

# Presentation of Financial Results for the Second Quarter Ended September 2021



**November 2021**

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# **2Q FY2021 Financial Results**

# Consolidated Income Statement

## Income Statement

(Million yen)

	FY2020 2Q	FY2021 2Q	Yr/Yr Change	Main factor behind changes
Net sales *1	29,248	21,409	(7,838)	A decline in revenue due to the Accounting Standard for Revenue Recognition applied from FY2021 (Coal Sales Business)
Operating profit [Operating profit before amortization of goodwill] *2	985 [1,324]	2,669 [2,997]	+1,684 [+1,673]	Increase in profits in Consumer Goods and Services Business Division A rise in coal prices in the Coal Production Business
Ordinary profit	1,881	2,875	+993	Employment Adjustment Subsidy: 34 million yen [(265 million yen)] Foreign exchange gain: 172 million yen [(174 million yen)] * In the same period of the previous fiscal year, a one-time foreign exchange gain of 347 million yen was recorded due to the redemption of redeemable preference shares (RPS).
<b>Quarterly net profit attributable to owners of parent</b>	<b>1,496</b>	<b>1,853</b>	<b>+356</b>	Reorganization expenses: 156 million yen (extraordinary loss) Tax expense: 859 million yen [494 million yen]

\*1 Impact of the Accounting Standard for Revenue Recognition

- (1) In the Coal Sales Business, the recording of Net sales and cost of sales applicable to agent transactions was changed from gross amount to net amount.
- (2) Net sales in the case where the said accounting standard is not applied: 36,759 million yen (+7,511 million yen YoY)
- (3) There is no impact on operating profit, ordinary profit, and quarterly net profit attributable to owners of parent.

\*2 "Operating profit before amortization of goodwill" is operating profit excluding the amortization of goodwill that arises from business acquisitions.

# Consolidated Segment Information

- Consumer Goods and Services Business Division  
The Consumer Goods and Services Business segment comprises the Beverage and Food Packages Business, the Fashion Business, the Electronic Parts Business, the Office Equipment Business, the Pet Business, the Housing-Related Material Business, and the Nursing Care Business.
  - ✓ Increase in orders in Electronic Parts Business
  - ✓ Consolidation of Systech Kyowa Co., Ltd. (in the Housing-Related Material Business in February 2021)
  - ✓ Return to profitability in the Fashion Business
- Energy Business Division  
The Energy Business segment is comprised of the Coal Sales Business (Note), the Coal Production Business, and the Renewable Energy Business.  
(Note) The fiscal year end of overseas subsidiaries is December 31 (with a three-month lag), and the financial figures for January through June are used.

Net sales				Segment profit				(Million yen)
Business	FY2020 2Q	FY2021 2Q	Yr/Yr Change	Business	FY2020 2Q	FY2021 2Q	Yr/Yr Change	
Consumer Goods and Services	10,623	13,610	+2,987	Consumer Goods and Services [Before goodwill amortization]	408 [746]	1,417 [1,745]	+1,008 [+998]	
Energy <i>of which, Coal Sales Business</i>	17,998 15,697	7,177 110	(10,821) (15,586)	Energy <i>of which, Coal Sales Business</i>	1,173 60	1,534 53	+360 (7)	
Others	628	649	+21	Others	69	63	(5)	
Adjustments	(2)	(28)	(26)	Adjustments	(665)	(345)	+319	
<b>Total</b>	<b>29,248</b>	<b>21,409</b>	<b>(7,838)</b>	<b>Total</b> [Before goodwill amortization]	<b>985</b> [1,324]	<b>2,669</b> [2,997]	<b>+1,684</b> [+1,673]	

\* Segment profit for the Energy Business includes equity-method investment returns [2Q/FY2020: 28 million yen; 2Q/FY2021: (4) million yen].

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

\* Net sales in "Adjustments" include rent income of all-company assets; segment profit includes deduction of the aforesaid equity in net income of affiliates, all-company profit & expenses not allocated to each reporting segment, etc.

# Breakdown of the Energy Business Division

- Coal Production Business Net sales, profit : Increases in revenue and profit due to a rise in the coal price and the depreciation of the yen against the settlement exchange rate (A\$/¥).
- Coal Sales Business Net sales : A decline in revenue due to the Accounting Standard for Revenue Recognition that has been applied since FY2021.
- Profit : Declined due to a decrease in sales volume.

## Net sales

Business	FY2020 2Q	FY2021 2Q	Yr/Yr Change
Coal Production Business	5,772	6,888	+1,115
Sales volume	0.65 million tons	0.72 million tons	+0.08 million tons
Coal Sales Business	15,697	110	(15,586)
Sales volume	2.10 million tons	1.58 million tons	(0.52 million tons)
Renewable Energy Business	184	177	(6)
Adjustments	(3,656)	(0)	+3,655
<b>Total</b>	<b>17,998</b>	<b>7,177</b>	<b>(10,821)</b>

## Segment profit

(Million yen)

Business	FY2020 2Q	FY2021 2Q	Yr/Yr Change
Coal Production Business	1,010	1,378	+368
[of which, equity in net income of affiliates]	[28]	[-]	[(28)]
Coal Sales Business	60	53	(7)
[of which, equity in net income of affiliates]	[-]	[(4)]	[(4)]
Renewable Energy Business	103	102	(0)
Adjustments	-	-	-
<b>Total</b>	<b>1,173</b>	<b>1,534</b>	<b>+360</b>

## Major indexes

	FY2020 2Q Results	FY2021 2Q Results	Change	
Coal Production Business (Jan.–June results)	Sales volume: Thermal coal	0.55 million tons	0.63 million tons	+0.08 million tons
	Sales volume: Semi-soft coking coal	0.1 million tons	0.09 million tons	(0 tons)
	Average coal price: Thermal coal	US\$ 79.0	US\$ 89.6	US\$ +10.6
	Average coal price: Semi-soft coking coal	US\$ 91.7	US\$ 76.3	US\$ (15.4)
	Exchange rate: A\$/US\$ (average rate)	US\$ 0.65	US\$ 0.77	Stronger A\$ against US\$ +0.12
	Exchange rate: A\$/¥ (average rate)	JPY 71.2	JPY 83.1	Yen depreciation ¥+12.0

# Consolidated Balance Sheet

## Balance sheet

Mar. 31, 2021

Sep. 30, 2021

(Million yen)

	Amount	Ratio (%)	Amount	Ratio (%)	Change	Main factor behind changes
Current assets	40,777	57.7	35,807	54.4	(4,970)	Cash and deposits: (4,676); Inventory assets: (173)
Fixed assets	29,840	42.3	30,014	45.6	+174	Tangible fixed assets: +242, deferred tax assets: (119)
<b>Total assets</b>	<b>70,618</b>	<b>100.0</b>	<b>65,821</b>	<b>100.0</b>	<b>(4,796)</b>	
Current liabilities	25,492	36.1	19,925	30.3	(5,566)	Short-term debt: (4,806); Payables: (1,042)
Fixed liabilities	14,838	21.0	13,906	21.1	(932)	Long-term debt: (954)
<b>Total liabilities</b>	<b>40,330</b>	<b>57.1</b>	<b>33,832</b>	<b>51.4</b>	<b>(6,498)</b>	
<b>Total net assets</b>	<b>30,287</b>	<b>42.9</b>	<b>31,989</b>	<b>48.6</b>	<b>+1,702</b>	Quarterly net profit attributable to owners of parent: +1,853 Dividends paid: (653) Foreign currency translation adjustments: +504
<b>Total liabilities and net assets</b>	<b>70,618</b>	<b>100.0</b>	<b>65,821</b>	<b>100.0</b>	<b>(4,796)</b>	

## Other indicators

Mar. 31, 2021

Sep. 30, 2021

Change

Cash and deposits (including long-term deposits)	23,880	19,205	(4,675)
Debt	(22,562)	(16,801)	+5,761
Net cash and deposits	1,318	2,404	+1,086
Shareholders' equity ratio (%)	42.8	48.5	+5.7
Debt/equity ratio (times)	0.78	0.57	(0.21)

# Consolidated Balance Sheet (September 30, 2021)

## Balance sheet

Current assets 35.8 billion

- Cash and deposits 19.2 billion
- Accounts receivable 7.1 billion
- Inventory assets 6.7 billion

Current liabilities 19.9 billion

- Accounts payable 5.4 billion
- Debt 7.6 billion

Fixed liabilities 13.9 billion

- Debt 9.2 billion
- Leases 1.0 billion

Fixed assets 30.0 billion

- Tangible fixed assets 13.7 billion
  - [Buildings] [3.2 billion]
  - [Land] [7.5 billion]
  - [Leases] [2.9 billion]
- Intangible fixed assets 11.0 billion
  - [Goodwill] [10.7 billion]
- Securities 3.4 billion

Net assets 32.0 billion

Shareholders'  
equity ratio  
48.5%

Debt/equity ratio  
0.57 times

**Total assets:**  
**65.8 billion**

**Total liabilities and net assets:**  
**65.8 billion**



# Consolidated Cash Flows

## Cash flow

(Million yen)

	FY2020 2Q	FY2021 2Q	Main factors
Net income before income taxes	1,869	2,720	
Depreciation and amortization (including goodwill amortization expenses)	1,470	753	
Working capital	2,625	(815)	
Others	(1,352)	(473)	
<b>CF from operating activities</b>	<b>4,613</b>	<b>2,183</b>	
Changes in fixed assets	(537)	(269)	• Payment for acquisition of fixed assets
Investment securities	(747)	(7)	• Payment for acquisition of investment securities
Acquisition and sale of subsidiaries accompanying a change in the scope of consolidation	(2,099)	(389)	• Acquired shares in T SECURE
Others	4,780	3,153	• Increase in time deposits (more than three months)
<b>CF from investing activities</b>	<b>1,395</b>	<b>2,486</b>	
Changes in debt	3,413	(5,949)	
Payment of dividends	(649)	(661)	
Others	(93)	(91)	
<b>CF from financing activities</b>	<b>2,670</b>	<b>(6,702)</b>	
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>323</b>	<b>229</b>	
<b>Changes in cash and cash equivalents</b>	<b>9,003</b>	<b>(1,802)</b>	
<b>Cash and cash equivalents at beginning of period</b>	<b>10,188</b>	<b>19,293</b>	
<b>Cash and cash equivalents at end of period</b>	<b>19,192</b>	<b>17,491</b>	

# **FY2021 Consolidated Earnings and Dividend Forecasts**

# Revision to FY2021 Consolidated Earnings Forecast

- In light of recent business trends and other factors, the Company has revised its consolidated earnings forecast for FY2021, which was announced on May 12, 2021, as follows.
- As a result of the revision of the full-year consolidated earnings forecast, net sales, operating profit, ordinary profit, and net income attributable to shareholders of the parent company are expected to exceed the initial forecast due to the rise in coal prices in the Coal Production Business and the increase in orders in the Electronic Parts Business.

## Consolidated earnings results

(Million yen)

	FY2020 Results	FY2021 Initial forecast	FY2021 Revised forecast	Change from initial forecast	Yr/Yr Change
Net sales	57,378	39,900	47,000	+7,100	(10,378)
Operating profit [Operating profit before amortization of goodwill]	1,946 [2,613]	3,000 [3,656]	7,000 [7,556]	+4,000 [+4,000]	+5,054 [+4,943]
Ordinary profit	3,020	2,900	7,000	+4,100	+3,980
<b>Net profit attributable to owners of parent</b>	<b>(3,035)</b>	<b>2,000</b>	<b>4,000</b>	<b>+2,000</b>	<b>+7,035</b>
Dividend per share	50 yen	50 yen	60 yen	+10 yen	+10 yen

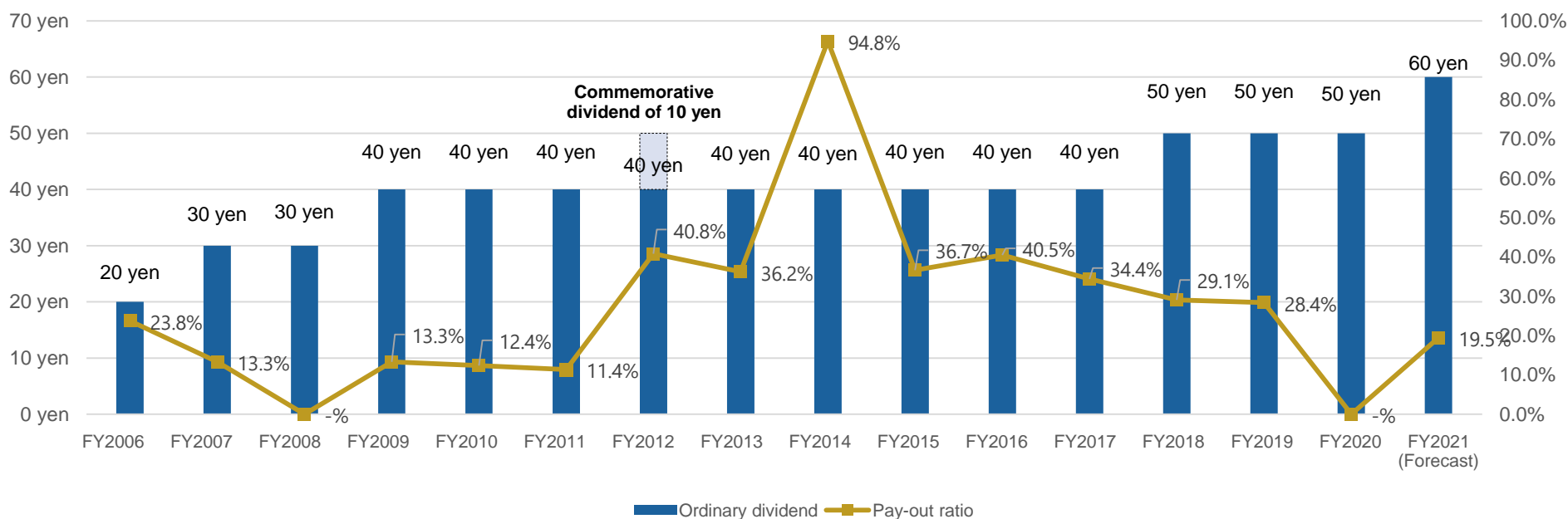
\* As the Company has applied the "Accounting Standard for Revenue Recognition" from the start of FY2021, the above consolidated earnings forecast is net sales after applying the said accounting standard.

\* 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.

# Revision to Dividend Forecast

## Dividend status and policy

- **The dividend forecast for the fiscal year ending March 31, 2022** has been revised to **60 yen**.
- The Company regards the return of profits to shareholders as one of its most important management policies. Accordingly, its basic policy is to continuously return profits to shareholders in line with the Company's business performance, while securing the necessary internal reserves to ensure stable corporate growth in the future and to respond to changes in the business environment.
- The target dividend payout ratio in the mid-term management plan (30% or more) will be used as a guide, but the final decision will be made based on a comprehensive perspective.



\* As the Company conducted a reverse stock split of 10 shares into 1 share effective October 1, 2016, the amount of dividends per share is calculated on the assumption that the reverse stock split was conducted.

# FY2021 Consolidated Segment Earnings Forecast

- Consumer Goods and Services Business Division: Increase in sales from initial forecast due to increase in orders in the electronic parts field, etc.
- Energy Business Division: Increase in sales and profits from initial forecast due to a rise in coal prices

## Net sales

Business	FY2020 Results	FY2021 Initial forecast	FY2021 Revised forecast	Change from initial forecast
Consumer Goods and Services	23,080	26,400	27,000	+600
Energy	32,985	12,100	18,000	+5,900
Others and adjustments	1,312	1,400	2,000	+600
<b>Total</b>	<b>57,378</b>	<b>39,900</b>	<b>47,000</b>	<b>+7,100</b>

## Segment profit

(Million yen)

Business	FY2020 Results	FY2021 Initial forecast	FY2021 Revised forecast	Change from initial forecast
Consumer Goods and Services [Before goodwill amortization]	1,572 [2,239]	2,800 [3,456]	2,800 [3,456]	- [-]
Energy	1,612	1,400	5,400	+4,000
Others and adjustments	(1,238)	(1,200)	(1,200)	-
<b>Total</b> [Before goodwill amortization]	<b>1,946</b> <b>[2,613]</b>	<b>3,000</b> <b>[3,656]</b>	<b>7,000</b> <b>[7,656]</b>	<b>+4,000</b> <b>[+4,000]</b>

\* Segment profit for the Energy Business includes equity-method investment returns [FY2020: 34 million yen; FY2021: (4) million yen].

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

\* Net sales in "Adjustments" include rent income of all-company assets; segment profit includes deduction of the aforesaid equity in net income of affiliates, all-company profit & expenses not allocated to each reporting segment, etc.

# Breakdown of Earnings Forecasts for Energy Business Division (1)

- Coal Production Business: Increase in sales and profits from initial forecast due to a rise in coal prices
- Coal Sales Business: Decrease in Sales from the previous fiscal year due to the Accounting Standard for Revenue Recognition applied in FY2021

## Net sales

Business	FY2020	FY2021 Initial forecast	FY2021 Revised forecast	Change from initial forecast
Coal Production Business	10,453	11,600	17,500	+5,900
Sales volume	1.30 million tons	1.27 million tons	1.43 million tons	+160,000 tons
Coal Sales Business	28,768	230	230	-
Sales volume	3.80 million tons	3.66 million tons	3.45 million tons	(210,000 tons)
Renewable Energy Business	317	300	300	-
Adjustments	(6,554)	(30)	(30)	-
<b>Total</b>	<b>32,985</b>	<b>12,100</b>	<b>18,000</b>	<b>+5,900</b>

## Segment profit

(Million yen)

Business	FY2020	FY2021 Initial forecast	FY2021 Revised forecast	Change from initial forecast
Coal Production Business	1,351	1,140	5,180	+4,040
[of which, equity method investment returns]	[34]	[-]	[-]	[-]
Coal Sales Business	103	120	120	-
Renewable Energy Business	157	140	100	(40)
Adjustments	-	-	-	-
<b>Total</b>	<b>1,612</b>	<b>1,400</b>	<b>5,400</b>	<b>+4,000</b>

# Breakdown of Earnings Forecasts for Energy Business Division (2)

## Major indexes

		FY2020 Results	FY2021 Initial forecast	FY2021 Revised forecast	Change from initial forecast
Coal production (Jan.–Dec. results)	Sales volume (thermal coal)	1.15 million tons	1.08 million tons	1.26 million tons	+180,000 tons
	Sales volume (semi-soft coking coal)	160,000 tons	180,000 tons	170,000 tons	(10,000 tons)
	Average coal price: Thermal coal (Average from Jan.–Dec.)	US\$ 71.8	US\$ 85.3	US\$ 116.2	+US\$30.9
	Average coal price: Semi-soft coking coal (Average from Jan.–Dec.)	US\$ 84.0	US\$ 71.9	US\$ 114.8	+US\$42.9
	Exchange rate: A\$/US\$ (average rate)	US\$ 0.68	US\$ 0.78	US\$ 0.76	Weaker A\$ against US\$ 0.02
	Exchange rate: A\$/¥ (average rate)	73.7 yen	85.0 yen	83.0 yen	Yen appreciation ¥2.0

\* Sales volume is the Company's ownership share (32.5%).

## Effect of exchange rate changes on operating profit

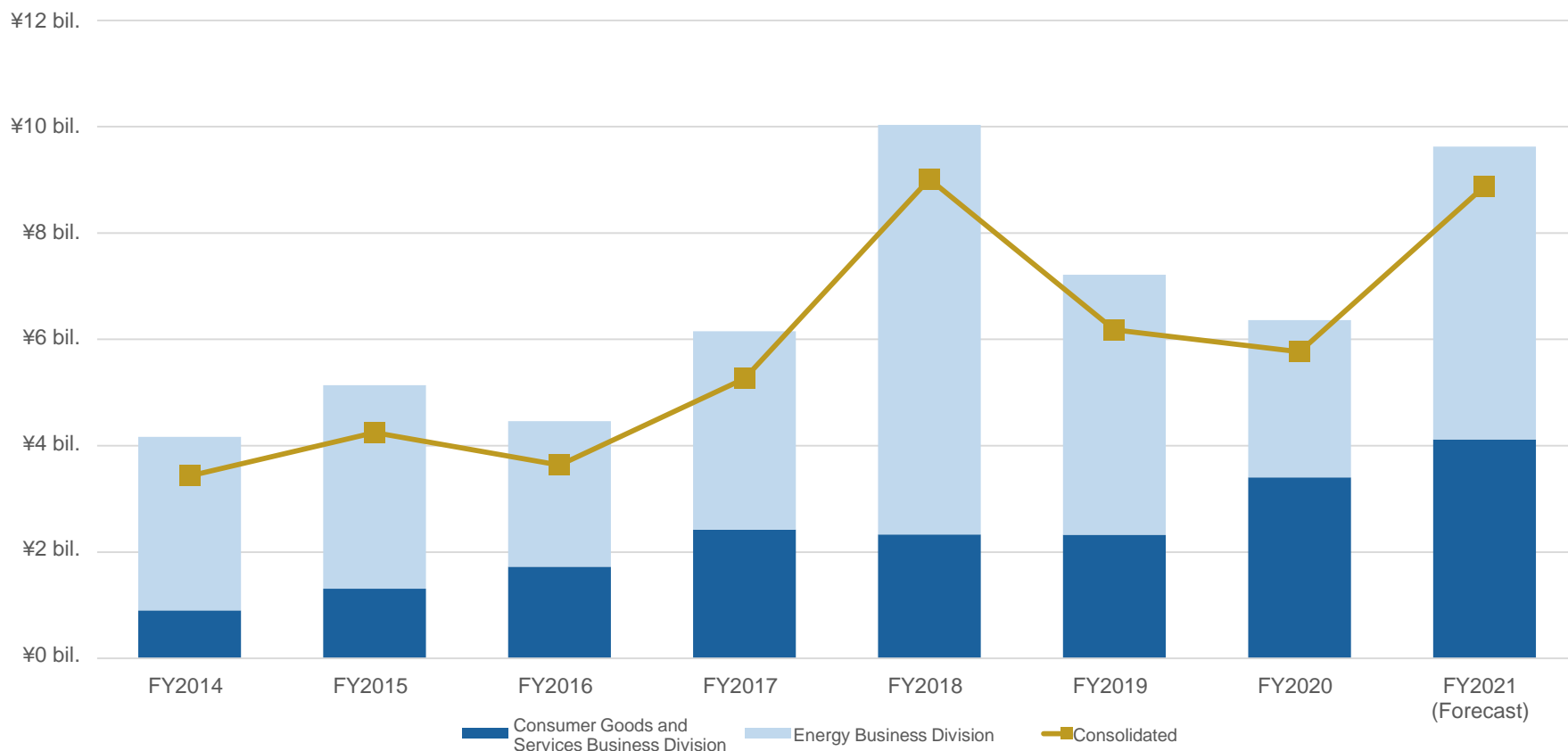
**A\$/US\$ Increase of approximately 0.07 billion yen per 1¢ depreciation of the Australian dollar**

\* Exchange rate sensitivity under unchanged coal prices (as of November 5, 2021)

# Trends in EBITDA

## Trends in EBITDA in the Energy Business Division, Consumer Goods and Services Business Division, and Consolidated Operations

- EBITDA in the Consumer Goods and Services Business Division increased steadily as a result of proactive efforts to develop and strengthen new businesses.
- EBITDA in the Energy Business Division increased significantly in FY2021 due to higher coal prices.



\* EBITDA = Ordinary profit + Interest expense + Depreciation and amortization + Amortization of goodwill

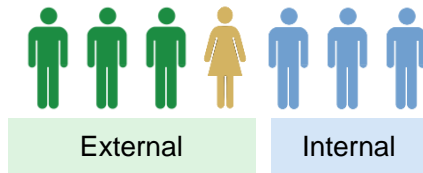


# Latest Topics

# Intention to select "Prime Market" as new market segment on the Tokyo Stock Exchange

- The Company received the results of its initial assessment from the Tokyo Stock Exchange ("TSE") on July 9, 2021, confirming that the Company complied with the listing criteria for the Prime Market of the new market segments.
- The Board of Directors resolved at its meeting held on September 10, 2021 to select the Prime Market of the new market segments of the TSE, and the listing of the Company is scheduled to be transferred on April 4, 2022.
- Establish the high level of governance required by the Prime Market

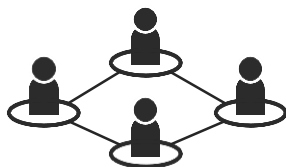
## Governance status of the Company



As part of its governance, the Company has appointed four independent external directors (a majority of the Board of Directors): two lawyers with expertise in corporate legal affairs, including one woman, and two with management experience at other companies.



The Company formulated a mid-term management plan in November 2018 and is reclassifying its business portfolio to establish a revenue base that is not dependent on the Coal Production Business.



The Company is striving to strengthen Group governance through organizational operations such as the Risk Management Committee and the Compliance Committee as part of its efforts to develop stronger internal controls and a proactive company-wide risk management system.

# **Businesses of the Mitsui Matsushima Group**

# **Consumer Goods and Services Business Division**

# Main Businesses in the Consumer Goods and Services Business Division

## Investment policy

**Stable revenues**

**Niche markets**

**Easy to understand**

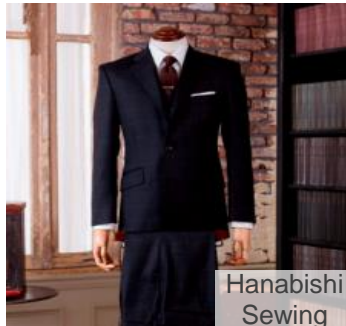
## Main Businesses

**Beverage & Food Packaging Business**



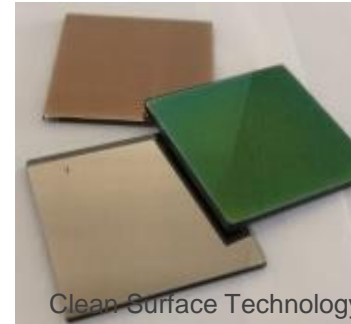
Nippon Straw

**Fashion Business**

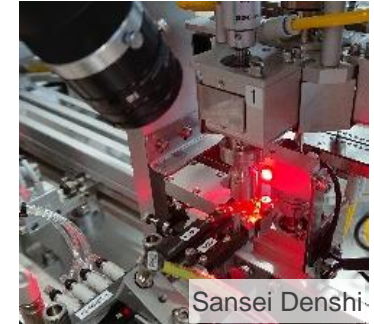


Hanabishi Sewing

**Electronic Parts Business**



Clean Surface Technology



Sansei Denshi

**Office Equipment**



Meiko shokai

**Pet Business**



KMT

**Housing-related Materials**



Systemch Kyowa

# Beverage & Food Packages Business



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

## Overview and outlook

- 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 its major customers (leading dairy and beverage manufacturers, etc.), the firm maintains a stable transaction base and has shown a strong operating performance.
- Sales of straws for restaurants are expected to be sluggish due to the COVID-19 pandemic, but the impact on other areas is limited, and **business results are expected to remain strong.**

## Major products



Telescopic straws



Single straws



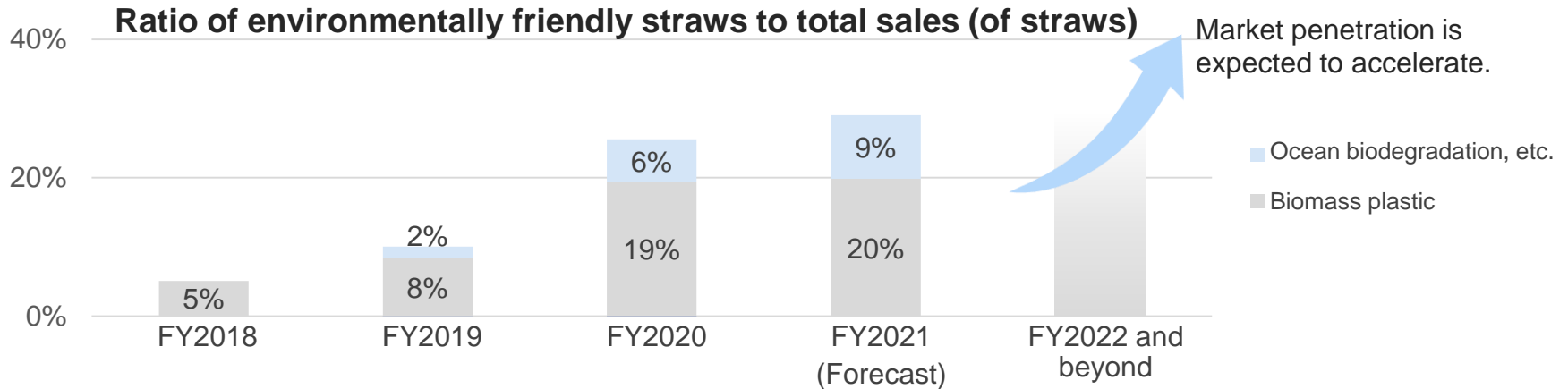
Drinking cups

## Initiatives

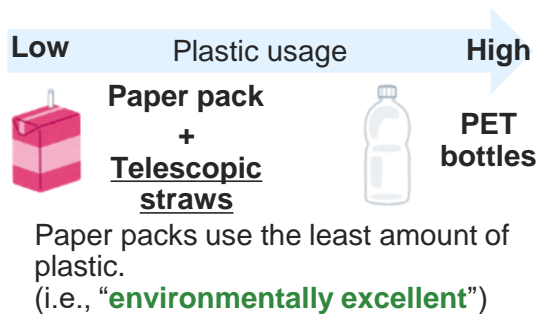
- On September 10, 2021, the Nippon Straw Kumamoto Plant acquired the FSSC 22000 international certification standard.

# Nippon Straw - “Initiatives for environmentally friendly materials”

- Nippon Straw **plans to commercialize the world’s first marine biodegradable plastic telescopic straws** in FY2021 (as of May 12, 2021).
- Environmentally friendly straws are in a transitional stage of market penetration.
- Environmentally friendly straws (mainly, biomass plastic and marine biodegradable plastic straws) are expected to replace existing plastic straws at an accelerated rate.



## Telescopic straws in future



The Ministry of the Environment is discussing the possibility of charging for straws, but they are expected to remain free.

## Classification of major environmentally friendly straws

	Present	FY2021 and beyond
<b>Biomass plastic</b> ✓ Mainly made from sugarcane ✓ Carbon neutral	<b>Main applications</b> Telescopic straws  <b>Sales destinations</b> Major dairy and beverage manufacturers	Telescopic straws  Major dairy and beverage manufacturers
<b>Marine biodegradable plastic</b> ✓ Made from vegetable oil, etc. ✓ Decomposes into water and CO2 under various conditions such as in the sea	<b>Main applications</b> Single straws  <b>Sales destinations</b> Major convenience stores	Single straw + <b>telescopic straw</b>  Major convenience stores + <b>major dairy and beverage manufacturers</b>

# Fashion Business



HANABISHI  
THE TAILOR OF JAPAN SINCE 1935

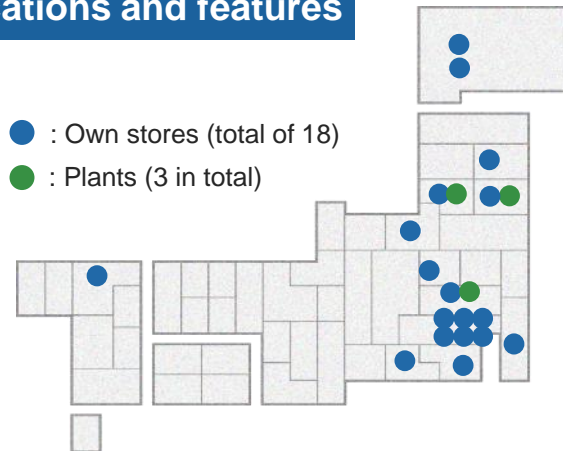
## Hanabishi Sewing Co., Ltd.

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

### Overview and outlook

- Acquired shares in October 2015.
- Founded in 1935. Hanabishi Sewing is **a pioneer in custom-made suits**, receiving a high evaluation from consumers.
- The custom-made suit market continues to face a difficult environment, but Hanabishi Sewing has overcome the decline in demand by focusing on the shift to casual office wear.

### Locations and features



### Initiatives

#### Market environment

- More players have entered the custom-made suit market, including major men's clothing stores.
- The COVID-19 pandemic has accelerated the trend of telecommuting and reduced the demand for suits.

#### Initiatives in FY2021

- In addition to strengthening its response to casualization, the company enhanced its profit structure through the following measures.
  - ✓ **Expanded outsourced production and reduced fixed costs**
  - ✓ **Focused on high-margin sales channels**

#### Fully domestic sewing



#### Wide variety of fabrics



#### Response to casualization





# Electronic Parts Business



## CLEAN SURFACE TECHNOLOGY Co., Ltd.

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

### Overview and outlook

- Acquired shares in February 2017.
- Established in 1977 as **Japan's first manufacturer specializing in mask blanks**, CST sells products to leading domestic and foreign manufacturers and maintains **a quality customer base**.
- Since many of its products are consumed in the product development process of its customers, the impact of the sales trends of final products is relatively limited, and **business performance remains stable**.

### Product overview

Manufacture of mask blanks

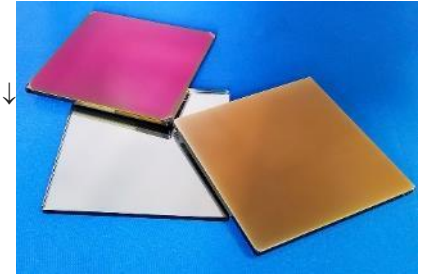
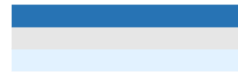
Mask blanks are materials used to draw circuit patterns for semiconductors, and play a role similar to that of an original print plate.



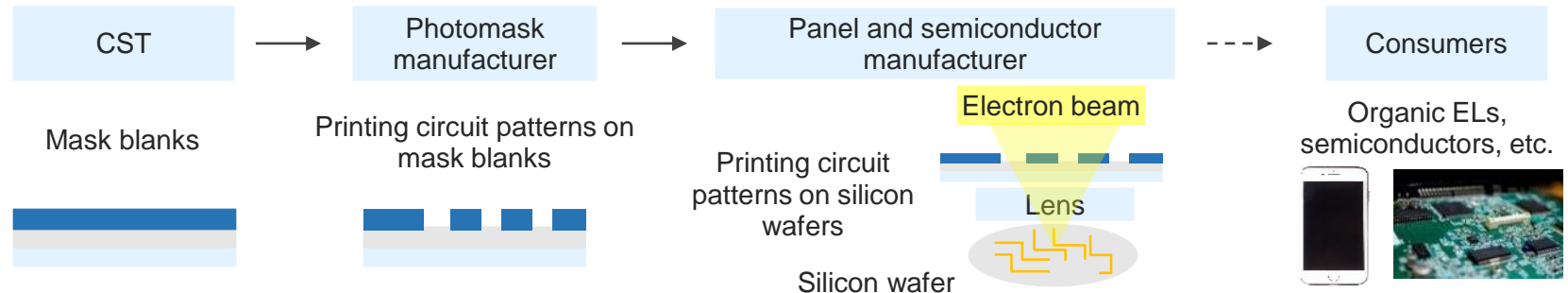
Glass substrate

A thin metal film such as chrome is uniformly applied to a glass substrate.

↓ Photosensitive material ↓  
↓ Metal films such as chromium ↓



Sales destinations and applications



# Electronic Parts Business



**Sansei Denshi Co., Ltd.** (<http://www.sanseidenshi.co.jp/>)

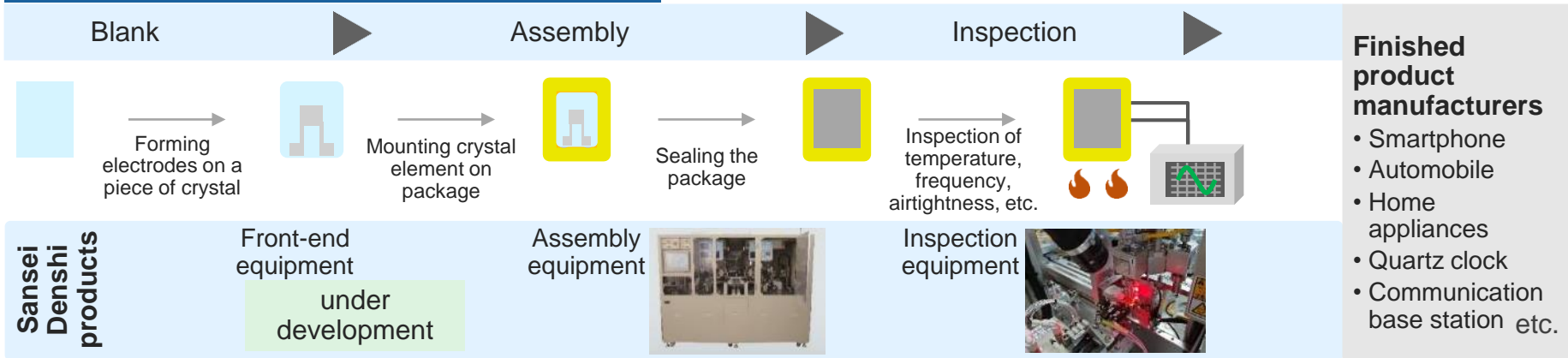
## Overview and features

- Acquired shares in April 2020.
- **The only equipment manufacturer in Japan capable of building in-line systems** covering a wide range of manufacturing processes from assembly to inspection for crystal devices. The company has strengths in advanced technology; strong relationships with customers; and price competitiveness.
- The company **forecasts strong sales for FY2021**, as demand for machinery and equipment has increased along with demand for semiconductors and electronic components.

**What are crystal devices?**

Electronic parts that use the (reverse) piezoelectric effect concerning crystals (the nature of vibrating rapidly and accurately when a voltage is applied).  
 Electronic components installed in any electronic device and essential especially for wireless connectivity devices (smartphones, etc.)  
 Applications are expected to expand in growth sectors, such as the use of electronics in motor vehicles and 5G support in communications infrastructure.

## Manufacturing process for crystal devices



## Initiatives

- In FY2021, the company developed and started selling in-line systems that cover the entire blanking process. The development of specialized equipment that had not existed in the market enabled the company to differentiate itself from rivals.

# Office Equipment Business



Meiko Shokai Co., Ltd. (<https://www.meikoshokai.co.jp/>)

## Overview and features

- Acquired shares in April 2019.
- Started to manufacture and sell Japan's first shredders in 1960. Has established its status as a leading company in Japan through 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.**
- Despite concerns about a decline in demand due to the spread of remote work, the company **expects its business performance to remain stable** due to rising security awareness and demand for office relocations.

## Major products

### MS Shredder

A wide variety of products for different applications

1. Small, large and special machines
2. Can shred 20–100 sheets of paper or more
3. Can shred paper to less than 10 mm<sup>2</sup>\*

\* The world's smallest shred size

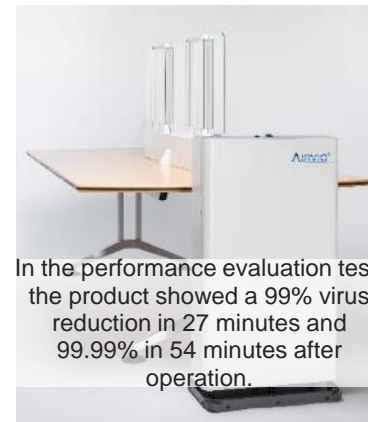


### Automated reception system MS Voice Call NEO



### New product

### MS UV-C system AIRVIO+



In the performance evaluation test, the product showed a 99% virus reduction in 27 minutes and 99.99% in 54 minutes after operation.

## Sales and after-sales service network

### Network covering all of Japan

- ... Sales/service bases



## Initiatives

- In August 2021, the company converted T SECURE INTERNATIONAL CO., LTD., a partner factory for shredder production in Thailand, into a subsidiary. This contributes to the stable supply of shredders, improved product development capabilities, and lower manufacturing costs.



## KMT Corporation (<https://kmt-dogfood.com/>)

### Overview and features

- Acquired shares in April 2020.
- KMT is engaged in the planning/sales of **high-quality premium pet foods** based on preventive medicine. It develops products focusing on the health of pets, by using ingredients equivalent to those a human being could eat and by not using additives, coloring agents, and byproducts. Its products have been **highly evaluated by pet breeders and veterinary hospitals across the country**, having strong brand power and a high market share in the high-quality healthy premium pet food market.
- The number of new dog and cat owners is on the rise, and demand for the company's products is expected to increase, so earnings are expected to **remain stable**.

### Major products



Focusing on maintaining health from the perspective of the oral cavity environment  
Attaching importance to raw materials and using fresh materials

Example of active ingredients

- ◆ Useful for improving the oral cavity environment  
**K12 (probiotic bacteria within the oral cavity)**
- ◆ Useful for improving the intestinal environment  
**EF2001 lactic acid bacillus**
- ◆ Useful for maintaining the health of joints  
**Glucosamine, chondroitin**
- ◆ Abundant  $\beta$ -glucan

**Agaricus**



High-quality foods containing rich nutrients and helping to improve the immune system and self-healing power

Example of active ingredients

**EF2001 lactic acid bacillus**

**Glucosamine, chondroitin**

**Agaricus**

# Housing-related Material Business



## System Kyowa

(<http://www.systechkyowa.co.jp/>)

### Overview and features

- Acquired shares in February 2021.
- The company plans, manufactures, and sells housing-related materials such as door stoppers and earthquake-resistant latches. Owns its own factory in Thailand.  
The company **conducts integrated production within the group**, from planning **to tooling, molding, and assembly**. It has built strong business relationships through direct dealings with major housing and construction material manufacturers that boast **a high market share in the industry**. It also develops products and applies for patents jointly with other companies.
- The COVID-19 pandemic temporarily depressed economic indicators related to housing starts, but the market is currently on a recovery track and is expected to **remain firm in the future**.

### Major products

Door stoppers



Seismic latches



Door pulls



Casters



### Strengths

#### Cost competitiveness

- Own plant (Thailand)
- Direct sales system

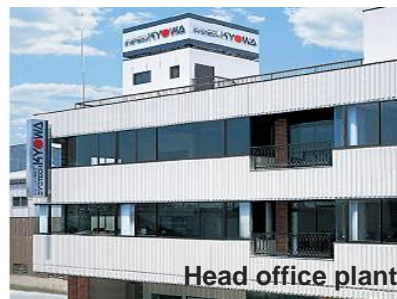
#### High technological capability

- Advanced product development capability
- Patents

#### Strong relationships with business partners

- Proposal-based marketing
- Joint development

### Locations



Head office plant

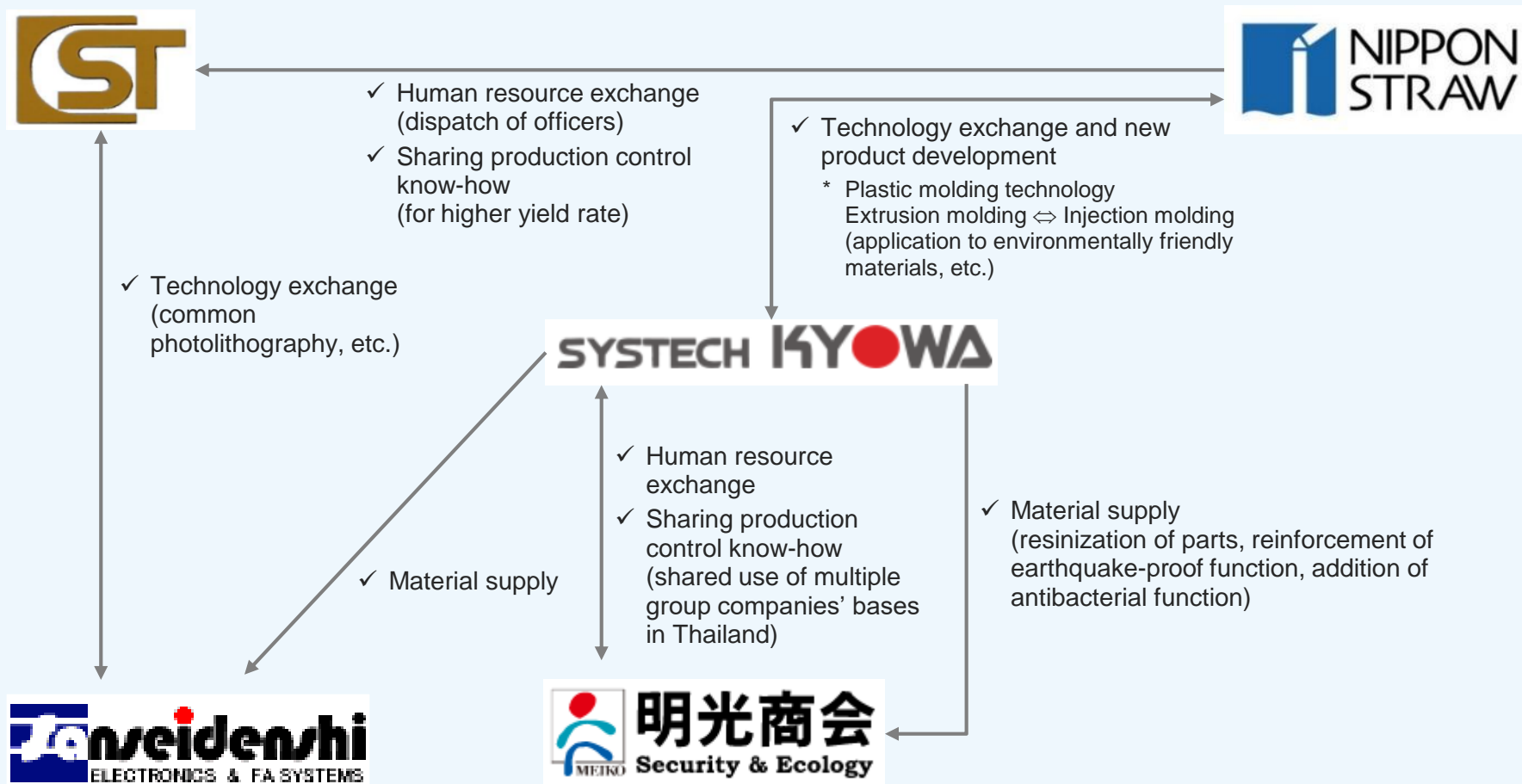


Thai plant



# Group Synergy

- The Company has created synergies as a result of sharing common know-how, etc. in the manufacturing industry.
- In addition to synergies among group companies, concentrating head office functions in Holdings is expected to generate cost reduction effects.



# Nursing Care Business



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

### Overview and features

- 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” (81 rooms) coordinated with medical care. (Pine Garden Fujisaki: 26 rooms, Pine Garden Muromi: 55 rooms)
- Based on the concept “**Wishing to have my parents reside here, I also wish to reside here in the future,**” the firm is engaged in the nursing care business (in-home care service, home-visit nursing care, outpatient day nursing care) that offers peace of mind to its users while meeting the needs of Japan’s super-aged society.

### Facilities under management

Pine Garden Fujisaki



Pine Garden Muromi



### Management concept

- Taking initiatives to improve the nursing care level of users and focusing on **creating facilities to have users 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.



# **Energy Business Division**



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

## Liddell Coal Mine in Australia

### Overview and features

- Operational structure : Joint venture between local unit Mitsui Matsushima Australia Pty. Ltd. (32.5%) and Glencore (67.5%)
- High-quality thermal coal and coking coal (semi-soft coking coal) are produced (approximately 90% thermal coal) and shipped mainly to Japan.
- Reserves : 850 million tons  
(Proven reserves: 210 million tons; probable reserves: 240 million tons; possible reserves: 400 million tons)  
Recoverable reserves: 11 million tons  
(volume in mining areas approved by the state government as of December 2020)
- Production : Raw coal 5.23 million tons  
Charcoal 3.56 million tons (2021 forecast)

### Locations

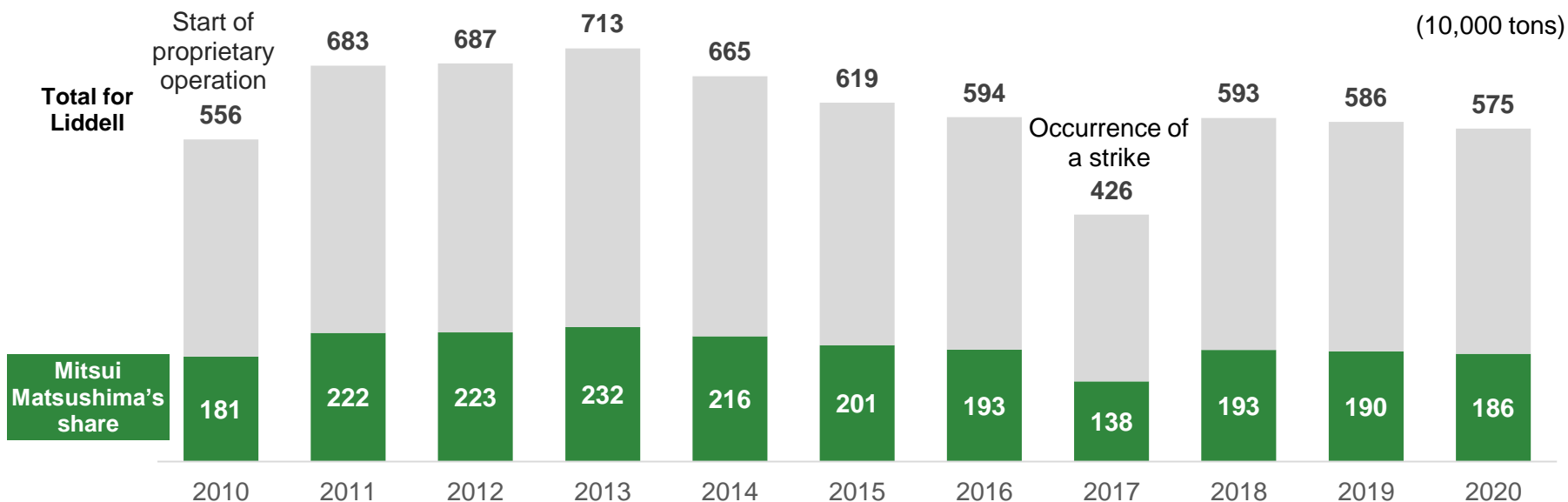


### Place of production



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

## Liddell Coal Mine production (raw coal) results



- Mining areas currently approved by the state government are **scheduled to be terminated by the end of FY2023**. The total sales volume for the next two years (FY2022 and FY2023) will decrease to approximately 4–5 million tons (\*1), and coal mining costs are expected to increase.
- However, extending the mining area **will require upfront investment**, so the company will consider **early withdrawal** as **an option**, taking into account the surrounding environment and profitability.
- The company is currently applying to obtain local environmental and other permits, and the authorities are expected to make a decision by the end of 2022. The company plans to examine the investment amount, mining period, profitability and other factors related to the extension of the mining area afterwards, so the specific timing for determining whether or not to extend the mining has not been decided at this time.

\*1 Different from the coal production in the figure above. For details, please refer to the "Notice Concerning Forecast of Production and Sales Volume in Coal Production Business" disclosed on November 5, 2021.

## Mitsui Matsushima Co., Ltd. (coal sales)

### Overview and features

- On October 1, 2018, the Coal Sales Business was newly established by divesture following the shift to a holding company structure.
- Selling coal to electric power companies, steel companies, etc. in Japan.
- The company earns commissions based on the volume of coal handled, so the impact of coal price fluctuations on profits is limited.
- Sales will be significantly impacted by the new Accounting Standard for Revenue Recognition to be applied from FY2021.

## MM Energy Co., Ltd. (renewable energy)

### Overview and features

- 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.
- The company implemented output restrictions 64 times in FY2020 based on output control instructions of Kyushu Electric Power.



General view of Tsuyazaki Power Station

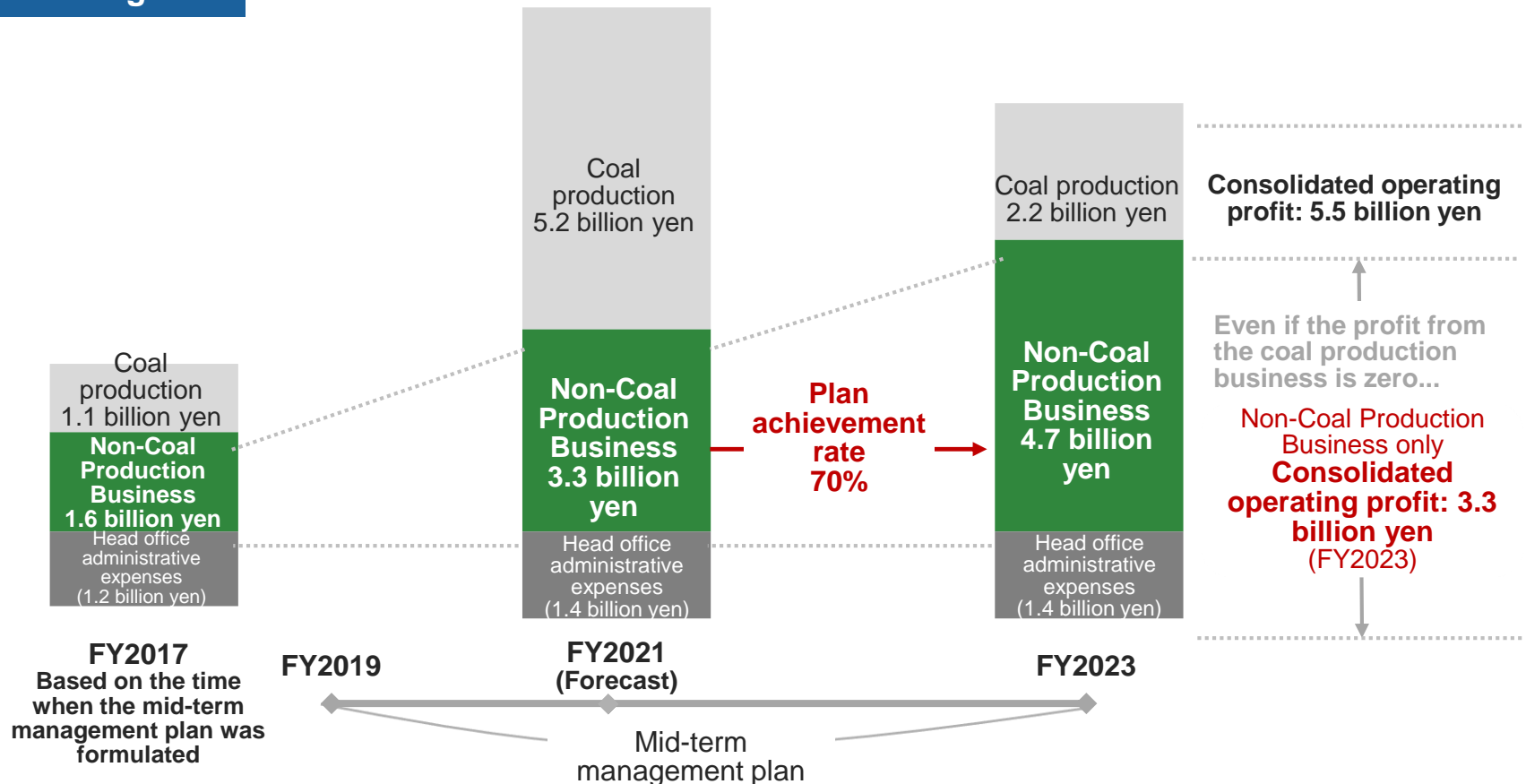
# **Progress of the Mid-Term Management Plan**

# Progress of the Mid-Term Management Plan

## Plan overview

- By achieving the mid-term management plan (profit from Non-Coal Production Business: 4.7 billion yen), the Company intends to **continue its shareholder return policy focusing on stable dividend payment due to its sufficient profit base**, even if the profit from the coal production business is reduced to zero.

## Profit target



\* The figures for FY2021 are forecasts as of present.

# Reference Materials

## Sustainability overview

At the Mitsui Matsushima Group, we have established the Basic Sustainability Policy, and are strongly aware that developing a sustainable society is the foundation for the development of our new businesses, and are implementing a variety of initiatives to contribute to the needs of society in each of our business domains. For more information about the Group's specific activities, please visit our website. (<https://www.mitsui-matsushima.co.jp/csr/index.html>)

## Examples of initiatives

Nippon Straw Co., Ltd.



### Commenced sales of straws made from originally developed environmentally friendly materials

- Manufacturing and selling environmentally friendly products such as low environmental impact products (biomass PE straws), environmentally friendly products (marine biodegradable straws), and paper straws



MM Life Support Co., Ltd.



### Contributing to a super-aging society through the Nursing Care Business

- Management of serviced senior housing for safe and secure living for the elderly
- Providing nursing care services that meet the lifestyles and care levels of residents



MM Energy Co., Ltd.



### Contributing to the reduction of environmental impact through solar power generation

- Operating a 6 MW solar power plant in Fukutsu City, Fukuoka Prefecture.
- Participating in local streetscape preservation and other activities



Mitsui Matsushima Holdings Co., Ltd.



### Preservation of historical cultural property "Mitsui Minato Club"

- Contributing to the preservation of important buildings in the landscape based on the Landscape Law, modern industrial heritage certified by the Ministry of Economy, Trade and Industry, and tangible cultural properties designated by Omuta City, Fukuoka Prefecture





# Trends in the Coal Market

## Coal market information

(US\$/Mt) "global COAL" INDEX, Australia Newcastle Port Load, Trend in Standard-Quality Thermal Coal Index



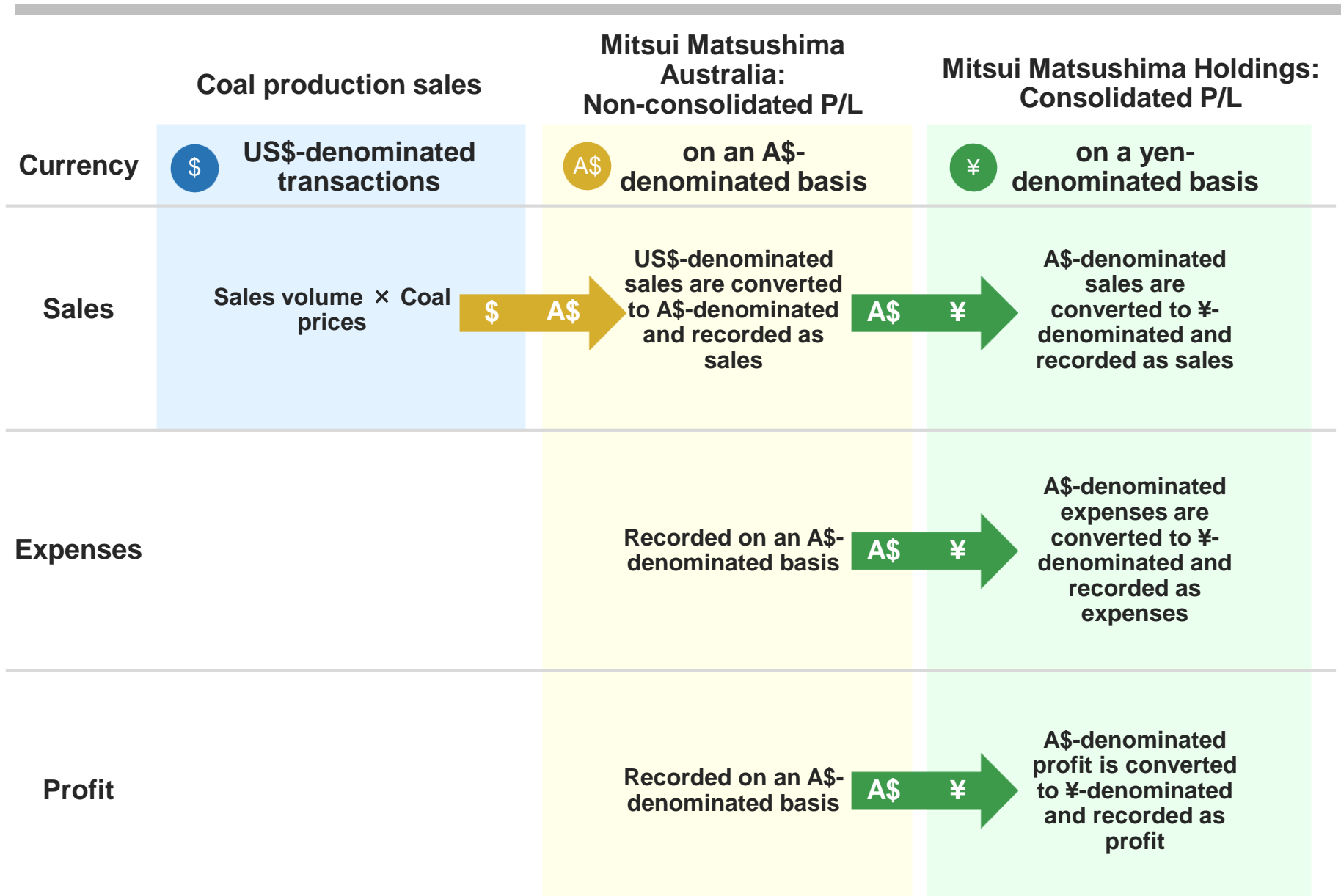
(US\$/Mt)		2018				2019				2020				2021			
		Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	
Coking coal*	Heavy coking coal	237	197	188-189	212-213	210-211	207-208	177-178	141-142	147-148	136	110	116	122	117	203	
	Semi-soft coking coal	150	132	129	135	132	129	115	107	100-104	95-104	82-86	87-91	91-92	93-94	149	
Thermal coal	Apr. contract	84.97	110.00				94.75				68.75				109.97		
	Oct. contract	94.75			109.77				72.75				NA				
Foreign Exchange	US\$/A\$	US\$0.74				US\$0.69				US\$0.78				US\$0.76			
	Yen/A\$	82.6 yen				75.8 yen				85.0 yen				82.3 yen			

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

\* The coal prices in the table above are benchmark prices, which are used as the basis for transaction prices, and do not represent the Company's actual transactions.



# Impact of FX in Coal Production Business



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