government as of the present are **expected to finish mining in four or five years (2022 to 2023)**, probably securing steady production volume until the completion of mining. No major cost fluctuation is expected until completion.
- ◆ A specific development plan is currently being formulated for unmined areas located within the same mining site. **Expected to possibly start mining around 2023** at the earliest after obtaining the necessary approval from the state government by the end of 2020.  
**Annual production (charcoal) of approximately 4 million tons (roughly 1.3 million tons in the Company's stake); approximately 20 years.**  
The Company plans to make decisions on investments in infrastructure and the mining plan **before the end of 2020**.

In Operation

In Development

## GDM Coal Mine in Indonesia

- ◆ Open-pit mining (thermal coal)
  - Resumed commercial production from FY2017. **Annual production until 2022: Approximately 400,000 tons (charcoal).** (Expected to finish mining around 2022)
- ◆ Underground mining (thermal coal)
  - Considering that since the start of development in 2012 this has substantially lagged behind schedule, the business revenue/expenditure plan was reviewed. As a result, **an extraordinary loss resulting from re-evaluation (approximately 1.7 billion yen) was recorded** for shares and for the total amount of goodwill of PT Gerbang Daya Mandiri (“GDM”) held by MMI Indonesia Investments Pty Ltd. (“MMIII”), the Company’s consolidated subsidiary **(March 2019).**
  - Furthermore, as GDM plans to implement a capital increase through third-party allocation to partner company/companies in Indonesia as financial restructuring, **the percentage of GDM shares owned by MMIII was reduced (to 20.1% from 30%).**
  - Meanwhile, considering that profitability in the business is expected as a coal mine for underground mining (thermal coal) through the first large-scale automation mining system in Indonesia, the development will be continued. **With respect to the fund of around 30 million US dollars needed by GDM** for trial mining through a long-wall automation mining system that MMIII will jointly implement with GDM, **MMIII plans to provide a loan amounting to approximately 6 million US dollars to GDM.**
  - Planning to complete trial mining in early 2021 and **make a final decision on the possibility of commercial production** after that. If this shifts to commercial production, there is a possibility that additional funds will be contributed.
  - If commercial production is possible, expecting to secure **future annual production of approximately 1 million tons of charcoal (Mitsui Matsushima to hold a stake in roughly 200,000 tons) and mining for about 14 years.**

- ◆ The future schedule for underground mining is as follows:

## [Schedule for the development of GDM Coal Mine (underground mining)]

	2020	2021
Preparation for trial mining	→	
Implementation of trial mining (judgment on whether to shift to commercial production)		→
Shift to commercial production		-----→



GDM mining gallery

## Undergoing Exploration

## Mimosa Mining Area in Australia



- ◆ Conducting exploration operation jointly with the Australian Square Group through the Eastern Coal Joint Venture.

This project is implemented based on an unincorporated joint venture scheme, and Mitsui Matsushima substantially holds a 56.2% stake.\*

(Operation costs, assets and liabilities are shared according to the ratio of interest, and P/L is captured under proportionate consolidation according to the ratio of interest.)

\*For 20.4%, of which JOGMEC holds an option to acquire interests

### Coal Sales Business

### Mitsui Matsushima Co., Ltd.

- ◆ On October 1, 2018, the Coal Sales Business was newly established by divestiture following the shift to a holding company structure.
- ◆ Selling coal to electric power companies, steel companies, etc. in Japan
- ◆ Net sales tend to be substantially affected by fluctuation in coal prices as commissions according to transaction volume are the main source of revenues, but the impact from this factor on profits is limited.

### Coal-Related Engineering Business

### MM Nagata Coal Tech Co., Ltd.

- ◆ A comprehensive engineering company with know-how in both coal mine development/operation technology and coal preparation technology.
- The company demonstrates the technological prowess that it has cultivated through its nearly 90 years of experience in running underground coal mines in Japan and handling coal mine development projects overseas.
- It possesses the country's only "coal preparation technology."



### Renewable Energy Business

### MM Energy Co., Ltd.



- ◆ Operates the “Mega Solar Tsuyazaki Power Station,” a 6-MW-capacity solar power generation station on land belonging to the Company in Fukutsu City, Fukuoka Prefecture. This power generation capacity is equivalent to the annual power consumption of roughly 2,000 general households.
- ◆ Power limiting was conducted 28 times in FY2019 at the Tsuyazaki Power Station based on the output control instruction by Kyushu Electric Power Co., Inc. (As of November 8, 2019)

# **Consumer Goods and Services Business Division**

## Main Businesses

**Contract Service  
Business**



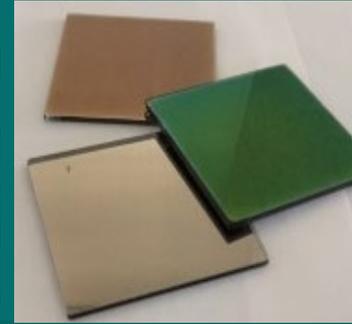
**Beverage & Food  
Packages Business**



**Fashion  
Business**



**Electronic Parts  
Business**



**Office Equipment**



- ◆ **Stable revenues**
- ◆ **Niche markets**
- ◆ **Easy to understand**

# Contract Service Business



## M&M Service Co., Ltd. (<https://www.mandm.co.jp/>)

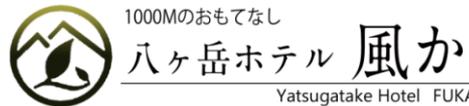
- ◆ Acquired shares in July 2012.
- ◆ Offering management services for recreational facilities, training centers, and other facilities owned by private companies and local governments around Japan by demonstrating **high-quality services** that capture the hearts of customers, **and leveraging the proprietary management know-how acquired through many years of experience.**

### <Directly managed facilities>

けぶり かわ  
里山の休日 京都・烟河



KUMANO CLUB won <<4 stars>> in the inn category of "Michelin Guide Aichi, Gifu, Mie 2019 Special Edition."



Reopened Yatsugatake Hotel FUKA after **renovation** in March 2018. Newly put in place 60 m<sup>2</sup> superior rooms (Japanese and Western styles) and **a terrace with a view of the starry night sky**, thereby making the facility more enjoyable.



In November 2019, at Keburikawa, **the trailer house JYUBAKO for glamping (glamorous camping), the first of its kind in Kyoto, was newly introduced by Kengo Kuma, a world-famous architect, in collaboration with Snow Peak Inc.**



Began operating **the Former Mitsui Minato Club, a historical heritage of Omuta City**, the ownership right of which Mitsui Matsushima Holdings acquired from Minato Club Hozon Kai K.K. in June 2017, and began operation of a restaurant, a wedding reception hall, etc. Carried out renovation work on buildings and other facilities, and appointed Mr. Hiroyuki Sakai, a popular chef of French cuisine known as the "Iron Chef," to supervise the cuisine offered for the reopening in April 2018.

## Nippon Straw Co., Ltd. (<http://www.nipponstraw.com/>)



- ◆ Acquired shares in February 2014.
- ◆ Developed telescopic straws in 1983. Since then, Nippon Straw has further accumulated proprietary technologies and know-how as a pioneer in this industry, and established its status as **a leading company in the domestic straw market. Holds an overwhelming market share (approximately 65% based on the Company's research) in Japan's telescopic straw market.**
- ◆ Given its high reliability and the good evaluation it has received from excellent customers (major dairy and beverage manufacturers, etc.), the firm has established a **stable transaction base** and has been achieving **strong operating performance**.
- ◆ Nippon Straw manufactures various types of high-function products and accommodates customer needs.



Telescopic straws



Single straws



Drinking cups

- Expect to see growth in sales, mainly due to expanding demand for **eco-friendly materials such as straws** and the development of new **food ware products** (e.g., paper drinking cups, food containers).
- Nippon Straw conducts initiatives to **develop products that are friendly to people and the environment** in order to provide the market with **safe, secure, convenient, and high-quality straws**.

# Nippon Straw—Initiatives for eco-friendly materials

(1) Conversely, the focus on a plastic-free environment may provide huge business opportunities.

- ◆ Looking at the current movement to stop using plastic products, leading dairy companies and beverage companies, which are major customers, are expected to continue to use paper packaging that contains the least amount of plastic materials, **assuming that demand for telescopic straws will be stable.**
- ◆ Nippon Straw, as a leading company of telescopic straws, has been **making efforts to develop and manufacture straws made of environmentally friendly materials ahead of other companies,** and **will be able to quickly deal with** future demand.

## Major dairy companies, beverage manufacturers, etc.

<Usage of plastics>

High



PET bottles



Paper cups  
+  
Plastic lids



Low

Paper packaging  
+  
Telescopic straw

Paper packaging shows the minimum use of plastics = “Excellent materials in terms of the environment” They are expected to continue to be used.

Demand for existing straws

Eco-friendly materials  
Demand for straws

## Convenience stores, etc.

Demand for existing straws

Demand for straws made of environmentally friendly materials

## Other than existing customers (chain restaurant companies, distributors, etc.)

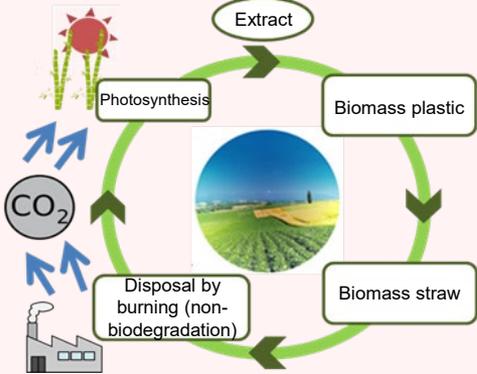
Movement to abolish straws

Demand for straws made of environmentally friendly materials

**Opportunities to expand distribution channels by securing demand for straws made of environmentally friendly materials**

- ◆ Leading the industry in terms of research/development of straws made of environmentally friendly materials

## Nippon Straw can handle all eco-friendly materials.

	Biodegradation	Non-biodegradable
Plant-derived	<ul style="list-style-type: none"> <li>• <u>Marine biodegradable</u> <ul style="list-style-type: none"> <li>✓ Vegetable oil and the like are used as raw materials.</li> <li>✓ Decomposed into water and CO<sub>2</sub> under various conditions including when in the sea.</li> </ul> </li> <li>• <u>PLA (polylactic acid)</u> <ul style="list-style-type: none"> <li>✓ Corn and the like are used as raw materials.</li> <li>✓ Decomposed into water and CO<sub>2</sub> under specific conditions.</li> </ul> </li> <li>• <u>Paper</u> <ul style="list-style-type: none"> <li>✓ Paper made from wood is processed.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <u>Biomass plastic</u> <ul style="list-style-type: none"> <li>✓ Sugar cane and the like are used as raw materials.</li> <li>✓ Carbon-neutral</li> </ul> </li> </ul> 
Oil-derived	<ul style="list-style-type: none"> <li>• <u>PBS (polybutylene succinate)</u> <ul style="list-style-type: none"> <li>✓ Decomposed into water and CO<sub>2</sub> under specific conditions.</li> <li>✓ There is also plant-derived PBS.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <u>Conventional plastic</u> <ul style="list-style-type: none"> <li>✓ Polypropylene (PP)</li> <li>✓ Polyethylene (PE)</li> </ul> </li> </ul>

- ◆ Attaining the highest quality by combining the most suitable materials as a manufacturer specializing in straws

Priority	Eco-friendly materials	Environment friendliness	Ease of forming		Manufacturing cost
			Single straw	Telescopic straw	
1	Biomass PE	○ (Good)	○ (Good)	○ (Good)	○ (Good)
2	Paper	○ (Good)	○ (Good)	× (Poor)	△ (Average)
3	Marine biodegradable	◎ (Very good)	○ (Good)	△ (Average)	△ (Average)

### 1. Biomass PE

- ✓ It has advantages in terms of ease of forming and manufacturing cost, and is very popular with customers.
- ✓ There is a strong possibility that Nippon Straw's products will obtain the "BP mark."
- ✓ Nippon Straw also can manufacture straws using only biomass materials.



This can be displayed if the ratio of biomass is 25% or over.

### 2. Paper

- ✓ Nippon Straw manufactures products domestically by using raw materials made in Japan which are safe in terms of food sanitation.  
(Most paper straws currently in circulation are made overseas.)
- ✓ It has succeeded in removing the flavor/smell peculiar to paper through its own deodorization technology. (High quality)
- ✓ Since early November, it has been improving efficiency through mass production, and is expected to launch in early December at competitive prices.

### 3. Marine biodegradable

- ✓ It has been working with a leading chemical manufacturer on the research and development of materials.
- ✓ If material prices decline, there is a possibility that products will be widely used.

## Hanabishi Sewing Co., Ltd.

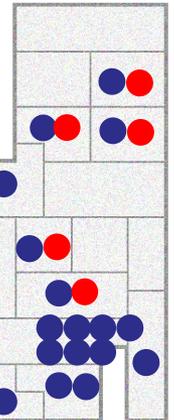
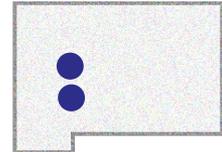
(<http://hanabishi-sewing.jp/corporate.html>)



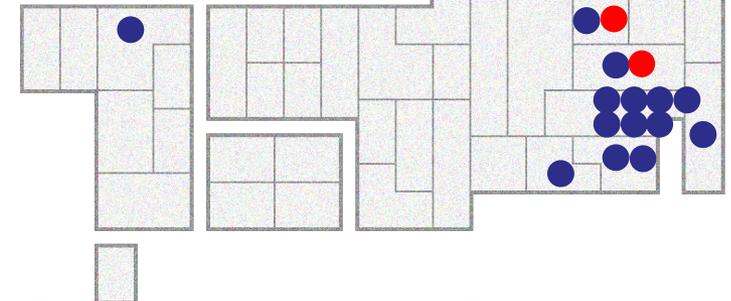
HANABISHI

THE TAILOR OF JAPAN SINCE 1935

- ◆ Acquired shares in October 2015.
- ◆ Founded in 1935, Hanabishi Sewing is a pioneer in **custom-made suits** and is highly evaluated by major department stores and consumers.
- ◆ Aiming to differentiate itself through **“an integrated domestic system from product development to production and sales.”** Hanabishi Sewing will expand its own stores.



- ...Own store (20 stores in total)
- ... Plant (5 places in total)



**Online purchases are possible for customers who have made two or more purchases.**

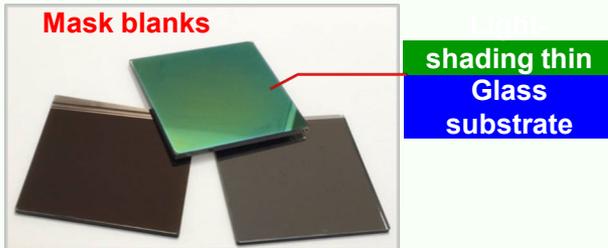


## CLEAN SURFACE TECHNOLOGY Co., Ltd.

(<http://www.cst-h.com/>)

- ◆ Acquired shares in February 2017.
- ◆ Established in 1977 as **Japan's first manufacturer specializing in mask blanks**.  
The firm sells products to leading domestic and foreign manufacturers and maintains **a quality customer base**.

### CLEAN SURFACE TECHNOLOGY Co., Ltd. (CST)



Conducting thin-film deposition processing on glass substrate

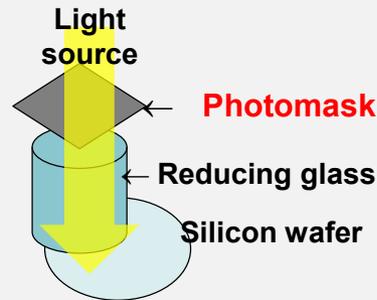
**Mask blanks**

(Used as materials for photomasks)

Customer  
Portraying circuit patterns on **mask blanks**

**Photomask\***

\*A photomask is the base for reflecting circuit patterns on a silicon wafer, etc. coated with a photosensitizer.



Component/parts manufacturer

LCD  
(Liquid crystal)

OLED  
(Organic ELs)

Semiconductors

Electronic Parts Business

Electronics manufacturer

Television

PC

Smartphone

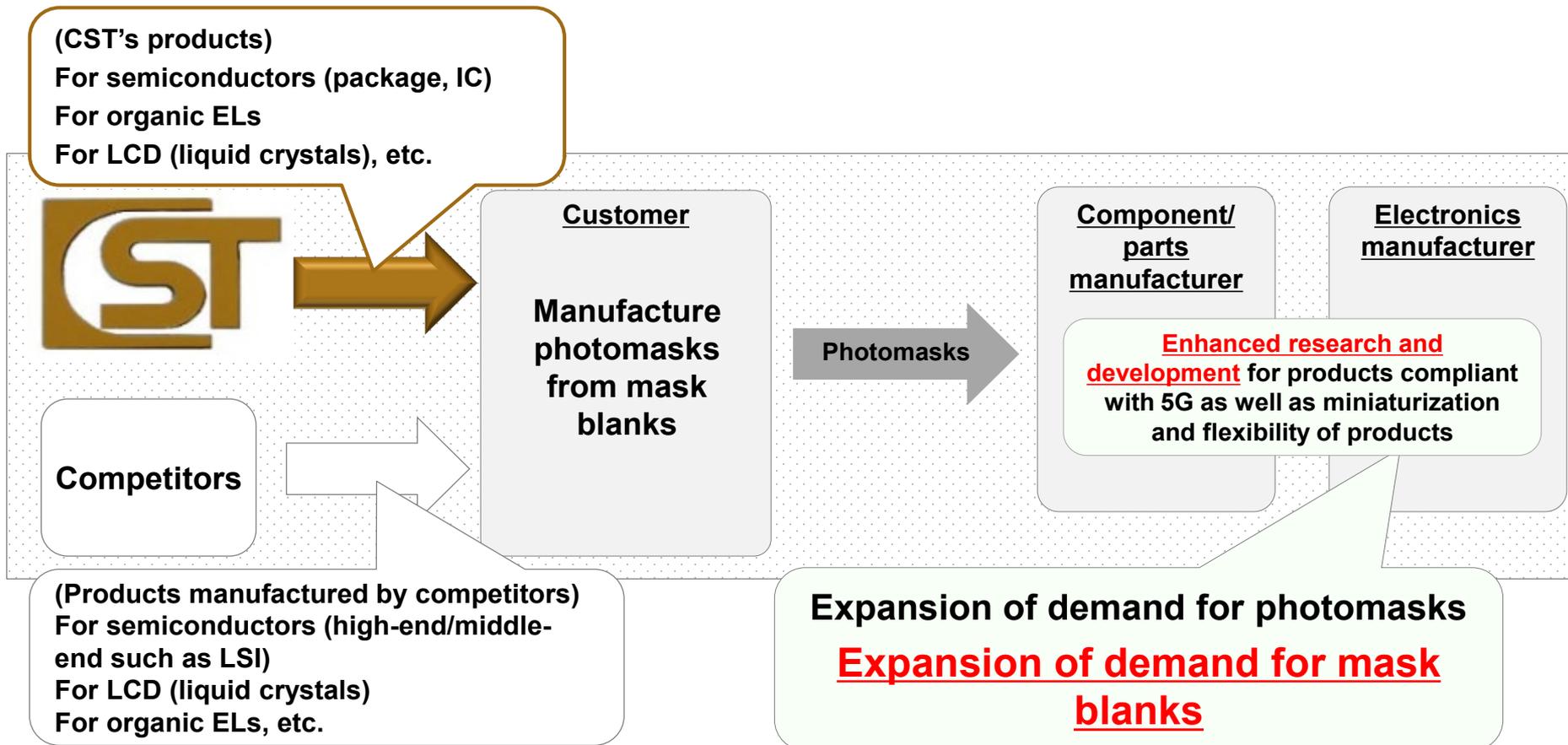
Various other pieces of electronic equipment

Growth of CST's business (the mask blanks market) is anticipated, in conjunction with the continuing steady growth of the liquid crystal, organic EL, semiconductor and other related sectors going forward.

# CLEAN SURFACE TECHNOLOGY—Effects from U.S.—

## China trade friction and other factors are limited

- ◆ Most of CST's mask blanks are used in manufacturers' product development.
- ◆ Mainly due to the prolonged U.S.–China trade friction, **there are concerns that business confidence will deteriorate in the short term**. (However, corporate product development is not likely to be affected by economic fluctuations, and **the impact on business performance is limited**.)
- ◆ **Demand is expected to grow in the long term** as growth is forecast in such fields as 5G and AI.



## Meikoshokai Co., Ltd (<https://www.meikoshokai.co.jp/>)



- ◆ Acquired shares in April 2019
- ◆ Started to manufacture and sell shredders for the first time in Japan in 1960  
Has established its status as **a leading company in Japan** through steady business results since its foundation and its original technologies and know-how. **Holds an overwhelming market share (approximately 75% based on the Company's research) in Japan's office-use shredder market.**
- ◆ At present, the firm is not limited to its core shredders, and **is expanding its business beyond paper** to include pouches, automatic reception guidance systems, office security products, and proposals for recycling and environmental solutions.



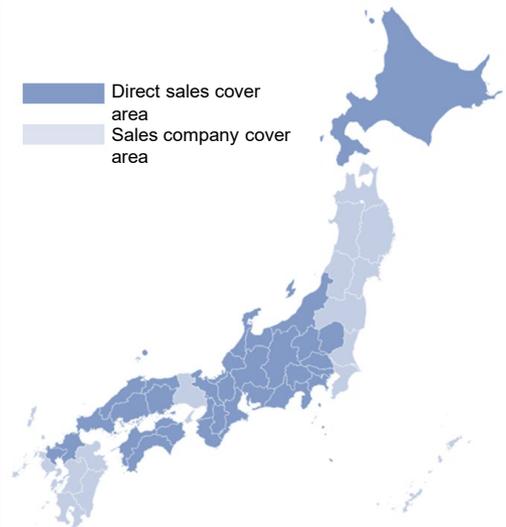
Automatic reception guidance system



Pouch



**Direct sales system and sales network throughout Japan**



**Maintaining its steady revenue** structure through its extensive customer bases, **reliable product lineup** that can deal with diversified needs and **high resale rate.**

## MM Life Support Co., Ltd. (<http://pinegarden.jp/index.php>)

- ◆ Established a management company in January 2014.
- ◆ With a prime location near the center of the city (in Sawara-ku, Fukuoka City), MM Life Support manages two “housing facilities for the elderly, offering a safe and secure living environment as well as nursing care services” coordinated with medical care. (Pine Garden Fujisaki, Pine Garden Muromi)
- ◆ Based on the concept **“I want my parents to live here, and I also want to live here in the future,”** the firm is engaged in nursing care business (in-home care service, home-visit nursing care, outpatient day nursing care) that meets the needs of the super-aged society while being close to the users.

Pine Garden Fujisaki



Pine Garden Muromi



- Taking initiatives to improve the nursing care level of users and focusing on **building facilities where users can live positive and healthy everyday lives.**
- MM Life Support will actively take the initiative in **creating an affluent and vigorous society** by further improving its services.

# Reference Materials

# Progress in the mid-term management plan

- ◆ This year marks the first year of the medium-term management plan (5 years from FY2019 to FY2024).
- ◆ Achieve the quantitative target by steadily promoting **M&A investment in Non-Coal Production Business**.

## <M&A investment target>

	Amount of investment (Stocks + net interest-bearing debt)	* EBITDA (Forecast)	Rate of return
Medium-term management plan	30 billion yen	+4.5 billion yen	15%
Meikoshokai Co., Ltd.	6.7 billion yen	+1 billion yen	15%
Cumulative total	6.7 billion yen	+1 billion yen	15%
Progression rate	22%	22%	

\* Calculated by converting the figures to a 12-month period

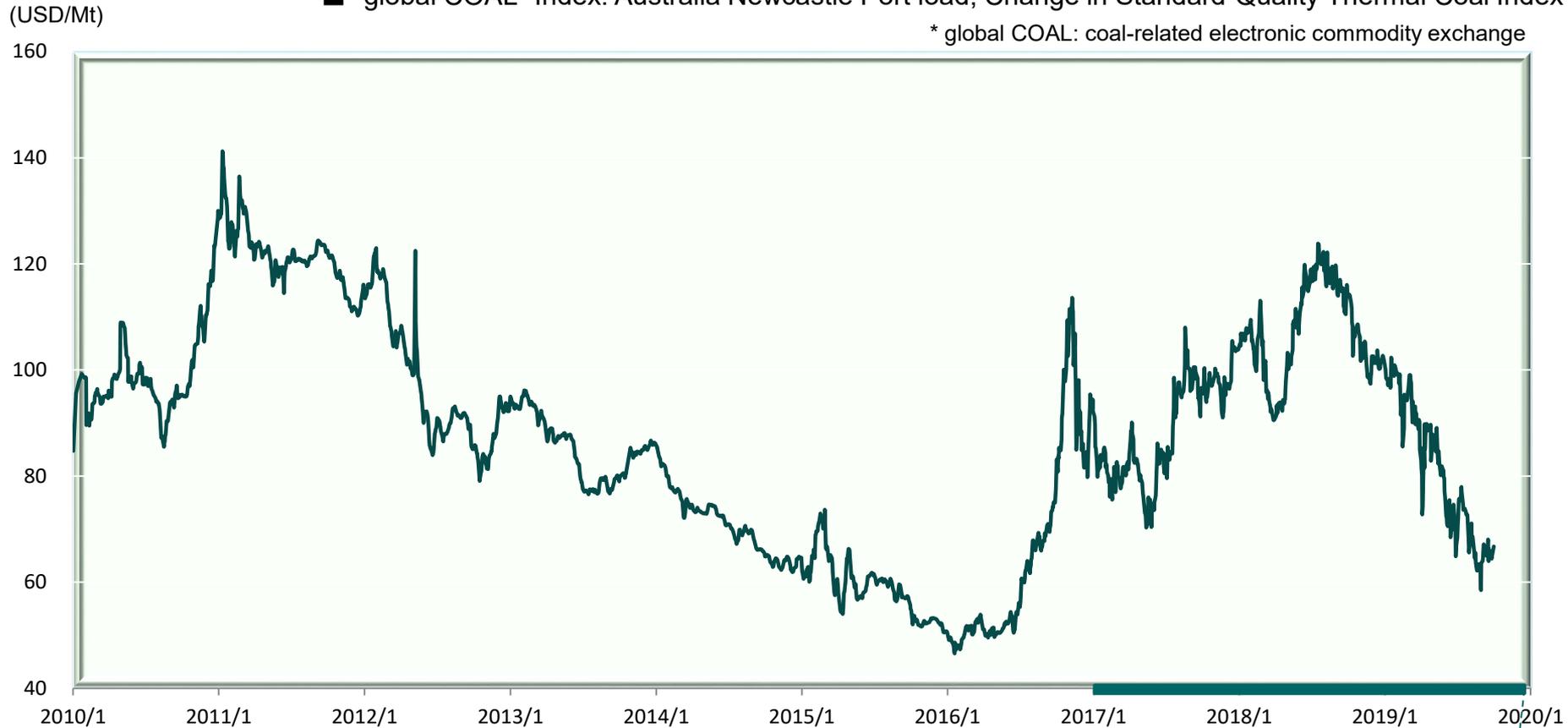
## <Quantitative target>

	Medium-term management plan	FY2019 (Forecast)
Consolidated operating profit	5.5 billion yen	3 billion yen
Coal Production Business	2.2 billion yen	2.7 billion yen
<b>Non-Coal Production Business</b>	<b>4.7 billion yen</b>	<b>1.9 billion yen</b>
Head office administrative expenses	(1.4 billion)	(1.6 billion)
ROE	8%—	Around 6%
Pay-out ratio	30%—	30%—

# Trends in the Coal Market

■ “global COAL” Index: Australia Newcastle Port load, Change in Standard-Quality Thermal Coal Index

\* global COAL: coal-related electronic commodity exchange



		2017				2018				2019			
		Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.
Coking coal*	Heavy coking coal	285	193-194	170-171	191-192	237	197	188-189	212-213	210-211	207-208	177-178	Not determined
	Semi-soft coking coal	171	126	120	126	150	132	129	135	132	129	115	Not determined
Thermal coal	Apr. contract	61.60	84.97				110.00				94.75		
	Oct. contract	94.75			94.75				109.77				Not determined
Foreign Exchange	US\$/A\$	US\$0.77				US\$0.74				US\$0.70			
	¥/A\$	86.0 yen				82.6 yen				JPY 77.7			

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

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