

Presentation of Financial Results for the Third Quarter Ended December 2021



February 2022

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3Q FY2021 Financial Results

Consolidated Income Statement

Income Statement

(Million yen)

	FY2020 3Q	FY2021 3Q	Yr/Yr Change	Main factor behind changes
Net sales*1	40,611	33,740	(6,871)	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	1,333 [1,841]	4,887 [5,389]	+3,553 [+3,547]	Increase in profits in Consumer Goods and Services Business Division A rise in coal prices in the Coal Production Business
Ordinary profit	2,413	5,224	+2,810	Employment Adjustment Subsidy: 39 million yen [(271 million yen)] Foreign exchange gain: 320 million yen [(193 million yen)] → In the same period of the previous fiscal year, a one-time foreign exchange gain of 513 million yen was recorded due to the redemption of redeemable preference shares (RPS).
Quarterly net profit attributable to owners of parent	(3,210)	3,101	+6,312	In the same period of the previous fiscal year, extraordinary loss of 4,824 million yen was recorded (Impairment losses in the Coal Production Business, the Fashion Business and others)

*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: 62,097 million yen (+21,485 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 is comprised of 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 received 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** The Energy Business segment is comprised of the Coal Production Business ^(Note), the Coal Sales Business, and the Renewable Energy Business.
- (Note) The fiscal year end of overseas subsidiaries is December 31 (with a three-month gap), and the financial figures for January through September are used.

Net sales

Business	FY2020 3Q	FY2021 3Q	Yr/Yr Change
Consumer Goods and Services	16,668	20,040	+3,371
Energy <i>of which, Coal Sales Business</i>	22,968 19,481	12,708 175	(10,259) (19,306)
Others	992	1,041	+49
Adjustments	(17)	(50)	(32)
Total	40,611	33,740	(6,871)

Segment profit

(Million yen)

Business	FY2020 3Q	FY2021 3Q	Yr/Yr Change
Consumer Goods and Services [Before goodwill amortization]	936 [1,444]	2,111 [2,613]	+1,174 [+1,168]
Energy <i>of which, Coal Sales Business</i>	1,226 61	3,288 102	+2,061 +40
Others	117	120	+3
Adjustments	(947)	(633)	+313
Total [Before goodwill amortization]	1,333 [1,841]	4,887 [5,389]	+3,553 [+3,547]

* Segment profit for the Energy Business includes equity-method investment returns [3Q/FY2020: 27 million yen; 3Q/FY2021: 4 million yen].

* "Others" represent a business segment 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 this FY2021
Profit: Increase in profit due to an increase in commissions revenue

Net sales

Business	FY2020 3Q	FY2021 3Q	Yr/Yr Change
Coal Production Business	8,401	12,293	+3,892
Sales volume	1.02 million tons	1.08 million tons	+0.06 million tons
Coal Sales Business	19,481	175	(19,306)
Sales volume	2.65 million tons	2.52 million tons	(0.13 million tons)
Renewable Energy Business	253	239	(13)
Adjustments	(5,168)	(0)	+5,167
Total	22,968	12,708	(10,259)

Segment profit

(Million yen)

Business	FY2020 3Q	FY2021 3Q	Yr/Yr Change
Coal Production Business	1,033	3,063	+2,030
[of which, equity in net income of affiliates]	[27]	[-]	[(27)]
Coal Sales Business	61	102	+40
[of which, equity in net income of affiliates]	[-]	[4]	[+4]
Renewable Energy Business	131	121	(9)
Adjustments	-	-	-
Total	1,226	3,288	+2,061

Main indexes

	FY2020 3Q Results	FY2021 3Q Results	Change
Coal Production Business			
(Jan.–Sep. results)			
Sales volume: Thermal coal	0.89 million tons	0.93 million tons	+0.04 million tons
Sales volume: Semi-soft coking coal	0.13 million tons	0.15 million tons	+0.02 million tons
Average coal price: Thermal coal	US\$ 73.2	US\$ 103.6	US\$ +30.4
Average coal price: Semi-soft coking coal	US\$ 86.5	US\$ 105.9	US\$ +19.4
Exchange rate: A\$/US\$ (average rate)	US\$ 0.67	US\$ 0.76	Stronger A\$ against US\$ +0.08
Exchange rate: A\$/¥ (average rate)	72.8 yen	82.4 yen	Yen depreciation ¥+9.6

Consolidated Balance Sheet

Balance Sheet

		Mar. 31, 2021		Dec. 31, 2021		Change	Main factor behind changes
		Amount	Ratio (%)	Amount	Ratio (%)		
	Current assets	40,777	57.7	39,407	57.1	(1,370)	Cash and deposits: (2,844); Trade receivables: +2,629; Inventory assets: (656)
	Fixed assets	29,840	42.3	29,646	42.9	(193)	Intangible fixed assets: (192)
	Total assets	70,618	100.0	69,054	100.0	(1,563)	
	Current liabilities	25,492	36.1	22,821	33.1	(2,670)	Short-term debt: (2,546)
	Fixed liabilities	14,838	21.0	13,316	19.3	(1,522)	Long-term debt: (1,477)
	Total liabilities	40,330	57.1	36,137	52.3	(4,192)	
	Total net assets	30,287	42.9	32,916	47.7	+2,628	Quarterly net profit attributable to owners of parent: +3,101 Dividends paid: (653) Foreign currency translation adjustments: +246
	Total liabilities and net assets	70,618	100.0	69,054	100.0	(1,563)	

Other indicators

	Mar. 31, 2021	Dec. 31, 2021	Change
Cash and deposits (including long-term deposits)	23,880	21,036	(2,844)
Debt	22,562	18,538	(4,024)
Net cash and deposits	1,318	2,497	+1,179
Shareholders' equity ratio (%)	42.8	47.5	+4.7
Debt/equity ratio (times)	0.78	0.60	(0.18)

Consolidated Balance Sheet (December 31, 2021)

Balance Sheet

Current assets 39.4 billion

- Cash and deposits 21.0 billion
- Accounts receivable 9.7 billion
- Inventory assets 6.2 billion

Current liabilities 22.8 billion

- Accounts payable 6.1 billion
- Debt 9.8 billion

Fixed liabilities 13.3 billion

- Debt 8.6 billion
- Leases 0.9 billion

Fixed assets 29.6 billion

- Tangible fixed assets 13.5 billion
 - [Buildings] 3.1 billion
 - [Land] 7.4 billion
 - [Leases and other] 2.9 billion yen
- Intangible fixed assets [10.7 billion]
 - [Goodwill] 10.5 billion
- Securities 3.4 billion

Net assets 32.9 billion

Shareholders'
equity ratio
47.5%

Debt/equity ratio
0.60 times

Total assets: 69.0 billion

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

**FY2021 Consolidated Earnings
and Dividend Forecast
(Disclosed on November 5, 2021)**

FY2021 Consolidated Earnings Forecast

- In light of recent business trends and other factors, the Company has maintained its consolidated earnings forecast for the full year of FY2021 that was announced on November 5, 2021.

Consolidated earnings forecast

(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
Net profit attributable to owners of parent	(3,035)	2,000	4,000	+2,000	+7,035
Dividend per share	50 yen	50 yen	60 yen	+10 yen	+10 yen

* As the Company has adopted the “Accounting Standard for Revenue Recognition” starting from 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.

Latest Topics

Coal Production Business — Toward Termination of Liddell Coal Mine in Australia

Liddell Coal Mine in Australia

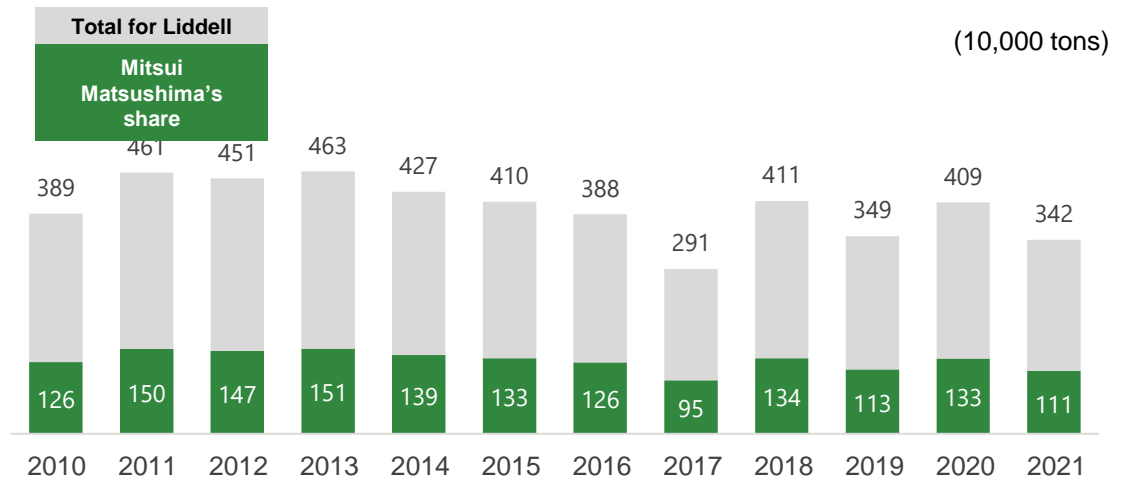
Overview and features

- Operational structure: Joint venture between local unit Mitsui Matsushima Australia Pty. Ltd. (32.5%) and Glencore (67.5%)
- High-quality thermal coal (approximately 90% of the total) and coking coal are produced and shipped mainly to Japan
- Production: Salable coal 3.42 million tons (2021 results)...Coal from which impurities such as soil, stones and ash have been removed to a certain extent
- Mining areas currently approved by the state government are **scheduled to be terminated by the end of the fiscal year ending March 2024**.
The total production volume **for the next two years (FY2022 and FY2023) in the above will decrease to approximately 4–5 million tons**, and **coal mining costs are also expected to increase**.
Meanwhile, **supported by strong coal market conditions, considerable profitability is expected** even for the period.

Place of production



Liddell Coal Mine production (salable coal)



Coal Production Business — Liddell Coal Mine in Australia: Issues with Extending the Mining Area

Issues with extending the mining area

- It is necessary to **obtain environmental permits at three levels** before extending the mining area to adjacent areas after the termination of the existing mining area during FY2023.
- There is a possibility that a review by the state government's environmental bureau, which is the first level, will be completed as early as February 2022. It will be followed by review procedure by the state government's independent committee and the federal government, with a final result expected to be given by the end of 2022.
On the other hand, the following issue is frequently cited in local media, etc.
- **Because there exist cultural establishments of the indigenous people in the extension area**, solutions including relocating those establishments to outside the area in extending the mining area have been proposed. However, given that there are indigenous people groups and citizens who strongly object to the relocation and that various laws, etc. to protect indigenous people's heritage are also involved, **decisions by the authorities at the state and federal governments are unpredictable.**

Promote M&A Investments Steadily Regardless of the Extension of Liddell Mining Area

Future response policy

- **FY2022 and FY2023** are expected to continue to see profitable coal production in the existing Liddell Mining Area, supported by strong coal market conditions, which will be a tailwind for new M&A investments pursued by the Company from the perspective of funds.
- Meanwhile, given that there are many uncertainties around the extension of the Liddell Mining Area (please see p. 13) **at the moment, a management strategy will be pursued based on the assumption that no profit from the Coal Production Business is expected for FY2024 and beyond.**
- Seek to **build new businesses consistently** according to the Mid-Term Management Plan (up to FY2023) to enhance the earnings base, **while expanding shareholder returns such as further increases in dividends and share buybacks.**

Progress of the Mid-Term Management Plan

Overview of the Mid-Term Management Plan

- In November 2018, the Mid-Term Management Plan for five years from FY2019 through FY2023 was formulated in anticipation of the arrival of a decarbonized society.
- By achieving the Mid-Term Management Plan, the Company intends to **aggressively provide shareholder returns due to its sufficient profit base**, even if the profit from the Coal Production Business is reduced to zero.

Progress: FY2021 forecast

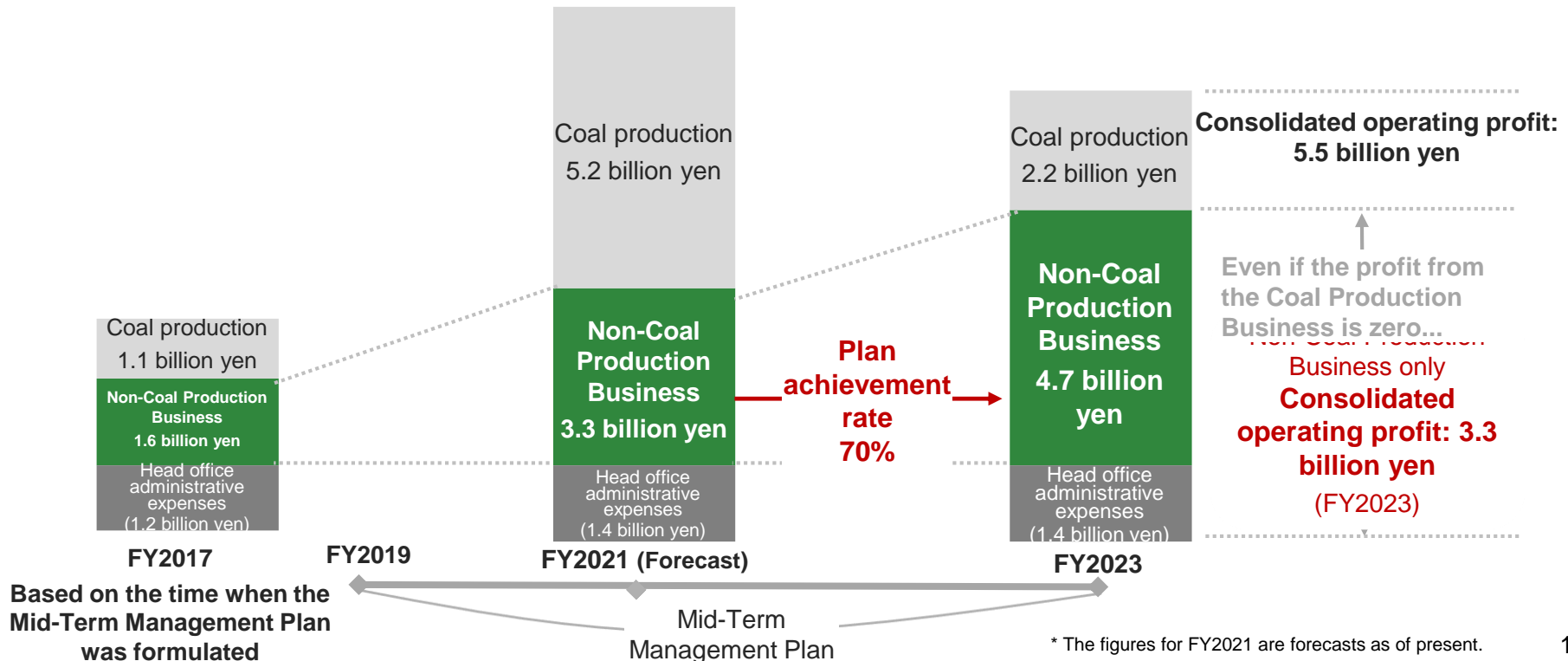
**Non-Coal Business profit:
3.3 billion yen**

* Profit before amortization of goodwill 4.0 billion yen

ROE: 12%

Return on investment: 18%

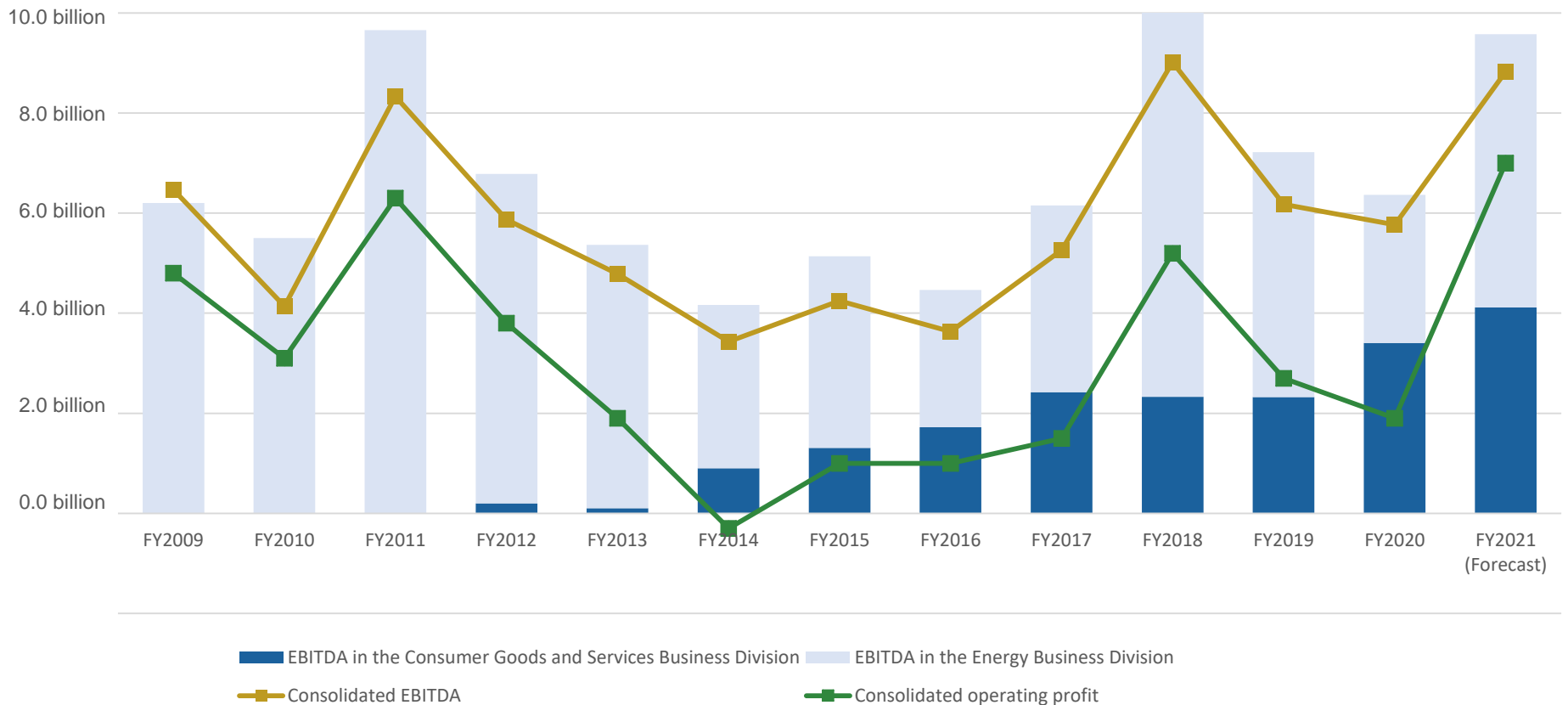
* Return on investment = Annual EBITDA / Cumulative investment amount



Trends in EBITDA and Consolidated Operating Profit

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

Hanabishi: Started Production Outsourcing to Miyuki Keori



HANABISHI
THE TAILOR OF JAPAN SINCE 1935



御幸毛織株式会社
MIYUKI

Overview

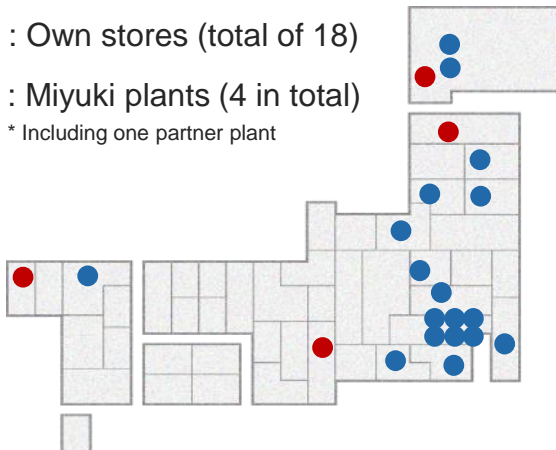
- In January 2022, Hanabishi decided to close all of its own plants with a substantial fixed cost burden and outsource production to Miyuki Keori, which boasts a long history and track record in manufacturing sewn products in Japan, in order to keep offering high-quality, custom-made suits of the “HANABISHI” brand at the existing 18 stores.
- **Miyuki Keori**, the leading and one of the oldest clothing fabric brands in Japan, manufactures clothing fabric and custom-made suits at its own and group plants, and is highly evaluated by **leading department stores and custom-made suits shops** across Japan (please see below).

Locations

● : Own stores (total of 18)

● : Miyuki plants (4 in total)

* Including one partner plant



Miyuki Keori: Company overview

Founded in	1905
Main businesses	Manufacture and sales of men's clothing fabrics, men's clothing and ancillary items
Group company	Miyuki Sewing Co., Ltd.
	In 2016, Miyuki Sewing was certified as a three-star company, the highest rank, as an excellent sewing plant in Japan in the easy custom-made section by IACDE (International Association of Clothing Designers and Executives)

Growth opportunities for Nippon Straw: Impact of the “Act on the Promotion, etc. of Plastic Resource Circulation Systems”

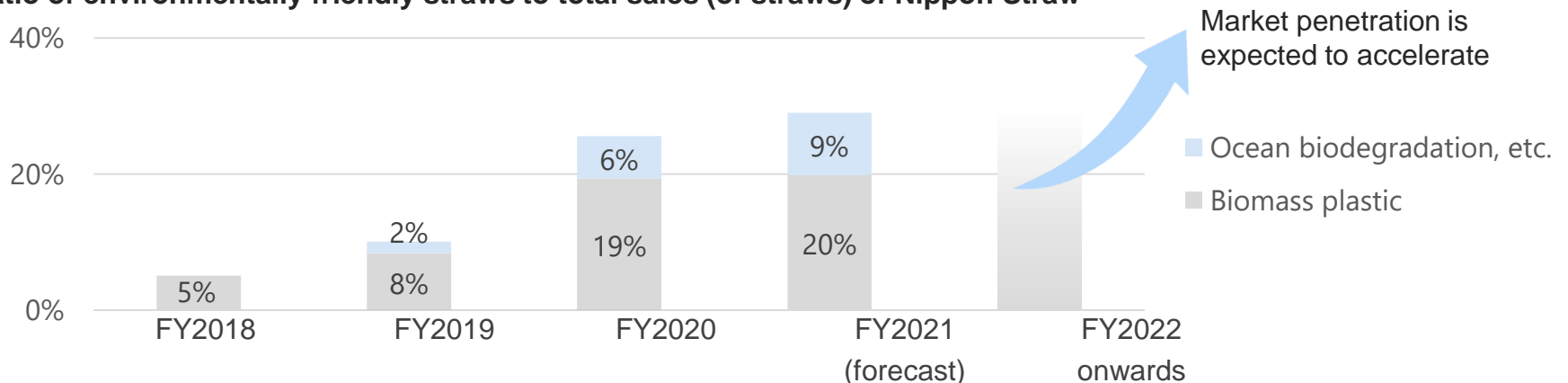
Overview

- The enforcement regulations for the “Act on the Promotion, etc. of Plastic Resource Circulation Systems” were approved by the cabinet on January 14, 2022, and will be effective from April 1
- The Act is intended to take measures to promote initiatives for plastic resource circulation, etc. by all types of entities
- As part of the product design guidelines for manufacturers, **it also includes considering the use of biomass plastic and biodegradable plastic**

Initiatives by Nippon Straw Co., Ltd.

- **Nippon Straw succeeded in commercializing the world’s first marine biodegradable plastic straws** in FY2021
- A shift from conventional plastic straws to straws made of environmentally friendly materials is expected to further accelerate in response to the enforcement of the Act. This should help Nippon Straw, which has a superior customer base including leading drink makers and convenience store chains, **to increase its market share further and improve on the unit price and profitability due to switching from conventional plastic straws**

Ratio of environmentally friendly straws to total sales (of straws) of Nippon Straw



Professional In-house M&A Team

Professional In-house M&A Team to Realize Continuing Growth

- **Built internally** a team of FA (financial advisors) **comprised of financial industry professionals with abundant M&A experience**
- **Extensive network with leading M&A players and investment funds** that has been acquired through an M&A track record accumulated over many years
- Prompt decision making, consistent investment focus, accumulation of know-how, and **improved ability to make judgment** by making the FA team an in-house group
- **Strong commitment to realizing expected post-acquisition returns** by conducting due diligence (DD) and evaluation on our own

M&A promotion system

- Practical experience cultivated at M&A advisory firms in Japan and abroad over many years
- Ability to execute as a person in charge of new M&A at Mitsui Matsushima

Promotion of prompt review of deals
Coordination with the frontline so that opportunities will not be missed

Board of Directors

- The majority of members are Outside Directors who are thoroughly familiar with M&A, contributing to accurate consideration and judgment

- Discuss deals and decide on investment

**President
(Lead as an M&A expert)**

- Deals examined by top management
- Meet with the top executives of potential investees and sellers

Efficient aggregation and sharing of information
Identification of potential deals that match our investment policy

Business Planning Dept.

- Executive Officer in charge was previously at M&A advisory firm
- Staffed by certified public accountants, persons with M&A experience and those from the financial industry

- Primary judgement on deals (rigorous screening)
- Formation of a deal team, and concurrent pursuit of multiple deals

- Increase in sourcing channels and deals referred through accumulated M&A track record and improved name recognition

Sourcing channels

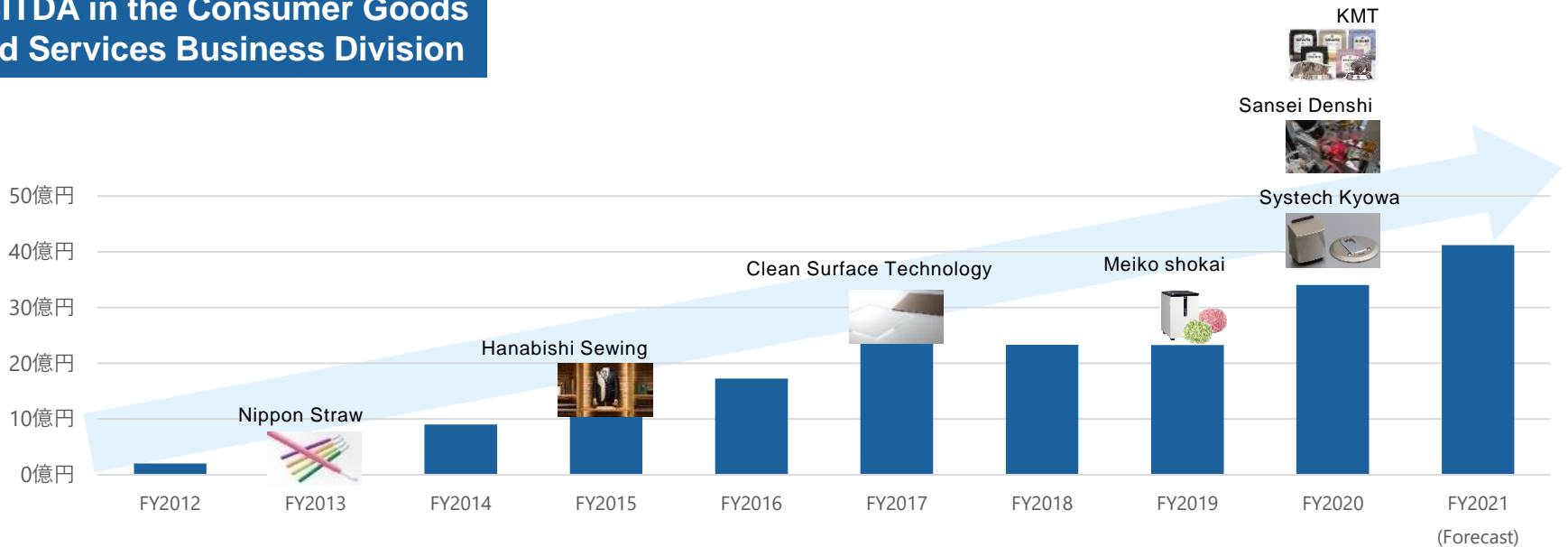
Banks / Securities companies / M&A intermediaries / Investment funds / Companies & individual shareholders

Steady M&A Track Record

M&A track record

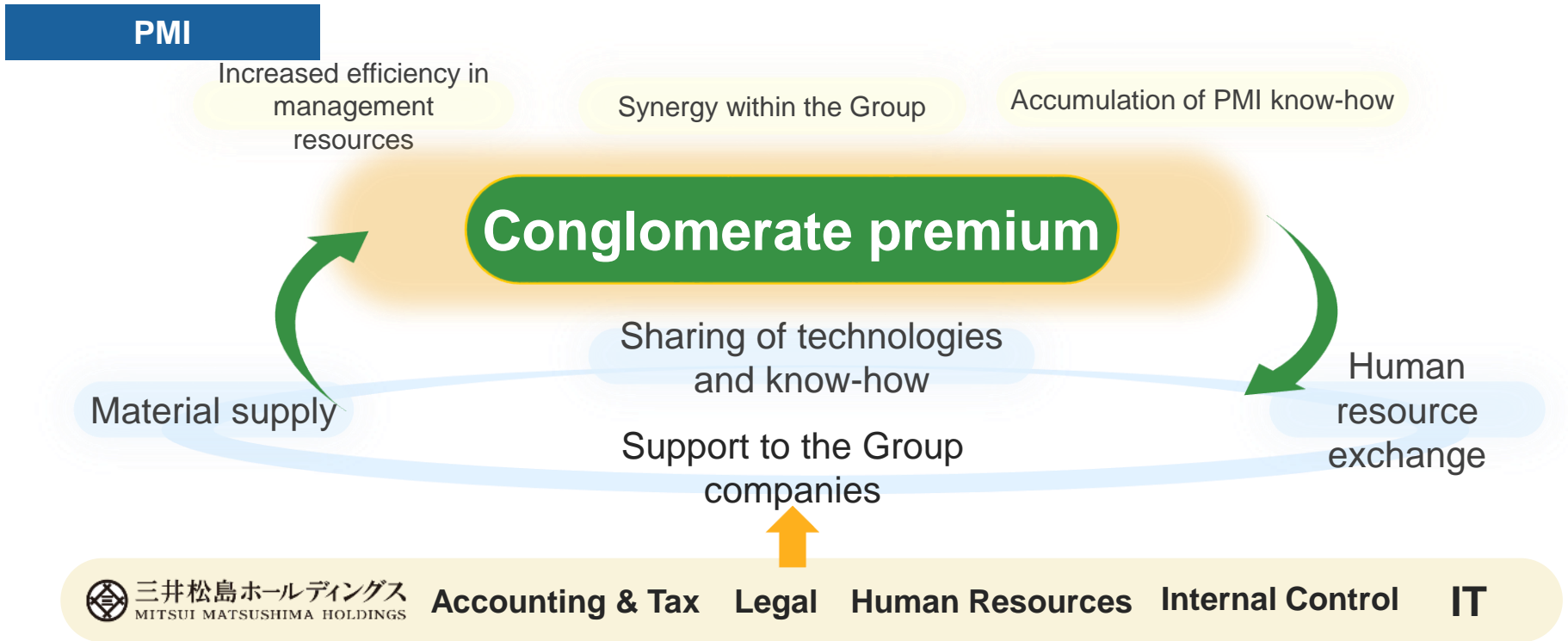
- In order to make sure to build a decarbonized portfolio, **a team of M&A professionals** executes M&As steadily **to achieve growth in profit that does not depend on the Coal Business**
- Continue to work on the selection of and research on **specific new M&A investment targets**, seeking to deliver on the goal under the Mid-Term Management Plan (p. 15)
- In executing M&A deals, select ones carefully from extensive sourcing channels and execute acquisition at an appropriate price. Also, accumulate know-how in post-merger integration (PMI) after the acquisition and ensure efficient PMI

EBITDA in the Consumer Goods and Services Business Division



Hands-on PMI by Internal Human Resources and Cost Synergy

- M&A and PMI know-how has been accumulated through steady M&A deal flows, and synergy across the Group is also emerging, creating a conglomerate premium for the entire Group. While the profit of the Non-Coal Business has certainly been growing, effective use of management resources is realized, as seen in the fact that the number of employees at Holdings has not increased.



Examples of efficient use of management resources

Number of the Group companies due to M&A: **4** at the end of March 2019 ⇒ **7** at the end of March 2021^(*1)

Number of the employees at Holdings^(*2): **42** at the end of March 2019 ⇒ **42** at the end of March 2021

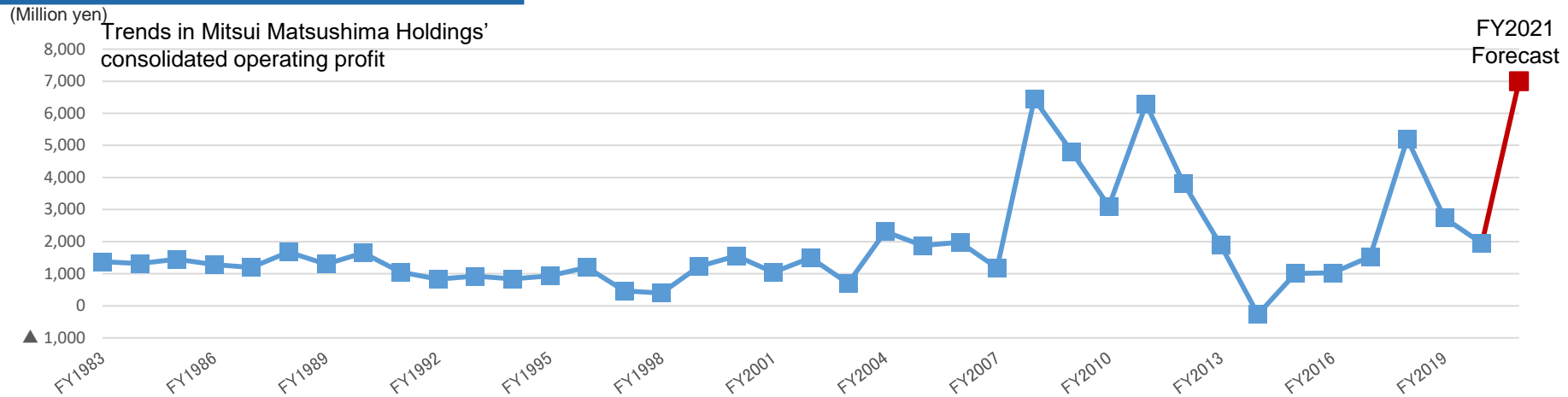
^{*1} M&M Service Co., Ltd., which has been divested, is counted in the number of companies at the end of March 2019; however, it is not included in the number at the end of March 2021.

^{*2} The number of employees excludes those seconded externally by the Company and includes those seconded to the Company by external entities. It also includes the average number of temporary workers hired (converted to an eight-hour workday basis).

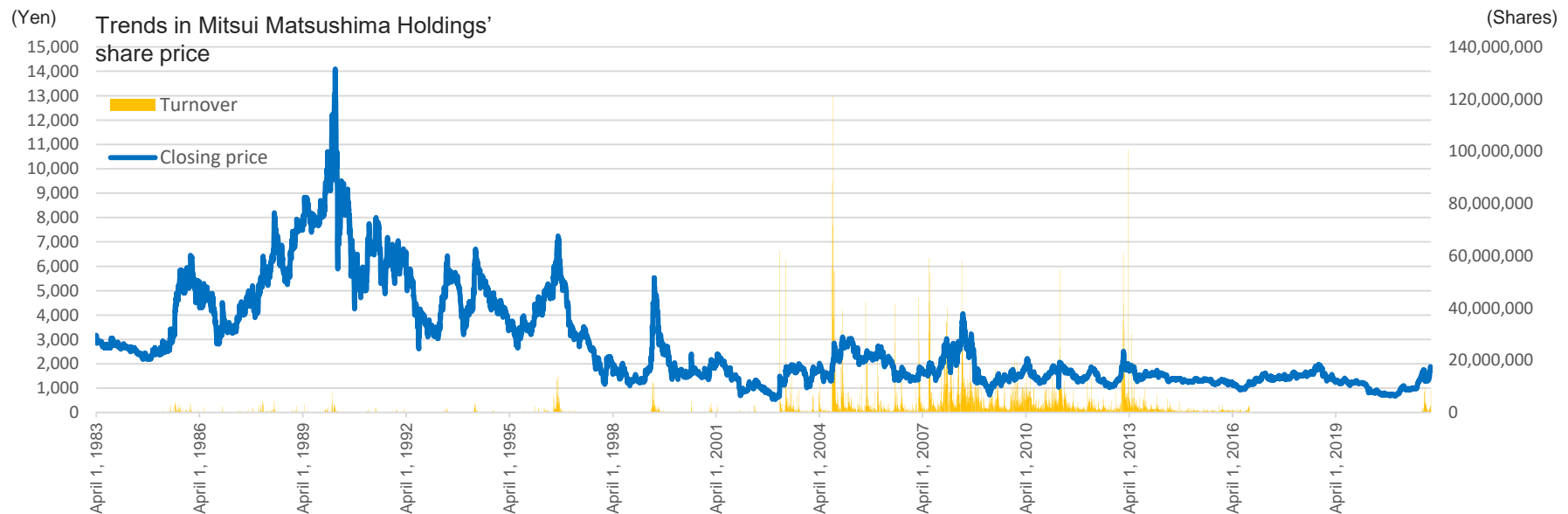
Reference Materials

Charts for Consolidated Earnings and Share Price

Trends in consolidated earnings



Trends in share price



Trends in the Coal Market

Coal market information

(US\$/Mt) Trends in the Global Coal Index, Australia Newcastle Port Load, Standard-Quality Thermal Coal Index



		2018				2019				2020				2021				
(US\$/Mt)		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.	Oct.–Dec.	
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	371	
	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	218	
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\$0.75				
	Yen/A\$	82.6 yen				75.8 yen				85.0 yen				82.5 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

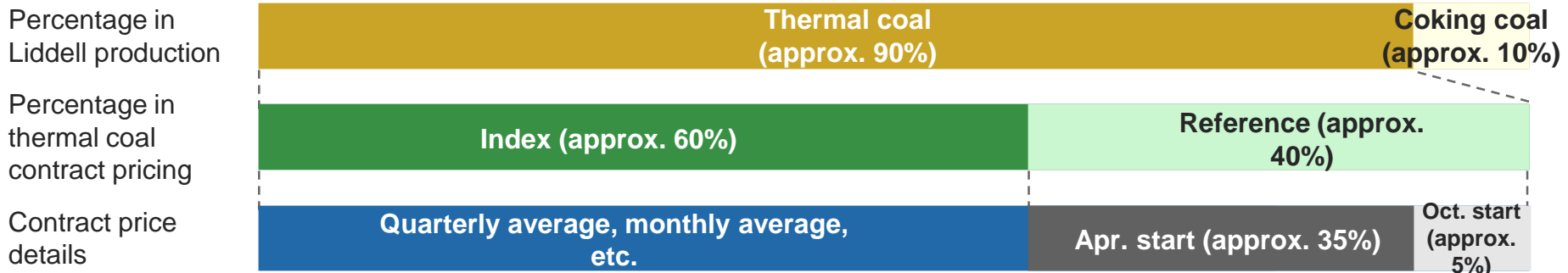
Overview of Coal Contracts

Method of determining contract price

Contract type	Reference price	Global coal index price
Timing of determination	Semi-annually in April and October only	Daily
Contract method	The contract price is determined according to the quality of coal in reference to prices determined bilaterally among Japanese electric power companies and certain coal majors as a benchmark (reference). <small>Reference: Ministry of Economy, Trade and Industry, "Coal Market Study Group - Report - Reference Materials" published in April 2018</small>	It is common to use the quarterly average (over three months), etc. of the index price primarily prior to loading, rather than the index price at the time of a contract, as the contract price.

Liddell Coal Mine in Australia: Overview of the format of thermal coal contracts (2021 results)

- (Delivery quantity) In terms of contract term, long-term contracts (one year or longer) account for roughly 90% for both thermal coal and coking coal.
- (Price) For thermal coal, fixed-price (one-year) contracts based on reference prices and those based on index prices account for about 40% and 60%, respectively. Prices based on monthly or quarterly averages are used for contracts when adopting index prices.



*When reference prices for Oct.-start contracts are not determined, they will be based on index prices

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