




 Mitsubishi Corporation RtM International Pte. Ltd.

<sup>3rd</sup>  
**Coaltrans**  
Emerging Asian  
Coal Markets

# *Coal supply to Asian markets*

*5<sup>th</sup> November, 2014*

Mitsubishi Corporation RtM International Pte. Ltd  
Vice President, Coal Division  
Yoshihiro Sumida

A decorative horizontal bar at the bottom of the slide, consisting of several segments in shades of orange and red.

- **RtM Introduction**
  - Thermal coal trading at Mitsubishi
  
- **Import / export analysis**
  - **Supply & demand one year trend**  
*Major countries' Monthly imports/exports (Aug 2013 - Aug 2014)*
  - **Record analysis**  
*Major countries' import & export (Jan - Aug 2013 vs. Jan - Aug 2014)*
  
- **Future trend**
  - **Supply & demand projection**      *(2013 onwards )*

## Thermal coal trading at Mitsubishi



Our global thermal coal trading operates from offices in Singapore, Tokyo, Beijing, New York, London, Jakarta, Johannesburg, New Delhi, Hong Kong, Vancouver, Moscow and other regional offices

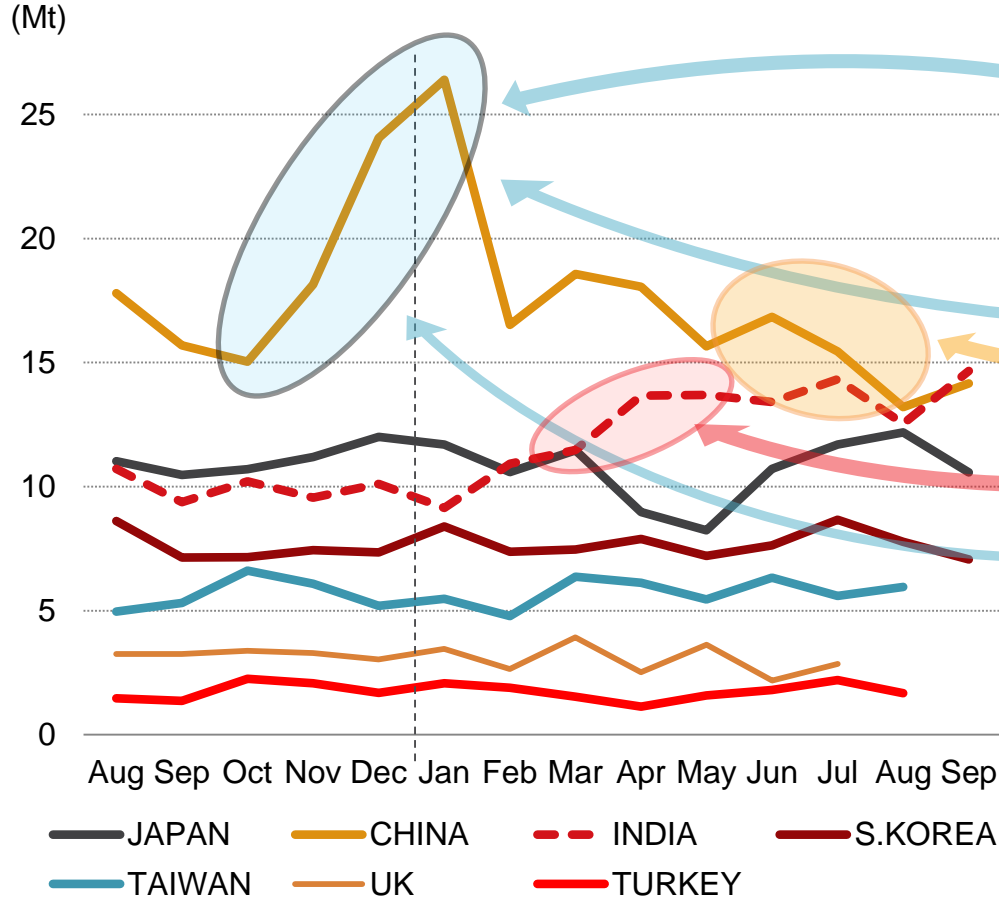
Mitsubishi Corporation established a subsidiary “**Mitsubishi Corporation RtM International**” headquartered in Singapore and “**Mitsubishi Corporation RtM Japan Ltd.**” in Tokyo and transferred its entire mineral resources trading business (including thermal coal) into these RtM entities. Now all the mineral resources trading business of Mitsubishi Corporation is operated under Mitsubishi Corporation RtM and expanding its global footprint in resource trading industry.

- RtM International (Singapore) is our hub for global thermal coal trading and RtM Japan (Tokyo) is our regional headquarter for Japanese market and No.1 thermal coal importer among trading houses in Japan.
- Our global offices closely work together with headquarters on day-to-day trading activities and contribute to this extensive global network, particularly in Asia, which we leverage to maintain/create new business.
- We trade thermal coal mainly to Asia such as Japan, Korea, Taiwan, China, Malaysia, Philippines, India etc from various origins such as Indonesia, Australia, US, Canada, South Africa etc.
- We offer a variety of solutions that satisfy customers’ requirement with trading, hedging, marketing agency, logistics, vessel chartering, credit risk management, mine financing and in-house market analysis etc.

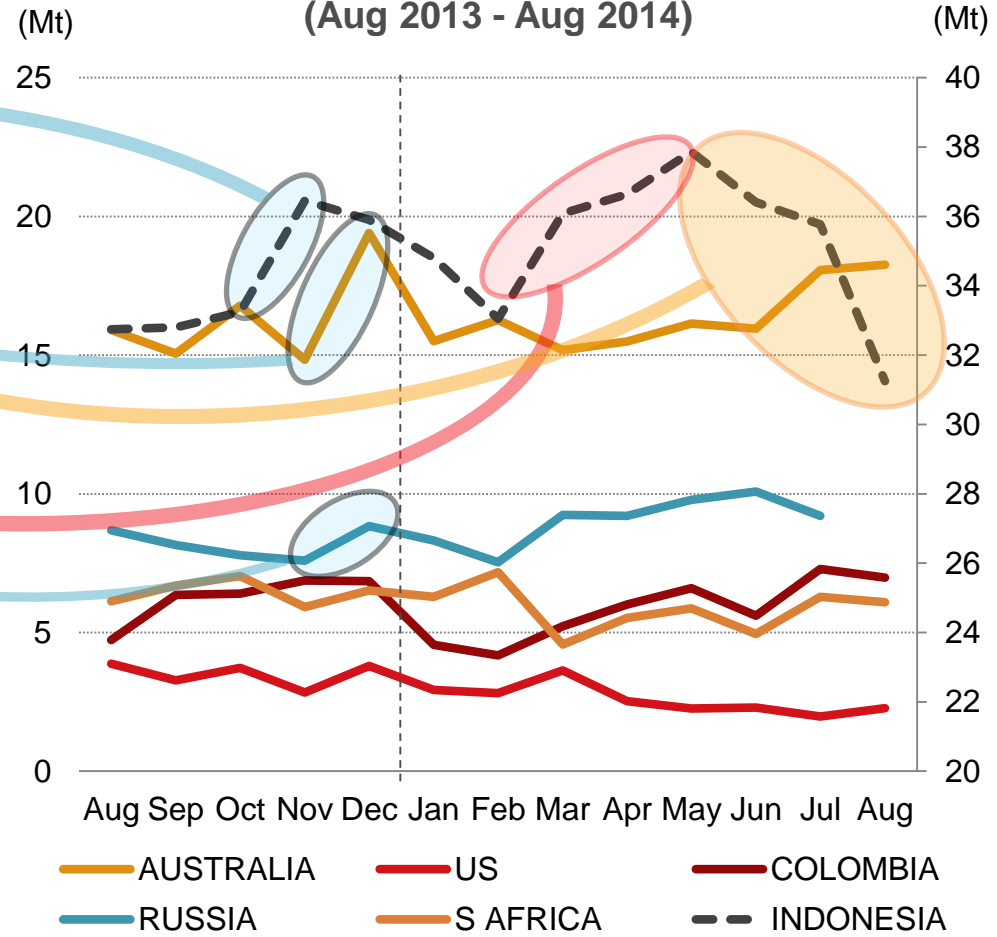
## *Import / export record analysis*

# Supply and demand one year trend

### Major Countries' Monthly Imports (Aug 2013 - Aug 2014)



### Major Countries' Monthly Exports (Aug 2013 - Aug 2014)

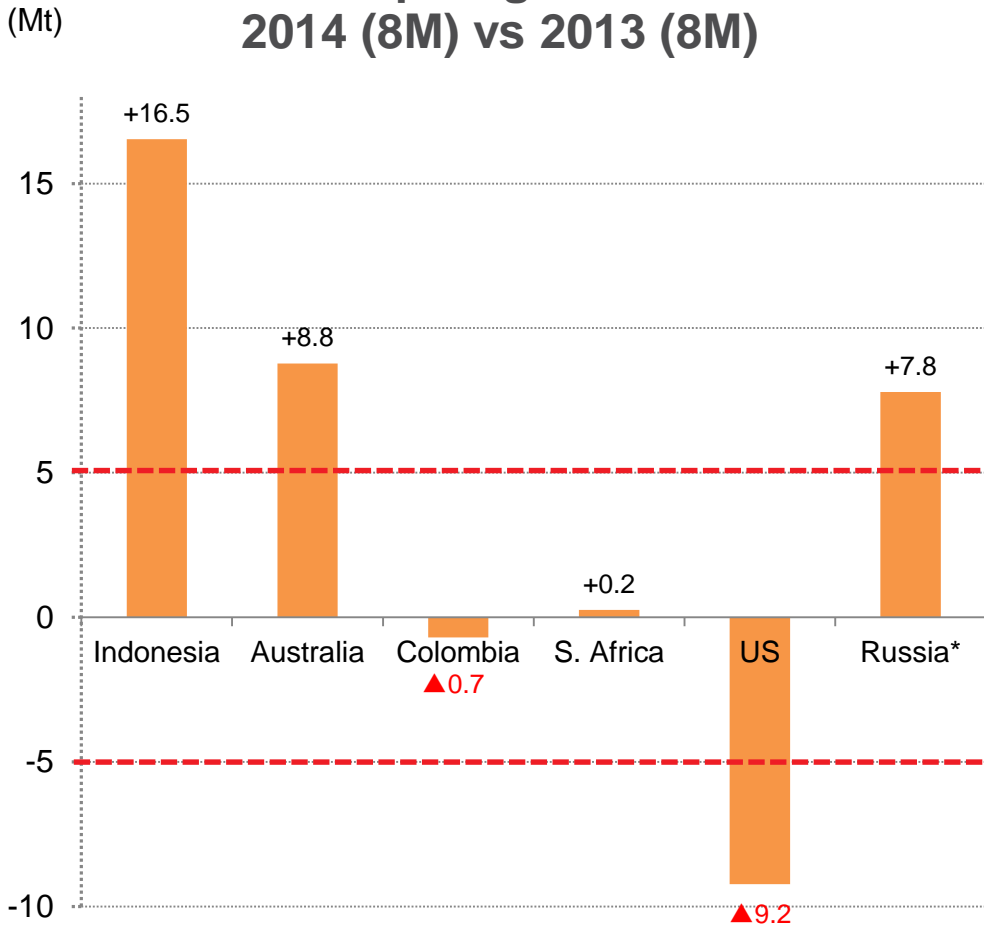


Source: Mitsubishi Corporation RtM International

\* Indonesia figure is on right axis. The rest is on left axis

# Record analysis of major exporting countries (Jan – Aug 2014)

## Export growth 2014 (8M) vs 2013 (8M)



\* 7M2014 vs 7M2013

Source: Custom Statistics, Mitsubishi Corporation RtM International

### < Considerations for the future >

#### Indonesia

- Indonesian export expansion to slow down
- Domestic demand to increase (how much?)
- Renegotiation with Mining contractor, barge company, etc to further reduce costs

#### Australia

- Indian demand to absorb Australian export?
- Weak A\$ to continue and support export competitiveness?

#### Colombia

- One of the cheapest (production cost) suppliers.
- Any chance to come back to Asia?
- Any labor dispute/strike affect export growth?

#### S.Africa

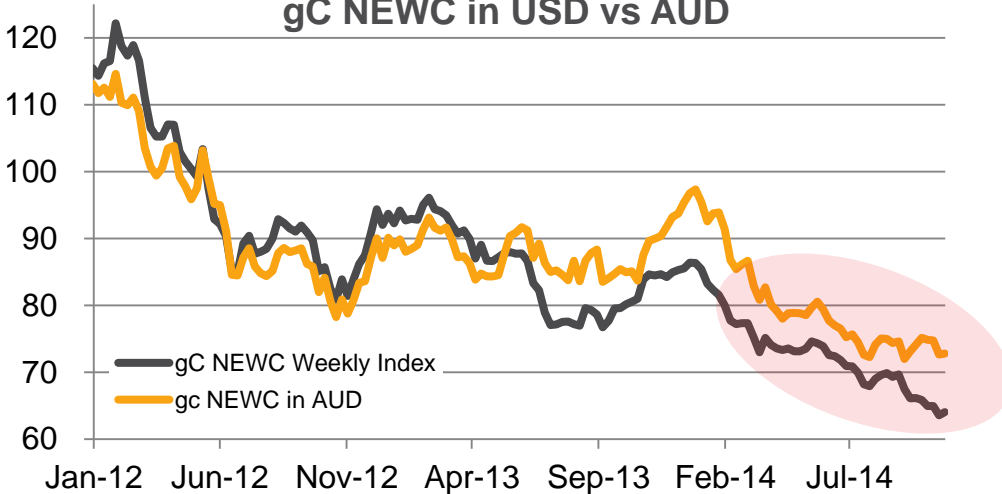
- Logistics constraint (Transnet missed their coal raiing target for April-Sep) continue to be a bottleneck?
- Indian demand to support SA's future supply?
- Any labor dispute/strike affect export growth?

#### US

- Tough competition (mainly with Indonesia in Asia Pacific)
- Consistent coal quality
- Large ports accommodating capesize vessels

# Situation in Australia and Indonesia

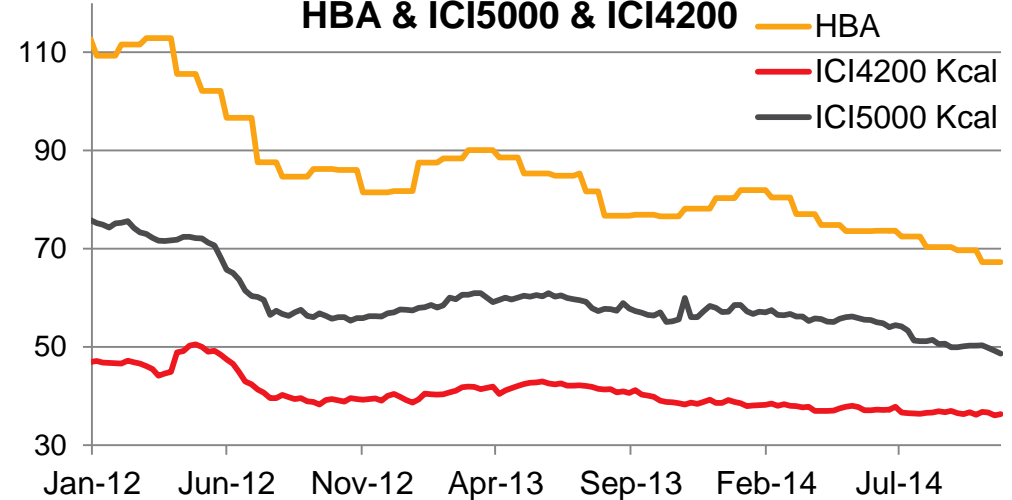
gC NEWC in USD vs AUD



Source: globalCOAL, Bloomberg

- Weak AUD is supporting Australian suppliers despite declining gC NEWC prices

HBA & ICI5000 & ICI4200

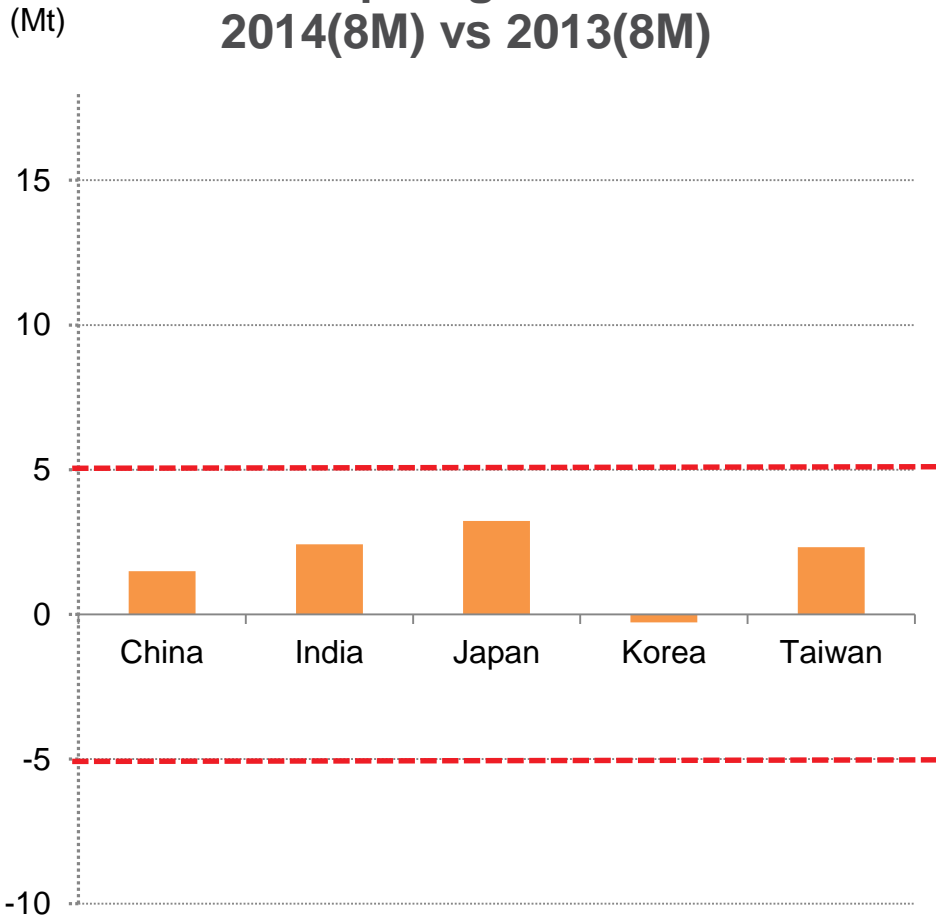


- Continued decline of Indonesian prices seen for all coal grades.

- Cost reduction generally successful so far.
- Cost reduction options almost exhausted?
- Further supply discipline needed

# Record analysis of major importing countries (Jan – Aug 2014)

**Import growth  
2014(8M) vs 2013(8M)**



Source: Custom Statistics, Mitsubishi Corporation RtM International

## < Considerations for the future >

### China

- For the remainder of the year 2014 (Sep to Dec), a decrease in import is expected mainly due to slowdown of economy growth and import discouragement guidance (to support China's domestic coal industry).
- Effects of China's import discouragement policies?
- Import demand continue to decrease?

### India

- Logistics constraints (\*) hinder import growth?  
(\* Domestic inland transportation/increase in ship congestion, etc)
- Situation of struggling domestic production continue?

### Korea

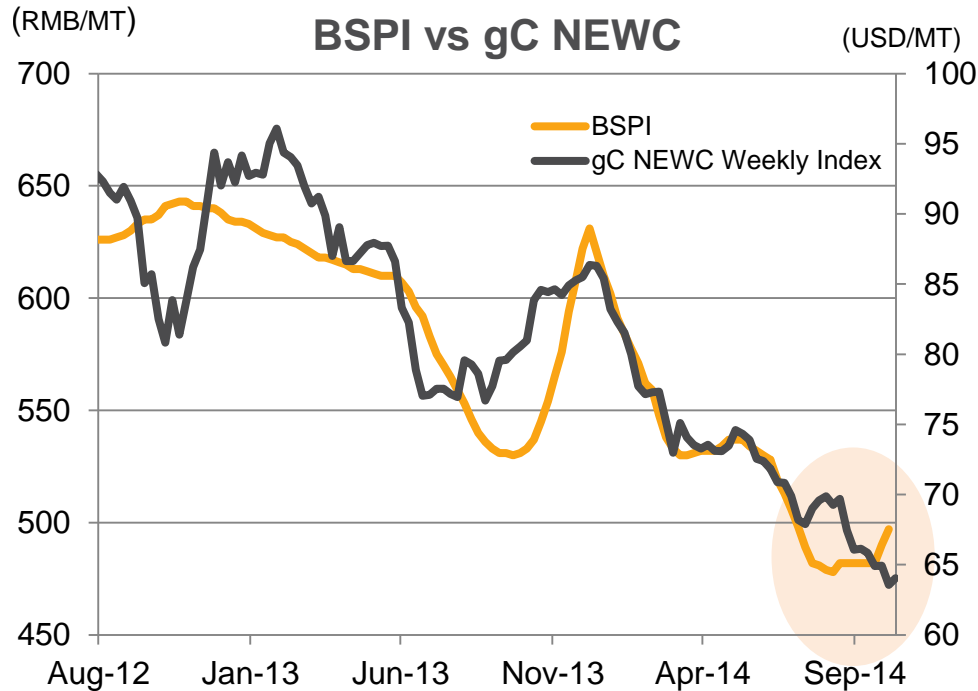
- Flexible use of coal with various quality.
- Supported by over-supply.
- Limited impact of Import tax introduced in July

### Japan

- Short term : High CV sources (Aus & Russia) increasing  
: Low CV sources (Indo) struggling
- Medium term : Limited growth until 2018
- Rising import tax making high CV more competitive

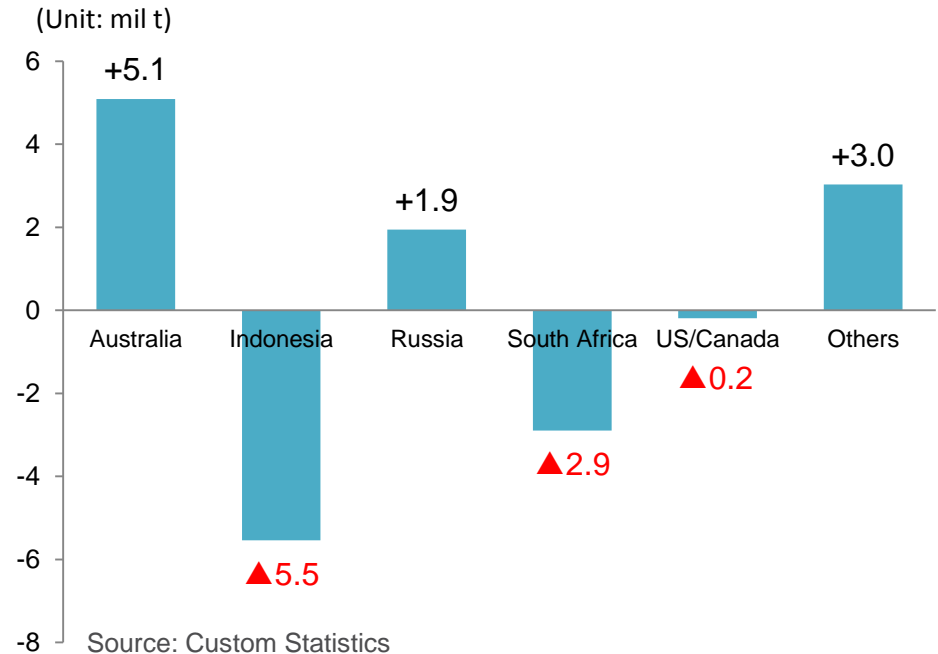


# Situation in China



Source: globalCOAL, BSPI

## YoY Comparison (2013 8M / 2014 8M)

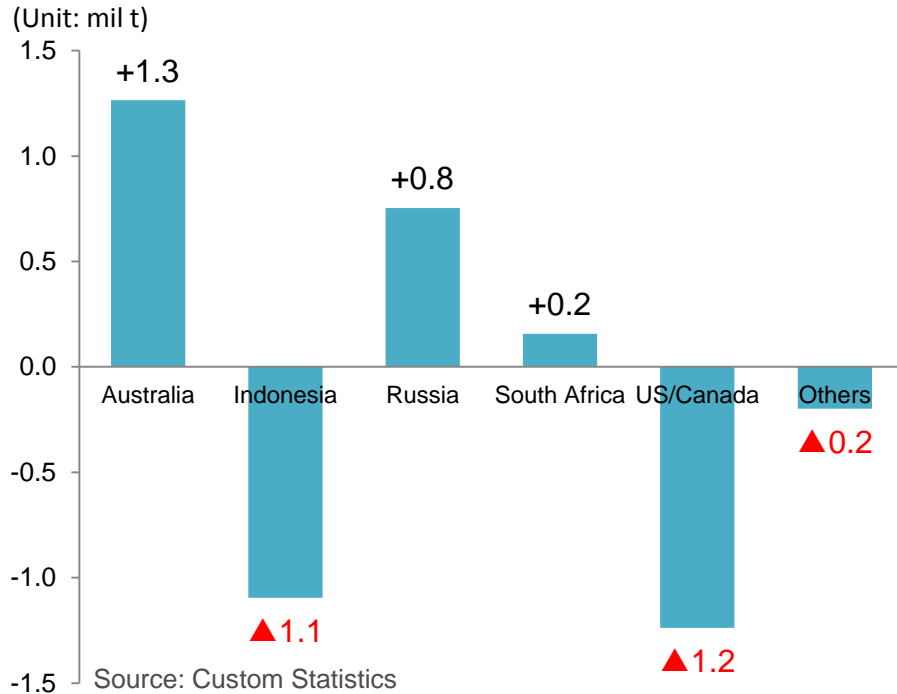


- China's import behavior has changed due to the guidance from NDRC on coal import cut; International price no longer follows China's domestic price

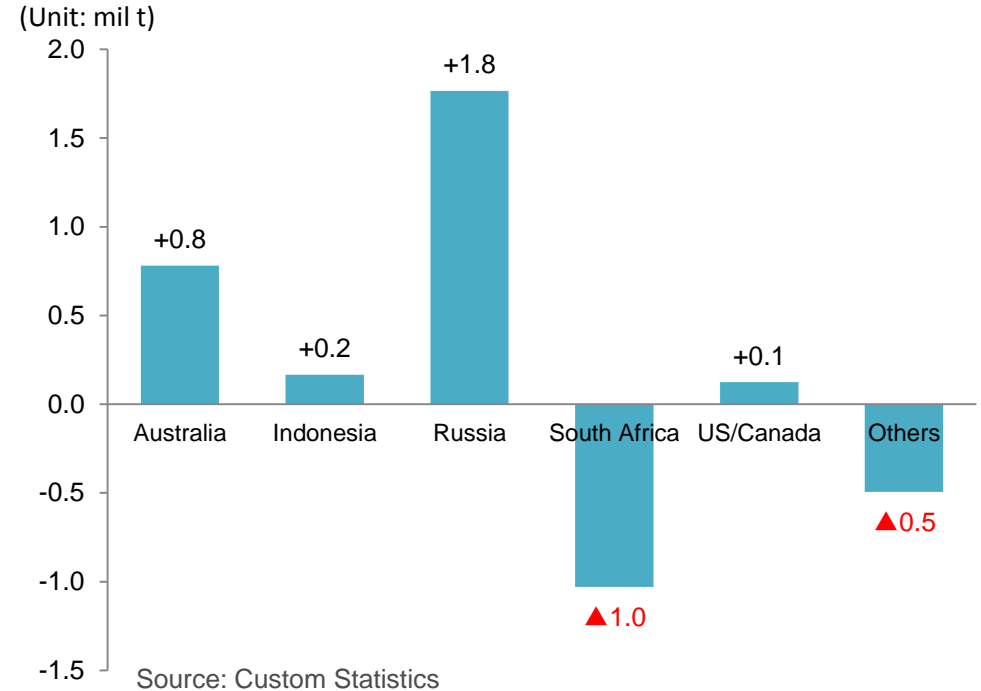
- Large increases for Australian & Russian coal while there is a sharp fall in Indonesian and S.African coal
- high CV coal is gaining its competitiveness relative to other low CV coal

# Situation in Korea and Taiwan

**Korea : YoY Comparison (2013 9M / 2014 9M)**



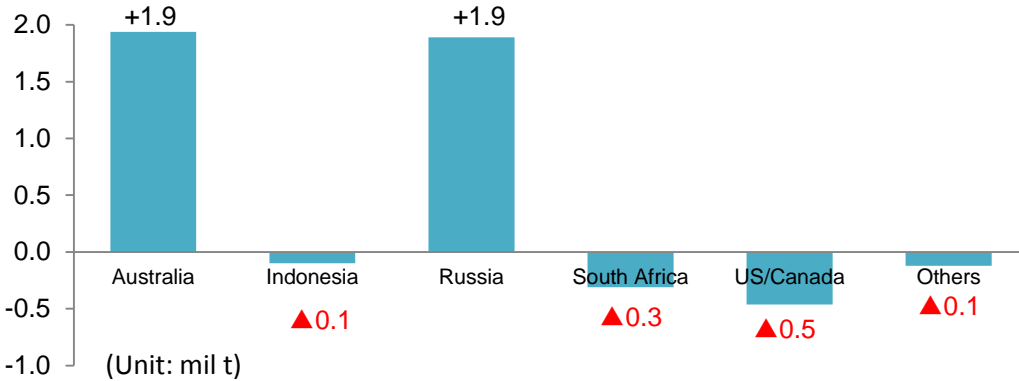
**Taiwan : YoY Comparison (2013 8M / 2014 8M)**



- Relative advantage and competitiveness of high CV materials (Australia and Russia) is also seen in Korea and Taiwan

# Situation in Japan

## YoY Comparison (2013 9M / 2014 9M)



Source: Custom Statistics / RtM Japan

## JPU operation suspension

EPC	P/S	Unit	MW	Incident	Duration of Stop
Tohoku	Noshiro	#2	600	Corrosion of plumbing	Extended maintenance (30/Mar - 21/Jul ⇒ 30/Mar - 30 Jul)
J-Power	Isogo	#1	600	Meltdown of electrical motor	Stop operation from 29/Jun to 9 Jul
	Tachibana-wan	#1	1050	No press release	Extended maintenance (20/Mar - 24/Jul ⇒ 20/Mar - 4/Jul)
				Steam Leak	Stop operation from 9/Jul to 2/Aug
		#2	1050	Steam Leak	Stop operation from 6/Aug to 16/Aug
	Matsuura	#2	1000	Damaged low-pressure turbine rotor	Stop operation from 28/Mar to 5/Aug (40% load operation from 6/Aug)
Kyushu	Reihoku	#1	700	Steam Leak	Stop operation from 18/Jun to 7/Jul
		#2	700	Steam Leak	Stop operation from 26/Jun to 13/Jul

## Current Situation in Japan

- Due to high demand, some regular maintenances are being postponed.
- Mechanical troubles at some power plants, partly due to high operation rate.
- Kyushu's Sendai #1, 2 may be the first nuclear power plant to restart in CY15 but it remains to be seen.

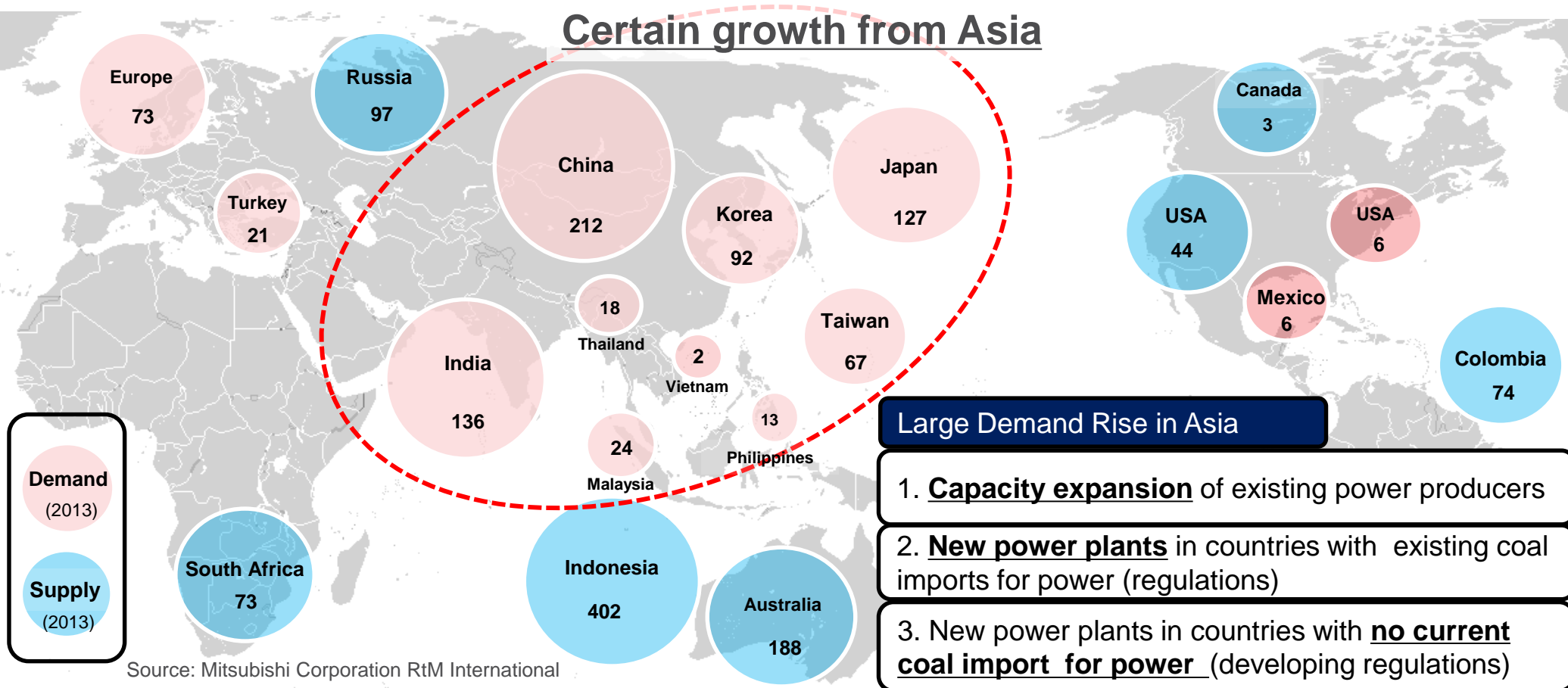
## Future Dynamics in Japan

- Timing of (1) restart of nuclear power generation and (2) start-up of new coal-fired power generation is one of the key factors
- Total demand is expected to be stable for several years
- “Petroleum and Coal Tax” (Import tax) which is increasing in stages is expected to be a certain burden on Sub-bituminous coal for price competitiveness.

### (Petroleum and Coal Tax : import tax)

Unit: yen

Initial Rate	2012/10/1-	2014/01/01	2016/04/01
700	920 (+220)	1140 (+220)	1370 (+220)



## Asia set to be, by far, the largest contributor to global growth

- Bearish market continues in the short term
- Timing of Asian demand increase is the key



## Reliable & Sustainable Solutions For Your Coal Needs

# Thank you

If you have any questions, comments or business opportunities with us, please email our group address or myself at anytime.

RtMI Coal Division : [ml.rtmi-coal@mitsubishicorp.com](mailto:ml.rtmi-coal@mitsubishicorp.com)  
Yoshihiro (Jack) Sumida : [yoshihiro.sumida@rtm.mitsubishicorp.com](mailto:yoshihiro.sumida@rtm.mitsubishicorp.com)

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