

Presentation of Financial Results for the Second Quarter Ended September 2022



November 2022

Notice of the Presentation of Financial Results

**We will hold an online presentation of financial results for
2Q FY2022 (fiscal year ending March 31, 2023)**

(Joint meeting for institutional and private investors)

Date & time: November 16 (Wednesday), 2022, 15:30 - 17:00

Speaker: Taishi Yoshioka, Representative Director and President

Those wishing to participate can register by clicking on the URL below

<http://webinar.builders/seminars/form/2P5YbpDwQeZiSxzRABF43fdUInyqOoMJ>

Registration deadline: November 15, 2022

Contents

4P

Report on the Financial Results for 2Q FY2022

11P

Revisions to Our FY2022 Consolidated Earnings
and Dividend Forecasts

20P

Reference Materials

2Q FY2022 Financial Results Report

Consolidated Income Statement

Income Statement

(Million yen)

	FY2021 2Q	FY2022 2Q	Year-on-year change	Main factors behind changes
Net sales	21,409	33,437	+12,027	<ul style="list-style-type: none"> • Conversion of Nippon Katan into a subsidiary (Power-Related Materials Business) • A rise in coal prices in the Coal Production Business
Operating profit (before amortization of goodwill)*	2,669 [2,997]	11,879 [12,261]	+9,210 [+9,264]	<ul style="list-style-type: none"> • A rise in coal prices in the Coal Production Business
Ordinary profit	2,875	12,469	+9,594	
Quarterly net profit attributable to owners of the parent	1,853	8,525	+6,671	

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

Consolidated Segment Information

- The Consumer Goods and Services Business segment comprises Beverage and Food Packages, Apparel, Electronic Parts, Office Equipment, Pet, Housing-Related Materials, Power-Related Materials, and Nursing Care Businesses
 ✓ Nippon Katan Co., Ltd. (Power-Related Materials Business) was consolidated (1Q FY2022)
- The Energy Business segment comprises 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 to June are used.

Net sales				Segment profit			
Business	FY2021 2Q	FY2022 2Q	Year-on-year change	Business	FY2021 2Q	FY2022 2Q	Year-on-year comparison Change
Consumer Goods and Services	13,610	14,985	+1,374	Consumer Goods and Services	1,417	1,498	+81
				(before amortization of goodwill)	[1,745]	[1,880]	[+134]
Energy	7,177	17,794	+10,617	Energy	1,534	10,927	+9,393
Others	649	719	+69	Others	63	79	+15
Adjustments	(28)	(62)	(33)	Adjustments	(345)	(625)	(279)
Total	21,409	33,437	+12,027	Total	2,669	11,879	9,210
				(before amortization of goodwill)	[2,997]	[12,261]	[9,264]

(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 companywide expenses not allocated to each reporting segment.

Breakdown of the Energy Business Division

- Coal Production Business
Net sales and profit: Both rose owing to a rise in coal prices

Net sales			
Business	FY2021 2Q	FY2022 2Q	Year-on-year change
Coal Production Business	6,888	17,474	+10,585
Sales volume	720,000 tons	530,000 tons	(190,000 tons)
Coal Sales Business	110	117	+7
Sales volume	1,580,000 tons	1,550,000 tons	(30,000 tons)
Renewable Energy Business	177	202	+24
Adjustments	(0)	(0)	(0)
Total	7,177	17,794	+10,617

Segment profit			
Business	FY2021 2Q	FY2022 2Q	Year-on-year change
Coal Production Business	1,378	10,734	+9,355
Coal Sales Business	53	66	+13
Renewable Energy Business	102	126	+23
Adjustments	—	—	—
Total	1,534	10,927	+9,393

(Million yen)

Major index		2Q FY2021	2Q FY2022	Difference
Coal Production Business (Jan. to Jun. results)	Sales volume: Thermal coal	630,000 tons	430,000 tons	(200,000 tons)
	Sales volume: Semi-soft coking coal	90,000 tons	100,000 tons	+10,000 tons
	Average coal price: Thermal coal	US\$ 89.6	US\$ 255.2	US\$ +165.6
	Average coal price: Semi-soft coking coal	US\$ 76.3	US\$ 316.3	US\$ +240.0
	Exchange rate: A\$/US\$ (average rate)	US\$ 0.77	US\$ 0.72	Weaker A\$ against US\$ (0.06)
	Exchange rate: A\$/¥ (average rate)	¥ 83.1	¥ 88.5	Yen depreciation ¥ +5.3

Consolidated Balance Sheet

Balance sheet		End-March 2022		End-September 2022		Change	Major factors behind changes
		Amount	Ratio (%)	Amount	Ratio (%)		
							(Million yen)
	Current assets	38,884	57.3	50,697	61.1	+11,813	Cash and deposits: +5,737; Trade receivables: +6,758; Inventory assets: +38; Accounts receivable: (899)
	Fixed assets	28,953	42.7	32,205	38.9	+3,251	Tangible fixed assets: +2,160, Intangible fixed assets: +1,061
	Total assets	67,837	100.0	82,902	100.0	+15,064	
	Current liabilities	19,387	28.6	26,952	32.5	+7,565	Accounts payable, etc.: +2,586; Short-term debt, etc.: +3,057
	Fixed liabilities	12,913	19.0	12,876	15.5	(36)	
	Total liabilities	32,300	47.6	39,829	48.0	+7,528	
	Total net assets	35,537	52.4	43,073	52.0	+7,536	Net profit attributable to owners of parent: +8,525, Dividends paid: [FY2021: 80 yen per share] (1,045)
	Total liabilities and net assets	67,837	100.0	82,902	100.0	15,064	

Other indicators		End-March 2022	End-September 2022	Change
Cash and deposits (including long-term deposits)		21,589	27,330	+5,741
Debt		11,828	13,885	+2,057
Net cash and deposits		9,761	13,444	+3,683
Shareholders' equity ratio (%)		52.2	51.8	(0.4)
Debt/equity ratio (times)		0.37	0.36	(0.01)

Consolidated Balance Sheet (End-September 2022)

Balance sheet

Current assets 50.7 billion yen

- Cash and deposits 27.2 billion yen
- Accounts receivable 15.1 billion yen
- Inventory assets 6.8 billion yen

Fixed assets 32.2 billion yen

- Tangible fixed assets 15.1 billion yen
 - [Buildings] 3.6 billion yen
 - [Land] 8.3 billion yen
 - [Lease and others] 3.1 billion yen
- Intangible fixed assets 11.8 billion yen
 - [Goodwill] 11.4 billion yen
- Securities 3.3 billion yen

Current liabilities 26.9 billion yen

- Accounts payable 9.3 billion yen
- Debt 7.0 billion yen

Fixed liabilities 12.9 billion yen

- Debt 6.8 billion yen

Net assets 43.1 billion yen

Shareholders'
equity ratio
51.8%

Debt/equity ratio
0.36 times

Total assets 82.9 billion yen

Total liabilities and net assets 82.9 billion yen

Consolidated Cash Flows

Cash flow

(Million yen)

	FY2021 2Q	FY2022 2Q	Main factors
Net profit prior to income tax and other adjustments	2,720	12,452	
Depreciation expenses (including goodwill amortization)	753	981	
Working capital	(815)	(1,693)	
Others	(473)	(2,486)	
CF from operating activities	2,183	9,254	
Changes in fixed assets			
Investment securities	(269)	(337)	
Acquisition of subsidiary's shares accompanying a change in scope of consolidation	(7)	(9)	• Acquired shares in Nippon Katan (at time of conversion into a subsidiary)
Others	(389)	(1,270)	• Increase in time deposits (more than three months)
	3,153	1,009	
CF from investing activities	2,486	(607)	
Change in debt			
Payment of dividends	(5,949)	(1,076)	• FY2020: 50 yen/share; FY2021: 80 yen/share
Acquisition of subsidiary's shares not accompanying a change in scope of consolidation	(661)	(1,044)	• Acquisition of shares in Nippon Katan (at time of additional acquisition)
Others	-	(1,870)	
	(91)	(141)	
CF from financing activities	(6,702)	(4,133)	
Effect of exchange rate changes on cash and cash equivalents	229	1,900	
Changes in cash and cash equivalents	(1,802)	6,414	
Cash and cash equivalents at beginning of period	19,293	19,413	
Cash and cash equivalents at end of period	17,491	25,828	

FY2022
Revisions to Consolidated Earnings
and Dividend Forecasts

Revisions to Our FY2022 Consolidated Earnings Forecasts

- We expect to substantially outperform the all-time highs set for operating profit, ordinary profit and net profit attributable to owners of the parent since the founding of the Company.

Consolidated earnings forecasts

(Million yen)

	FY2021 Results	FY2022 Revised forecast (Disclosed Aug. 5, 2022)	FY2022 2nd revision to forecasts	Compared to forecast disclosed Aug. 5	Year-on-year change
Net sales	46,592	70,000	77,000	+7,000	+30,408
Operating profit (before amortization of goodwill)	8,417 [9,091]	23,200 [23,927]	31,000 [31,727]	+7,800 [+7,800]	+22,583 [+22,636]
Ordinary profit	8,595	23,500	31,000	+7,500	+22,405
Net profit attributable to owners of parent	5,396	15,000	18,000	+3,000	+12,604
Dividend per share	80 yen	230 yen	270 yen	+40 yen	+190 yen

*The FY2022 per-share dividend forecast consists of an ordinary dividend for common shares of 80 yen and a commemorative dividend of 190 yen.

*The forecast above was prepared based on information available as of the date of this publication. Actual results may differ due to various factors going forward. If a revision to the earnings forecast becomes necessary, the Company will disclose the revised figures promptly.

Revised Dividend Forecast and Dividend Policy

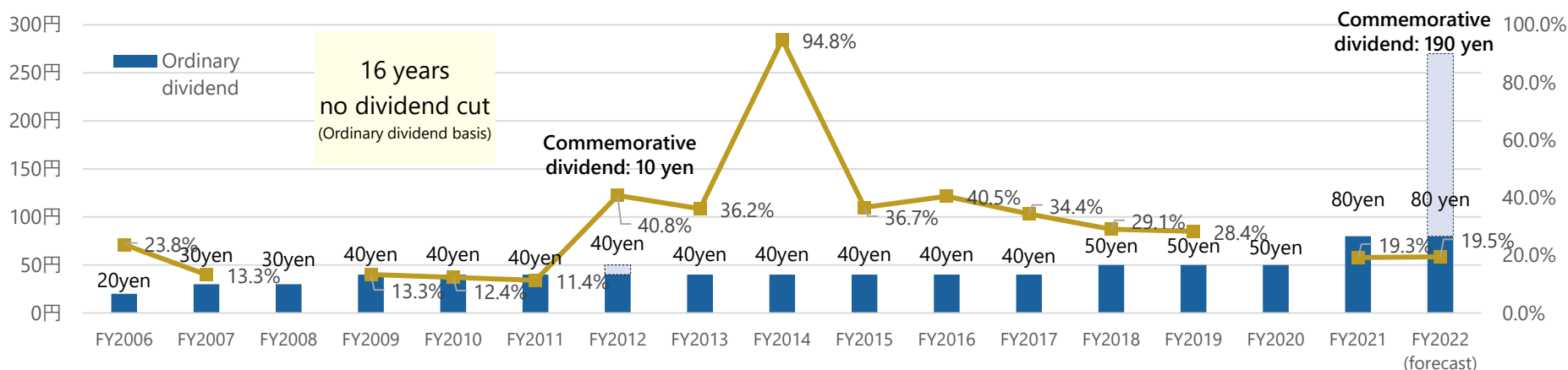
Revised the dividend forecast and implemented the interim dividend payout

- The previously revised FY2022 (annual) dividend forecast of 230 yen was once again revised upward by 40 yen to 270 yen. (This consists of an ordinary dividend per share of 80 yen and a commemorative dividend per share of 190 yen to celebrate the 110th anniversary of the Company's founding and all-time high profit.)
- The dividend record date is September 30, 2022, and the interim dividend for the first half of FY2022 was **80 yen**.
- In the past 16 fiscal years, the Company has never instituted a dividend cut (on an ordinary dividend basis). **Going forward, the Company continues to aim to pay out a dividend on an annual basis that does not drop below 80 yen.**

End of 2Q	Year end	Total
80 yen (Ordinary dividend: 40 yen; Commemorative dividend: 40 yen)	190 yen (Ordinary dividend: 40 yen; Commemorative dividend: 150 yen)	270 yen (Ordinary dividend: 80 yen; Commemorative dividend: 190 yen)

Dividend policy

- The mid-term management plan aims for a dividend payout ratio of around 30%. However, this will ultimately be decided based on a comprehensive evaluation.



*Based on the effective date of October 1, 2016, the Company implemented a 1-for-10 reverse stock split. To this end, the per-share dividend is calculated based on the assumption that this reverse stock split has been executed.

*The dividend payout ratio was not calculated for FY2008 and FY2020 as the Company posted a net loss in both years.

FY2022 Consolidated Segment Earnings Forecast

- Consumer Goods and Services Business Division: No revision from the forecast disclosed on August 5
- Energy Business Division: Owing to a rise in coal prices, sales and profit forecasts were revised upward in contrast with the forecast disclosed on August 5

Net sales

Business	FY2021 Results	FY2022 Revised forecast (Disclosed Aug. 5, 2022)	FY2022 2nd revision to forecasts	Compared to forecast disclosed Aug. 5
Consumer Goods and Services	26,972	29,200	29,200	–
Energy	18,282	39,500	46,500	+7,000
Others and adjustments	1,338	1,300	1,300	–
Total	46,592	70,000	77,000	+7,000

Segment profit

(Million yen)

Business	FY2021 Results	FY2022 Revised forecast (Disclosed Aug. 5, 2022)	FY2022 2nd revision to forecasts	Compared to forecast disclosed Aug. 5
Consumer Goods and Services (before amortization of goodwill)	2,959 [3,633]	3,200 [3,927]	3,200 [3,927]	–
Energy	6,333	21,800	29,400	+7,600
Others and adjustments	(876)	(1,800)	(1,600)	+200
Total (before amortization of goodwill)	8,417 [9,091]	23,200 [23,927]	31,000 [31,727]	+7,800 [+7,800]

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 companywide expenses not allocated to each reporting segment.

In addition, results for FY2021 included a special factor, a tax return (192 million yen) for size-based business tax.

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

- Coal Production Business: Sales and profit are expected to increase compared with the forecast disclosed on August 5 due to higher coal prices

Net sales

Business	FY2021 Results	FY2022 Revised forecast (Disclosed Aug. 5, 2022)	FY2022 2nd revision to forecasts	Compared to forecast disclosed Aug. 5
Coal Production Business	17,758 1,360,000 tons	39,000 890,000 tons	46,000 1,000,000 tons	+7,000 +110,000 tons
Coal Sales Business	217 3,170,000 tons	200 3,110,000 tons	200 2,880,000 tons	– (230,000 tons)
Renewable Energy Business	307	300	300	–
Adjustments	(0)	–	–	–
Total	18,282	39,500	46,500	+7,000

Segment profit

(Million yen)

Business	FY2021 Results	FY2022 Revised forecast (Disclosed Aug. 5, 2022)	FY2022 2nd revision to forecasts	Compared to forecast disclosed Aug. 5
Coal Production Business	6,032	21,400	29,200	+7,800
Coal Sales Business	151	300	100	(200)
Renewable Energy Business	150	100	100	–
Adjustments	–	–	–	–
Total	6,333	21,800	29,400	+7,600

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

Major index		FY2021 Results	FY2022 Revised forecast (Disclosed Aug. 5, 2022)	FY2022 2nd revision to forecasts	Compared to forecast disclosed Aug. 5
Coal Production (Jan. to Dec. results)	Sales volume (Thermal coal)	1,190,000 tons	730,000 tons	830,000 tons	+100,000 tons
	Sales volume (Semi-soft coking coal)	180,000 tons	160,000 tons	170,000 tons	+10,000 tons
	Average coal price: Thermal coal (Jan. to Dec. average)	US\$ 116.7	US\$ 315.1	US\$ 344.1	US\$ +29.0
	Average coal price: Semi-soft coking coal (Jan. to Dec. average)	US\$ 125.1	US\$ 235.7	US\$ 252.2	US\$ +16.5
*Sales volume is for the Company's share (32.5%)	Exchange rate: A\$/US\$ (average rate)	US\$ 0.75	US\$ 0.71	US\$ 0.71	–
	Exchange rate: A\$/¥ (average rate)	82.5 yen	90 yen	91 yen	Yen depreciation ¥ +1

Amount of operating profit affected by foreign exchange fluctuations

US\$/A\$ A 1 cent drop in the A\$ is a profit gain of around 200 million yen

*Foreign exchange sensitivity when the coal price and other foreign exchange remain unchanged (as of November 11, 2022)

Market information

● Thermal coal October contract was set at US\$ 395

(US\$/Mt)		2020				2021				2022				
		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				395	
	GCI	67.6	55.3	51.5	67.4	88.7	109.0	167.5	183.9	262.8	376.8	420.8	300	
Coking coal	Heavy coking coal	147-148	136	110	116	122	117	203	371	395	526	287		
	Semi-soft coking coal	100-104	95-104	82-86	87-91	91-92	93-94	149	218	275	368	237	150	
Exchange rate	US\$/A\$	US\$0.78				US\$0.75				US\$0.71				US\$0.70
	¥/A\$	85.0 yen				82.5 yen				90.52 yen				92 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 and index prices, which are used as the basis for transaction prices, and do not represent the Company's actual transactions.

Trends Related to the Extension of the Mining Area at the Liddell Coal Mine in Australia

Status of the mining area extension

- The Company applied for environmental permits to extend the mining area to adjacent areas in which it already owns 32.5% of the interests after the termination of the existing mining area in FY2023. On October 28, 2022, **the state government 's independent planning commission denied the permits** at the second level. (There are a total of three levels.)
- The Company is in talks with Glencore, its joint venture partner, on its response policy going forward, but it believes the feasibility of the mining area extension has dropped considerably.

Impact to the existing mining area, etc.

- **There will be no direct impact to the existing mining area due to the above decision.**
- Mining in the existing mining area is scheduled to be terminated in FY2023. However, the sales volume at the Liddell coal mine is expected to be **around 3 million tons in FY2022, and approximately 1.5 to 2 million tons in FY2023.**

Improving Equity Value

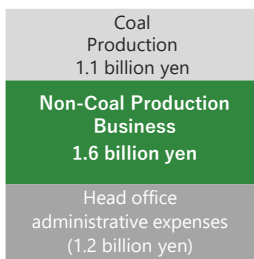
- **The Company has been implementing a management strategy based on the assumption that it would not achieve coal production revenue in and after FY2024.** In line with the mid-term management plan through to the end of FY2023, the Company continues to aim to **strengthen its profit base through new M&A investments.**
- Cash and deposits are expected to increase in and after FY2022. **Reflecting this, the Company plans, as a priority, the distribution of cash and deposits into new business investments.** At the same time, it aims to fully take into **consideration** its dividends and acquisitions of treasury stock while aiming to **maximize its earnings per share.**

Progress with the Mid-Term Management Plan FY2022 Forecast

Cumulative investment amount

177,338mil. yen **vs.** 300,000mil. yen
Forecast
59%

Investment results as of the end of October 2022
 Investment (at the time when the mid-term management plan was formulated)



FY2017

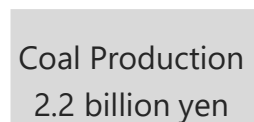


FY2019



FY2022 (forecast)

Plan achievement rate
76%



FY2023 (forecast at the time when the mid-term management plan was formulated)

Consolidated operating profit 5.5 billion yen

Even if the Company assumes zero operating profit at the Coal Production Business...

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

Mid-Term Management Plan Based on the time when the mid-term management plan was formulated

Mid-Term Management Plan

*Forecast figures for FY2022 are based on current estimates.

Overview of the Consumer Goods and Services Business

Focusing on realizing a decarbonized society, we plan to execute the reshuffling of our business portfolio through actively implementing M&A, taking into account the following investment policies:

**Stable
revenues**

**Niche
market**

**Easy to
understand**

Group companies that joined through M&A



Nippon Straw joined the group in February 2014

Manufactures and sells straws
Holds a share of around 65% of Japan's telescopic straw market



Hanabishi joined the group in October 2015

Sells custom-made suits
Pioneer in custom-made suits, highly praised by consumers



Clean Surface Technology joined the group in February 2017

Manufactures and sells mask blanks
Japan's first specialized manufacturer in mask blanks, it has a blue-chip customer base



Meiko Shokai joined the group in April 2019

Manufactures and sells shredders
Has a share of around 75% of the domestic office shredder market



KMT joined the group in April 2020

Handles the planning and sales of pet food
Boasts brand strength in the market for premium, healthy pet foods



Sansei Denshi joined the group in April 2020

Manufactures and sells crystal device manufacturing equipment
Only company in Japan capable of building in-line systems that handle processes from assembly to inspections



Systech Kyowa joined the group in February 2021

Manufactures and sells housing-related materials
Conducts integrated production within the group, maintains a high share of specific products



Nippon Katan joined the group in May 2022

Manufactures and sells mounting hardware for power lines
A specialized manufacturer that boasts a leading share in Japan

Reference Materials

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



Summary of Coal Contracts

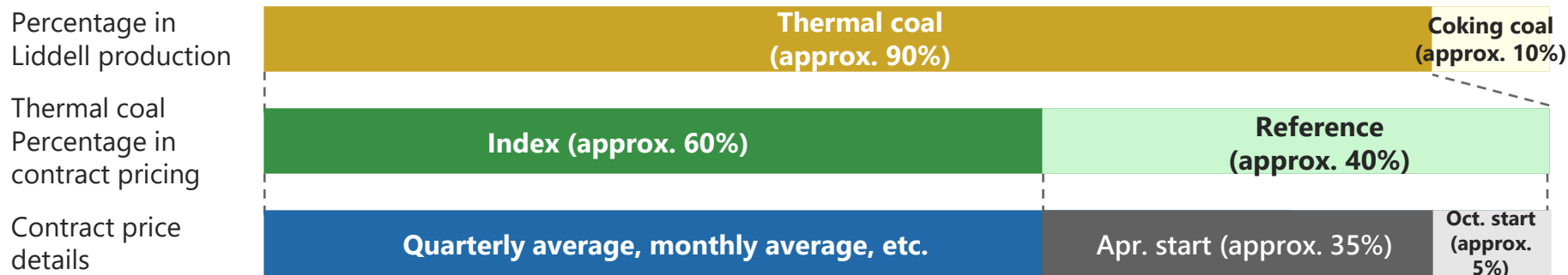
Method of determining a contract price

Contract type	Reference price	Global coal index price
Timing of determination	Semi-annually in Apr. and Oct. 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) 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 Apr. 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 contracts.
- (Price) For thermal coal, fixed-price (one-year) contracts based on reference prices and 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 October start contracts are not determined, they will be based on index prices.

HANABISHI Notice Concerning the Launch of Thank-You Gifts Sent to People Paying Hometown Taxes (Furusato Nozei)



HANABISHI
THE TAILOR OF JAPAN SINCE 1935



Hanabishi, a tailoring company founded in 1935, plans to start providing custom-made suit tailoring tickets as a thank you gift to people paying hometown taxes for Yomogita-mura, Aomori Prefecture, the location of Hanabishi's manufacturing base.

Hanabishi is scheduled to start providing these tickets from November 25, 2022.

The application method will be announced on our website and Hanabishi's website once details are finalized.

Our website

<https://www.mitsui-matsushima.co.jp/>

HANABISHI Co., Ltd.

<https://www.hanabishi-housei.co.jp/>

Tailoring tickets for a contribution of 100,000 yen

Equivalent to 30,000 yen

Can also be used in conjunction with shareholder perks

Can be used at 18 stores located nationwide



The tailoring tickets will be for both men's and women's suits.

The tickets can be used for the tailoring of suits, jackets, and pants.



Valid for two years after sending

This presentation contains forward-looking statements that are in no way guarantees of future performance. Future performance is affected by risks and uncertainties. Future performance may vary due to changing assumptions and conditions in the business environment. Consequently, the information herein should be confirmed by comparing it with information obtained elsewhere and should be used at the discretion of the user. Mitsui Matsushima Holdings Co., Ltd. is in no way responsible for any damage caused as a result of using this presentation.