

# **Presentation of Financial Results for the First Quarter Ended June 2022**



**August 2022**

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# **1Q FY2022 Financial Results**

# Consolidated Income Statement

## Income statement

(Million yen)

	FY2021 1Q	FY2022 1Q	Yr/Yr Change	Main factor behind changes
Net sales	10,622	14,197	+3,575	<ul style="list-style-type: none"> <li>• Increase in revenue in Consumer Goods and Services Business Division (increase in sales in Electronic Parts Business and making Nippon Katan a subsidiary)</li> <li>• A rise in coal prices in the Coal Production Business</li> </ul>
Operating profit [Operating profit before amortization of goodwill]*	1,044 [1,208]	3,495 [3,686]	+2,450 [+2,477]	<ul style="list-style-type: none"> <li>• A rise in coal prices in the Coal Production Business among other factors</li> </ul>
Ordinary profit	1,200	3,496	+2,296	
Quarterly net profit attributable to owners of parent	852	2,303	+1,450	

\*"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, Apparel, Electronic Parts, Office Equipment, Pet, Housing-Related Material, and Nursing Care Businesses
  - ✓ Increase in sales in Electronic Parts Business
  - ✓ Consolidation of Nippon Katan Co., Ltd. (in the Power-Related Material Business) (1Q FY2022)
- Energy Business Division 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 the Coal Production Business is December 31, and the financial figures for January through March are used.

Net sales				Segment profit				(Million yen)
Business	FY2021 1Q	FY2022 1Q	Yr/Yr Change	Business	FY2021 1Q	FY2022 1Q	Yr/Yr Change	
Consumer Goods and Services	6,363	8,160	+1,797	Consumer Goods and Services [Before goodwill amortization]	716 [880]	1,061 [1,252]	+344 [+371]	
Energy	3,958	5,708	+1,750	Energy	561	2,788	+2,227	
Others	312	360	+47	Others	32	45	+13	
Adjustments	(11)	(32)	(20)	Adjustments	(265)	(399)	(134)	
<b>Total</b>	<b>10,622</b>	<b>14,197</b>	<b>3,575</b>	<b>Total</b> <b>[Before goodwill amortization]</b>	<b>1,044</b> <b>[1,208]</b>	<b>3,495</b> <b>[3,686]</b>	<b>2,450</b> <b>[2,477]</b>	

\*Segment profit for the Energy Business includes equity in net income of affiliates; 1Q/FY2021: (2) million yen; 1Q/FY2022: 67 million yen.

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

\*\*"Adjustments" in segment profit includes deduction of the aforesaid equity in net income of affiliates, all-company expenses, etc. that are not allocated to each reporting segment.

# Breakdown of the Energy Business Division

- Coal Production Business Net sales, Profit: Increases in sales and profit due to a rise in the coal price
- Coal Sales Business Profit: Increases in profit due to an increase in equity in net income of affiliates

## Net sales

Business	FY2021 1Q	FY2022 1Q	Yr/Yr Change
Coal Production Business	3,824	5,550	+1,725
Sales volume	450,000 tons	240,000 tons	(210,000) tons
Coal Sales Business	47	55	+7
Sales volume	730,000 tons	730,000 tons	(0 tons)
Renewable Energy Business	86	102	+16
Adjustments	(0)	(0)	-
<b>Total</b>	<b>3,958</b>	<b>5,708</b>	<b>+1,750</b>

## Segment profit

(Million yen)

Business	FY2021 1Q	FY2022 1Q	Yr/Yr Change
Coal Production Business	495	2,629	+2,133
Coal Sales Business	18	94	+76
<small>[of which, equity in net income of affiliates]</small>	<small>[(2)]</small>	<small>[67]</small>	<small>[+69]</small>
Renewable Energy Business	47	64	+17
Adjustments	-	-	-
<b>Total</b>	<b>561</b>	<b>2,788</b>	<b>+2,227</b>

## Major index

	FY2021 1Q	FY2022 1Q	Change	
Coal Production Business (Jan.–Mar. results)	Sales volume: Thermal coal	410,000 tons	(210,000) tons	
	Sales volume: Semi-soft coking coal	40,000 tons	+10,000 tons	
	Average coal price: Thermal coal	US\$ 79.8	US\$ 183.7	US\$ +103.9
	Average coal price: Semi-soft coking coal	US\$ 78.4	US\$ 269.0	US\$ +190.6
	Exchange rate: A\$/US\$ (average rate)	US\$ 0.77	US\$ 0.73	Weaker A\$ against US\$ (0.04)
	Exchange rate: A\$/¥(average rate)	¥ 82.0	¥ 84.3	Yen depreciation ¥ +2.3

# Consolidated Balance Sheet

## Balance sheet

		Mar. 31, 2022		Jun. 30, 2022		(Million yen)	
		Amount	Ratio (%)	Amount	Ratio (%)	Change	Main factor behind changes
	Current assets	38,884	57.3	44,310	57.7	5,426	Cash and deposits: +1,276; Trade receivables: +4,800; Inventory assets: (373); Accounts receivable - other, etc.: (560)
	Fixed assets	28,953	42.7	32,486	42.3	+3,532	Tangible fixed assets: +2,153; Intangible fixed assets: +1,282
	<b>Total assets</b>	<b>67,837</b>	<b>100.0</b>	<b>76,797</b>	<b>100.0</b>	<b>+8,959</b>	
	Current liabilities	19,387	28.6	22,058	28.7	+2,671	Short-term debt: +5,162; Trade payables: (1,761)
	Fixed liabilities	12,913	19.0	16,207	21.1	+3,294	Long-term debt: +2,411
	<b>Total liabilities</b>	<b>32,300</b>	<b>47.6</b>	<b>38,266</b>	<b>49.8</b>	<b>+5,965</b>	
	<b>Total net assets</b>	<b>35,537</b>	<b>52.4</b>	<b>38,531</b>	<b>50.2</b>	<b>+2,993</b>	Net profit attributable to owners of parent : +2,303; Dividends paid: [80 yen per share] (1,045); Foreign currency translation adjustments: +1,045
	<b>Total liabilities and net assets</b>	<b>67,837</b>	<b>100.0</b>	<b>76,797</b>	<b>100.0</b>	<b>+8,959</b>	

## Other indicators

	Mar. 31, 2022	Jun. 30, 2022	Change
Cash and deposits (including long-term deposits)	21,589	22,867	+1,278
Debt	11,828	*19,402	+7,574
Net cash and deposits	9,761	3,465	(6,295)
Shareholders' equity ratio (%)	52.2	49.4	(2.8)
Debt/equity ratio (times)	0.37	0.56	+0.19

\*Debt includes short-term debt (a temporary increase in working capital) of 5,012 million yen in the Coal Sales Business and newly consolidated Nippon Katan's debt of 3,125 million yen.

# Consolidated Balance Sheet (June 30, 2022)

## Balance sheet

Current assets 44.3 billion

- Cash and deposits 22.8 billion
- Accounts receivable 13.2 billion
- Inventory assets 6.4 billion

Fixed assets 32.4 billion

- Tangible fixed assets 15.1 billion
  - [Buildings] [3.5 billion]
  - [Land] [8.3 billion]
  - [Leases and other] [3.2 billion]
- Intangible fixed assets 12.0 billion
  - [Goodwill] [11.5 billion]
- Securities 3.5 billion

**Total assets 76.7 billion**

Current liabilities 22.0 billion

- Accounts payable 4.9 billion
- Debt 9.1 billion

Fixed liabilities 16.2 billion

- Debt 10.2 billion

Net assets 38.5 billion

Shareholders'  
equity ratio  
49.4%

Debt/equity ratio  
0.56 times

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



**FY2022**  
**Revision of Consolidated**  
**Earnings and Dividend**  
**Forecasts**

# FY2022 Revision of Consolidated Earnings and Dividend Forecasts

- The Company expects to record all-time high profits, in terms of operating profit, ordinary profit, and net profit attributable to owners of parent
- Both the Consumer Goods and Services Business Division and the Energy Business Division expect increases in sales and profit

## Consolidated earnings forecast

(Million yen)

	FY2021 Results	FY2022 Previous Forecast	FY2022 Revised forecast	Change from Previous Forecast	Yr/Yr Change
Net sales	46,592	57,000	70,000	+13,000	+23,408
Operating profit [Operating profit before amortization of goodwill]	8,417 [9,091]	14,300 [15,035]	23,200 [23,927]	+8,900 [+8,892]	+14,783 [+14,836]
Ordinary profit	8,595	14,800	23,500	+8,700	+14,905
<b>Net profit attributable to owners of parent</b>	<b>5,396</b>	<b>9,500</b>	<b>15,000</b>	<b>+5,500</b>	<b>+9,604</b>
Dividend per share	80 yen	160 yen	230 yen	+70 yen	+150 yen

\* 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.

\* The Company has set the dividend forecast for FY2022 at 230 yen per share and it consists of an ordinary dividend of 80 yen and commemorative dividend of 150 yen.

# Revised Dividend Forecast and Dividend Policy

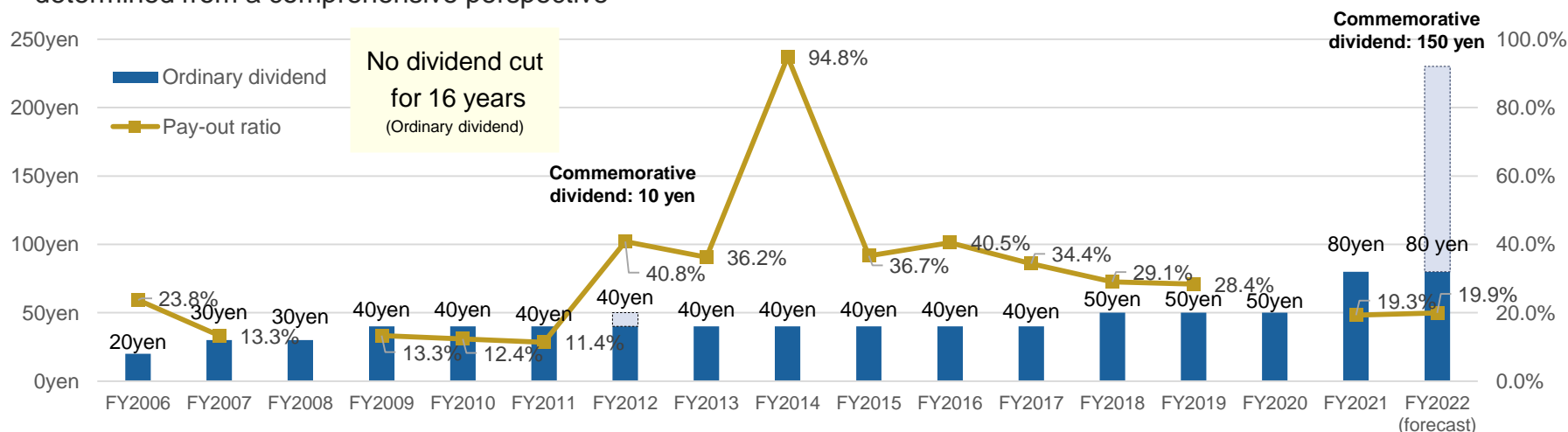
## Dividend forecast (commemorative dividend and interim dividend payout)

- Dividend forecast for FY2022 (annual total) has been revised from 160 yen per share to **230 yen, an increase of 70 yen** (Ordinary dividend of 80 yen per share and commemorative dividend of 150 yen per share to celebrate the 110th anniversary of the Company's founding and the highest profit)
- **In order to enhance opportunities to return profits to shareholders, the Company has decided to pay interim dividends from FY2022**
- The Company has not cut dividends for the past 16 years (ordinary dividend). **The Company will continue aiming to keep ordinary dividends at no less than 80 yen (annual total) in the future**

End of 2Q	Year-end	Total
80 yen (Ordinary dividend: 40 yen, Commemorative dividend: 40 yen)	150 yen (Ordinary dividend: 40 yen, Commemorative dividend: 110 yen)	230 yen (Ordinary dividend: 80 yen, Commemorative dividend: 150 yen)

## Dividend policy

- Dividend pay-out ratio of 30% or more set in the Mid-Term Management Plan is used as a guideline, but it will ultimately be determined from a comprehensive perspective



\*Since a 10-to-1 share consolidation was conducted effective October 1, 2016, dividend per share was calculated based on the assumption that the share consolidation was conducted.

\*Pay-out ratio was not calculated for FY2008 and FY2020 due to negative net profit.

# FY2022 Consolidated Segment Earnings Forecast

- Consumer Goods and Services Business Division: Increases in revenue and profit compared with the previous forecast due to the solid performance of the Electronic Parts Business
- Energy Business Division: Increases in sales and profit compared with the previous forecast due to increase in the coal price

## Net sales

Business	FY2021 Results	FY2022 Previous Forecast	FY2022 Revised forecast	Change from Previous Forecast
Consumer Goods and Services	26,972	29,000	29,200	+200
Energy	18,282	26,700	39,500	+12,800
Others and adjustments	1,338	1,300	1,300	-
<b>Total</b>	<b>46,592</b>	<b>57,000</b>	<b>70,000</b>	<b>+13,000</b>

## Segment profit

(Million yen)

Business	FY2021 Results	FY2022 Previous Forecast	FY2022 Revised forecast	Change from Previous Forecast
Consumer Goods and Services <small>[Before goodwill amortization]</small>	2,959 [3,633]	3,000 [3,735]	3,200 [3,927]	+200 [+192]
Energy	6,333	12,500	21,800	+9,300
Others and adjustments	(876)	(1,200)	(1,800)	(600)
<b>Total</b> <small>[Before goodwill amortization]</small>	<b>8,417</b> <b>[9,091]</b>	<b>14,300</b> <b>[15,035]</b>	<b>23,200</b> <b>[23,927]</b>	<b>+8,900</b> <b>[+8,892]</b>

\*Segment profit for the Energy Business includes equity in net income of affiliates; FY2021: 34 million yen, FY2022: 250 million yen

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

\*\*"Adjustments" in segment profit includes deduction of the aforesaid equity in net income of affiliates, all-company expenses, etc. that are not allocated to each reporting segment. In addition, FY2021 results include a special factor of size-based business tax refund (192 million yen).

# Breakdown of Earnings Forecast for the Energy Business Division (1)

- Coal Production Business: Increases in sales and profit compared with the previous forecast due to higher coal prices

## Net sales

Business	FY2021 Results	FY2022 Previous Forecast	FY2022 Revised forecast	Change from Previous Forecast
Coal Production Business Sales volume	17,758 1,360,000 tons	26,200 960,000 tons	39,000 890,000 tons	+12,800 (70,000) tons
Coal Sales Business Sales volume	217 3,170,000 tons	200 3,240,000 tons	200 3,110,000 tons	- (130,000) tons
Renewable Energy Business	307	300	300	-
Adjustments	(0)	-	-	-
<b>Total</b>	<b>18,282</b>	<b>26,700</b>	<b>39,500</b>	<b>+12,800</b>

## Segment profit

(Million yen)

Business	FY2021 Results	FY2022 Previous Forecast	FY2022 Revised forecast	Change from Previous Forecast
Coal Production Business	6,032	12,200	21,400	+9,200
Coal Sales Business <small>[of which, equity in net income of affiliates]</small>	151 [34]	200 [100]	300 [250]	+100 [+150]
Renewable Energy Business	150	100	100	-
Adjustments	-	-	-	-
<b>Total</b>	<b>6,333</b>	<b>12,500</b>	<b>21,800</b>	<b>+9,300</b>

# Breakdown of Earnings Forecast for the Energy Business Division (2)

Major index		FY2021 Results	FY2022 Previous Forecast	FY2022 Revised forecast	Change from Previous Forecast
Coal Production (Jan.–Dec. results)	Sales volume (Thermal coal)	1,190,000 tons	800,000 tons	730,000 tons	(70,000) tons
	Sales volume (Semi-soft coking coal)	180,000 tons	160,000 tons	160,000 tons	-
	Average coal price: Thermal coal <small>(Jan.–Dec. average)</small>	US\$ 116.7	US\$ 200	US\$ 315.1	US\$ +115.1
	Average coal price: Semi-soft coking coal <small>(Jan.–Dec. average)</small>	US\$ 125.1	US\$ 220	US\$ 235.7	US\$ +15.7
	Exchange rate: A\$/US\$ (average rate)	US\$ 0.75	US\$ 0.75	US\$ 0.71	Weaker A\$ against US\$ (0.04)
	Exchange rate: A\$/¥(average rate)	¥ 82.5	¥ 92	¥ 90	Yen appreciation ¥ (2)

\*Sales volume is for Mitsui Matsushima's share (32.5%)

## Amount of operating profit affected by foreign exchange fluctuations

A\$/US\$: An increase in profit by approx. 160 million yen per ¢ of A\$

\* Foreign exchange sensitivity when the coal price and other foreign exchange remain unchanged (as of August 5, 2022)

## Market information

- **Thermal coal April contract was set at US\$ 375 in late July.**

		2020				2021				2022			
(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.
		Results								Forecast			
Thermal coal	Apr. contract	94.75	68.75			109.97				375.00			
	Oct. contract	72.75			N/A				N/A			350	
	GCI	67.6	55.3	51.5	67.4	88.7	109.0	167.5	183.9	262.8	376.8	350	300
Coking coal	Heavy coking coal	147–148	136	110	116	122	117	203	371	395	526		
	Semi-soft coking coal	100–104	95–104	82–86	87–91	91–92	93–94	149	218	275	368	130	130
Foreign Exchange	US\$/A\$	US\$ 0.78				US\$ 0.75				US\$ 0.72		US\$ 0.70	
	¥/A\$	¥ 85.0				¥ 82.5				¥ 88.46		¥ 92	

\*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 and index prices, which are used as the basis for transaction prices, and do not represent the Company's actual transactions.

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

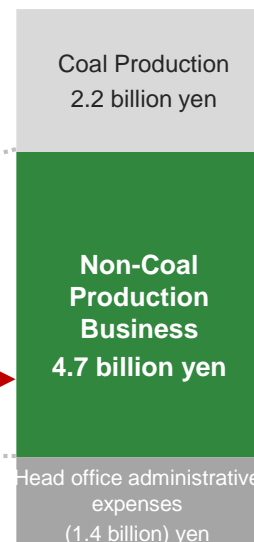
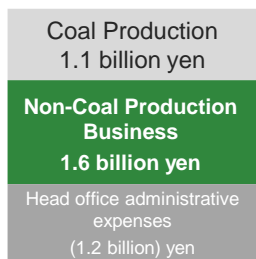
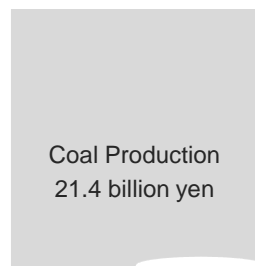
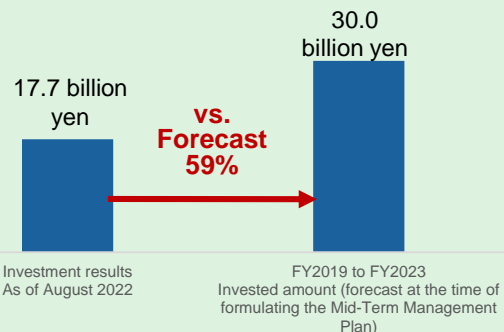
# Progress of the Mid-Term Management Plan

## 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 **provide shareholder returns aggressively due to its sufficient profit base**, even if the profit from the Coal Production Business is reduced to zero

## Progress FY2022 (forecast)

### Cumulative investment amount



Consolidated operating profit: 5.5 billion yen

Even if the profit from the Coal Production Business is zero...

Non-Coal Production Business only **Consolidated operating profit: 3.3 billion yen** (FY2023)

Based on the time when the Mid-Term Management Plan was formulated

FY2019

FY2022 (Forecast)

FY2023 (Forecast at the time of formulation of the Mid-Term Management Plan)

Mid-Term Management Plan

\*The figures for FY2022 are forecasts as of present.



# Latest Important Topics

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

## Overview of the mining area extension

- 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. The Company already **owns 32.5% of the interests in adjacent mining areas, similar to the current coal mine.**

\*Name of application for environmental permits for adjacent mining area: Glendell Continued Operations Project

- Coal **production in the adjacent mining area will be about 4 million tons per year** (100% of interest), and mining is expected to be possible for **about 20 years.**  
Depending on the contents of the environmental permits, the production volume and mining period may change.

## Issues with extending the mining area

- A review by **the state government's environmental bureau, which is the first level**, finished in February 2022, but additional materials (regarding cultural establishments and the area) were requested to make decisions. The bureau is now **re-examining the extension plan.** A review by the state government's independent committee, which is the second level, is expected to take a further six weeks at least to complete after receiving the result of the said review.
- **Because there exist cultural establishments and areas for 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 groups and citizens who desire to maintain the status quo of such establishments and areas 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.**

## Future response policy

- If all of the above permits are obtained and the mining area is extended, a decision will be **made based on economic rationality, etc.** from options such as maintaining 32.5% of interests, partially selling interests, or selling all interests.
- Given that there are a lot of uncertainties at this stage, the management strategy is based on the **assumption that no profit from the Coal Production Business is expected for FY2024 and beyond.** Accordingly, the Company will continue to steadily build up new businesses through M&A in line with the Mid-Term Management Plan (to FY2023) and strengthen its earnings base.

# Additional acquisition of Nippon Katan

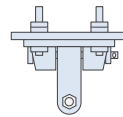
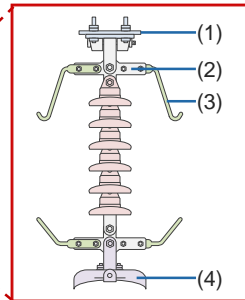


Nippon Katan Co., Ltd. (<http://www.nipponkatan.co.jp/>)

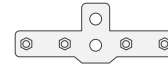
## Overview and effects

- Acquired shares on May 9, 2022 (50.06%). **The Company plans to acquire additional shares on August 9, 2022 (48.58% additional acquisition⇒98.64%)**
- [Effects] Since Nippon Katan is already a consolidated subsidiary of the Company, the additional acquisition of its shares will have minor effects on the consolidated earnings for FY2022.

## Major products



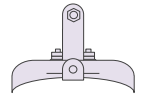
(1) Mounting hardware for steel towers  
Products for mounting other parts to steel towers



(2) Connecting hardware  
Products that connect other parts



(3) Arcing horn  
Products that protect insulators from electrical discharge

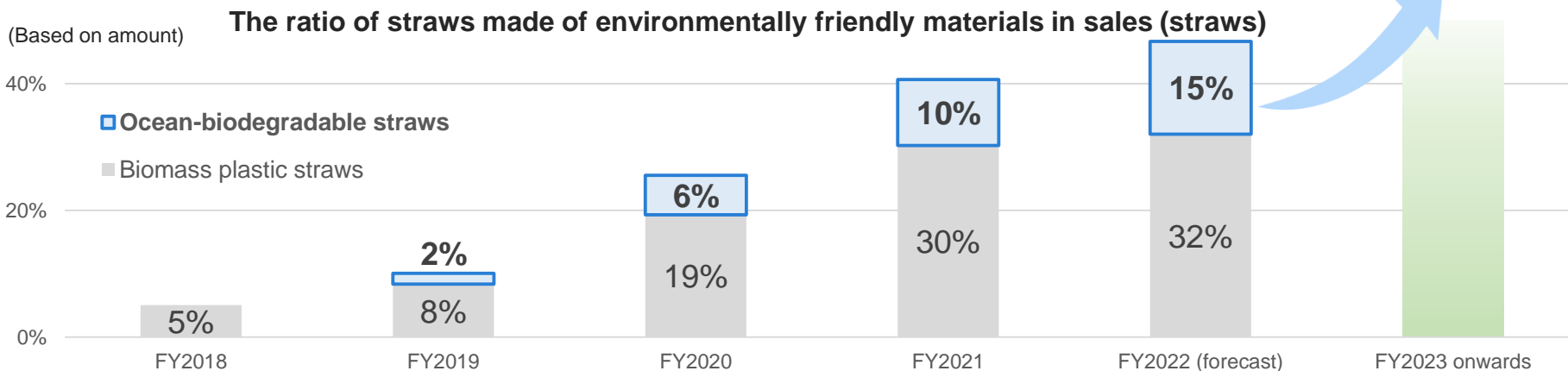


(4) Clamp  
Products for fastening power lines

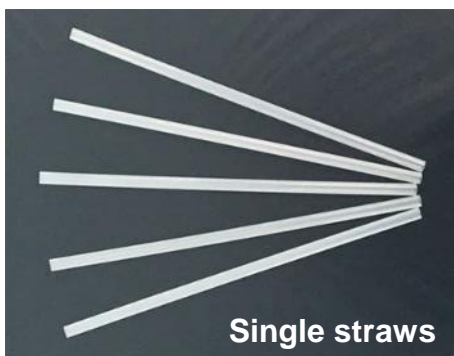
## Market environment & operating performance, etc.

- There are only two suppliers in Japan that can manufacture all components of line hardware. Nippon Katan has technical abilities to meet the product standards of power companies, its clients. It takes a considerable amount of time to build a strong customer base, so Nippon Katan will **continue to have a high market share in the future.**
- Currently, the government is considering the formulation of **a next-generation power grid development plan for the spread of renewable energy**, and the **demand for construction of power transmission facilities is also expected to increase.**

- **Established mass production technology jointly with Kaneka Corporation** and started manufacturing and marketing ocean-biodegradable straws made from Kaneka Biodegradable Polymer Green Planet™ in 2019  
\*Kaneka Biodegradable Polymer Green Planet™ is a registered trademark of Kaneka Corporation
- **Commercialized the world's first ocean-biodegradable telescopic straws** using the material in 2021
- Following the enforcement of the “Act on the Promotion, etc. of Plastic Resource Circulation Systems” on April 1, 2022, leading drink makers and convenience store chains are accelerating the introduction and handling of ocean-biodegradable straws. This should help Nippon Straw **to increase its share further and improve on the unit price and profitability due to switching from conventional plastic straws**



## Lineup of ocean-biodegradable straws



	Single straws	Telescopic straws
Main customers	Leading convenience store chains	Major beverage manufacturers
Main usage	Self-service coffee at convenience stores	Paper-packaged drinks

**Expansion in customers and usage**



# Reference Materials

# Trends in the Coal Market

## Coal market information



# Overview of Coal Contracts

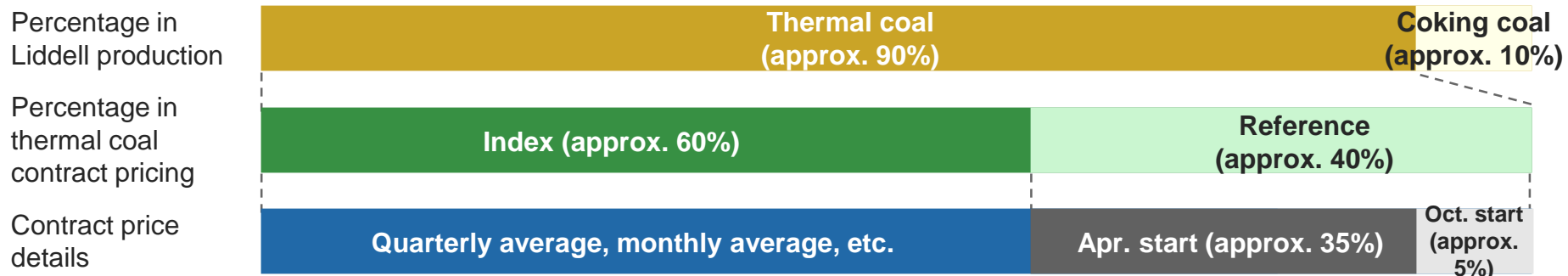
## Method of determining a contract price

Contract type	Reference price	Global coal index price
Timing of determination	Semi-annually in April and October only	Daily
Contract method	A 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).	It is common to use a monthly/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 a contract price.

Reference: Ministry of Economy, Trade and Industry, "Coal Market Study Group - Report - Reference Materials" published in April 2018

## 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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**IR Contact General Affairs Dept./Business Planning Dept. Tel: +81-92-771-2171**