



# Mercuria Holdings Co., Ltd.

Financial Highlights for the Third Quarter of the  
Fiscal Year Ending December 31, 2022

**Stock code: 7347 (TSE Prime Market)**

November 11, 2022

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## ■ Buyout business (Business investments)

### [Buyout Fund I ]

- **Operating with a return above the targets (net IRR of at least 15%/gross MOIC of at least 2x)**; 9 investments with exits completed at 4 of these investments

### [Buyout Fund II]

- Goal is **total assets of ¥40-¥50 billion** with a final close expected in March 2023 (March 2022 first close was ¥26.9 billion)
- New investments in **Mutual Corp.** and **Delight Holdings**
- Announced agreement to acquire a **semiconductor foundry business** (November 1)

## ■ Spring REIT business

### [Spring REIT]

- **Occupancy is 94% at the Beijing office building**, a key component of the portfolio
- **Received performance fee (acquisition fee) of about ¥330 million** due to **the purchase** of a large high-end shopping mall in China's Guangdong province **about ¥33 billion**

## ■ Asset investment business

### [Aircraft II]

- First close of about ¥5.5 billion of the **first aircraft fund in Japan** launched **after start of the pandemic**; the fund was established with Airport Facilities Co., Ltd. as the anchor investor

## ■ Consolidated earnings

- Original 2022 forecasts were revenue of ¥4.0 billion and ordinary profit of ¥1.9 billion; due in part to the yen's decline, in the first three quarters, revenue is ¥3.7 billion and operating profit ¥2.09 billion
- As a result, **the forecasts have been increased**
  - **Operating revenue** (¥4.0 billion → **¥4.4 billion**)
  - **Ordinary profit** (¥1.9 billion → **¥2.1 billion**)

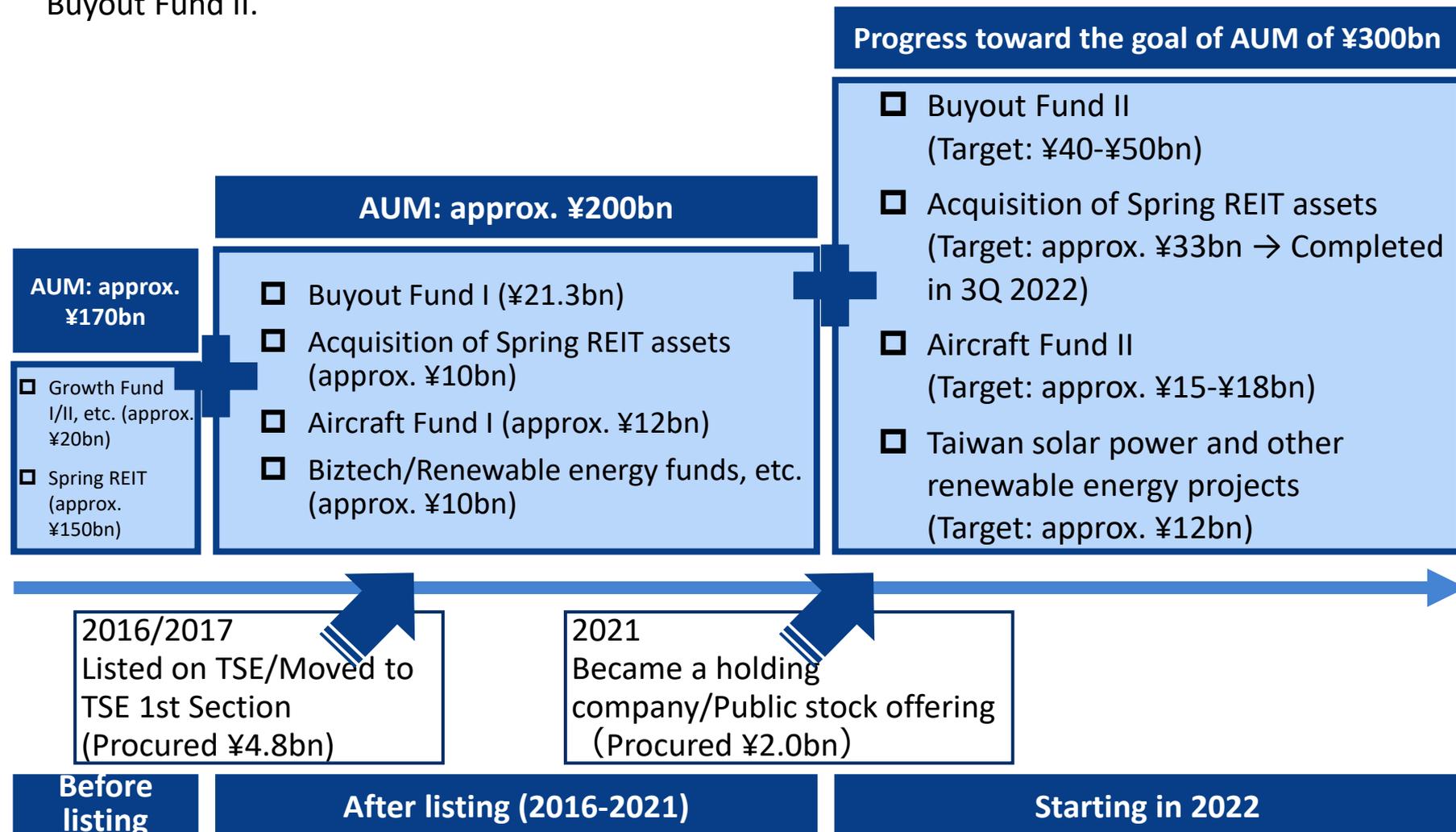
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1. Update of Progress Report
  2. Financial Highlights
  3. Revenue and Earnings Composition and Trends
  4. The Holding Company Structure

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# 1. Update of Progress Report

# 1.1 Summary of Investments

- Shifted to a holding company structure in 2021, five years after the TSE listing, to speed up growth. Used a public offering of stock to procure capital for starting new investment funds.
- Progress in 2022 toward the goal of increasing AUM to ¥300 billion by starting new funds, primarily Buyout Fund II.



## 1.2 Buyout Business (Performance of Buyout Fund I)

- Operating with a return above the targets (net IRR of at least 15%/gross MOIC of at least 2x); 9 investments with exits completed at 4 of these investments.
- Income from performance fees is expected because this fund will soon reach the performance fee stage.

### Overview of Buyout Fund I

#### Fund size

¥21.3 billion  
(Fully funded)

#### Returns

Net IRR  
15%+

Net return on investment  
2x

#### Fund investors

DBJ  
SMTB  
Financial institutions  
Non-financial  
companies

#### Investment strategies

Business succession  
Privatization  
Carve-out deals  
etc.

### Investments (Total of nine)

#### Four exits



Pentel



#### Five current holdings



## 1.2 Buyout Business (Establishment and Performance of Buyout Fund II)

- Goal is total assets of ¥40-¥50 billion with a final close expected in March 2023 (March 2022 first close was ¥26.9 billion)
- New investments in Mutual Corp. and Delight Holdings
- Announced agreement to acquire a semiconductor foundry business (November 1)

### Overview of Buyout Fund II

#### Investments

- ✓ New investments in Mutual Corp. and Delight Holdings
- ✓ Currently considering several new investments

#### Target return

Net IRR  
**15%+**

Net return on investment  
**2x**

#### Fund investors

- ✓ Investments by Buyout Fund I investors
- ✓ Several new investors

#### Investment strategies

Same as Buyout Fund I

Business succession  
Privatization  
Carve-out deals  
etc.

Strong return of Buyout Fund I made this fund appealing to investors

### Upcoming activities

Final close (expected in March 2023)

**¥40-¥50 billion**

(Forecast)



1st close (March 2022)

**¥26.9 billion**

(Actual)

## 1.2 Buyout Business (Current Performance of Buyout Fund II)

### Mutual Corp

#### Delisting

- ❑ Established in 1949 to manufacture and export domestic machinery. Listed on the TSE Standard Market.
- ❑ Export/import, manufacture and sale of industrial machinery based on the motto “the spirit of coexistence with mutual prosperity.” Main product is packaging equipment for pharmaceuticals and other products. Also sells industrial diamonds, packaging materials and other products.
- ❑ A transaction showing respect for Mutual’s business infrastructure established over many years and including the provision of Mercuria’s management expertise and broad business networks. The goal is to use measures to increase corporate value and achieve more growth from a medium to long-term perspective.



### Delight HD

#### Gross buyout

- ❑ Opened the first Cookmart grocery store in 1995 and established a network of stores not defined by conventional thinking; a quality company with consistent growth backed by a distinctive corporate culture
- ❑ As the business climate changes, more growth will require a breakthrough to go beyond the “local x supermarket” business model. Investment was made to be a partner that shares Delight’s commitment to operations with deep local roots with the goal of speeding up growth.



### Semiconductor foundry

#### Carve-out

- ❑ Agreement with ON Semiconductor Niigata Co., Ltd., to purchase with Sangyo Sosei Advisory Inc. and Fukuoka Capital Partners Co., Ltd. the stock of JS Foundry Niigata Inc., which will receive the business operations of ON Semiconductor Niigata Co., Ltd.
- ❑ ON Semiconductor Niigata is a semiconductor production company affiliated with ON Semiconductor Corporation, a global manufacturer of semiconductors.
- ❑ The foundry of ON Semiconductor Niigata supplies analog and power semiconductors that are essential for the automobile and many other industries. The foundry business is expected to grow faster than the semiconductor market in order to meet current and future demand for semiconductor devices.

## 1.2 Buyout Business (Sources of Revenue)

- At Buyout Fund I, management fees and principal investment revenue have contributed to revenue. With the fund now in its exit phase, revenue from principal investment revenue and performance fees is expected.
- Buyout Fund II will be larger than Buyout Fund I in terms of total funds and principal investments. An even greater contribution to revenue is expected and there will be measures to build an even stronger foundation for this business.

		Buyout Fund I (2016-)	Buyout Fund II (2022-)
Total funds		¥21.3 billion	¥40-¥50 billion (target)
Principal investments		¥2.2 billion	¥3.0 billion (plan)
Revenue categories	Fund management fees	<ul style="list-style-type: none"> <li>- Base annual management fee: Approx. ¥0.4 billion</li> <li>- After investment period, fee is based on amount of remaining investments</li> </ul>	<ul style="list-style-type: none"> <li>- Base annual management fee target: Approx. ¥0.8-¥1 billion (total funds of ¥40-¥50 billion)</li> </ul>
	Principal investment revenue	<ul style="list-style-type: none"> <li>- Cumulative principal investments revenue: ¥1.3 billion/4 investments (¥320 million per investment)</li> <li>- This revenue will be posted after each exit (5 holdings remain)</li> </ul>	<ul style="list-style-type: none"> <li>- Planning on principal investments of ¥3.0 billion compared with ¥2.2 billion in Buyout Fund I</li> </ul>
	Performance fees	<ul style="list-style-type: none"> <li>- Return is currently higher than the target (over 2.0x MOIC)</li> <li>- These fees are posted from distributions that exceed the total capital called (with a hurdle rate)</li> </ul>	<ul style="list-style-type: none"> <li>- Target return is the same as for Buyout Fund I (net IRR of at least 15%/5 years)</li> </ul>

## 1.3 Spring REIT Business (Current holdings)

- Spring REIT has been listed on the Hong Kong Stock.
- Occupancy of 94% at the Beijing office building (CCP) that is a major component of the holdings of Spring REIT.

### China Central Place (CCP) in Beijing



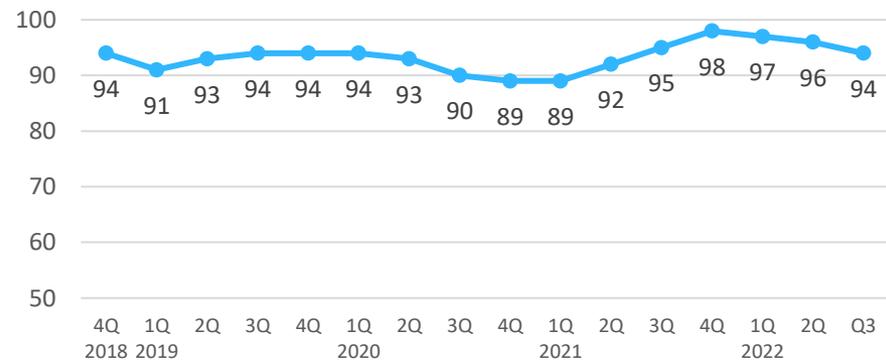
### Store real estate in the UK



### Overview of Spring REIT

	Details
Owned properties	Office buildings (Beijing): 145,372m <sup>2</sup> Store real estate (UK): 84 stores
Total assets	Approx. ¥190 billion
LTV	Approx. 30%
Market cap	Approx. ¥67 billion

### China Central Place Occupancy (%)



Source: Research by Spring Asset Management Limited

## 1.3 Spring REIT Business (New acquisition)

- Spring REIT purchased a large high-end shopping mall in Guangdong province for about ¥33 billion, resulting in a performance fee (acquisition fee) of about ¥330 million.
- This purchase is expected to increase fund management fees and to increase earnings available for dividends by about 13%.

### New acquisition (Huamao Place)



### Contribution of this acquisition to Mercuria Holdings' revenue

#### One-time revenue

Receipt of performance fees  
(acquisition fees)

#### Recurring revenue

Increase in management fees

Increase in dividend income  
(principal investment revenue)

## 1.3 Spring REIT Business (Sources of Revenue)

- Spring REIT is a source of management fees and principal investment revenue (dividend income). These fees and investment revenue are expected to continue for many years because Spring REIT is an open-end fund.
- The goals are to raise management fees by acquiring more assets (increase AUM) and to earn performance fees (acquisition fees).

		Current	Plan
AUM		Approx. ¥220 billion	Increases with every asset purchase
Principal investments		Approx. ¥8.5 billion	Part of management fees are based on Spring REIT ownership (principal investment)
Revenue categories	Fund management fees	- Annual management fees in 2021: Approx. ¥1 billion	- Increases as assets are purchased (management fees are based on AUM and NOI) - Continuous contribution to revenue for many years because this is an open-end fund
	Principal investment revenue (dividend income)	- Annual principal investment revenue in 2021: Approx. ¥0.5 billion	- Increase the dividend return by purchasing quality assets and using loans to procure funds
	Performance fees (acquisition fees)	- Current performance fees (acquisition fees) UK stores in 2017: ¥110 million Shopping mall in Guangdong province in 2022: ¥330 million	- Expect to receive a performance fee (acquisition fee) of about 1% of acquisitions

# 1.4 Asset Investment Business (Profile and Progress Report of Aircraft Business)

- In July 2022, established Aircraft Fund II, Japan’s first new aircraft fund since the pandemic started, with Airport Facilities Co., Ltd. as the anchor investor (first close of approx. ¥5.5 billion)
- More fundraising is planned with the goal of increasing fund assets to about ¥15-¥18 billion (including loans of ¥50 billion)

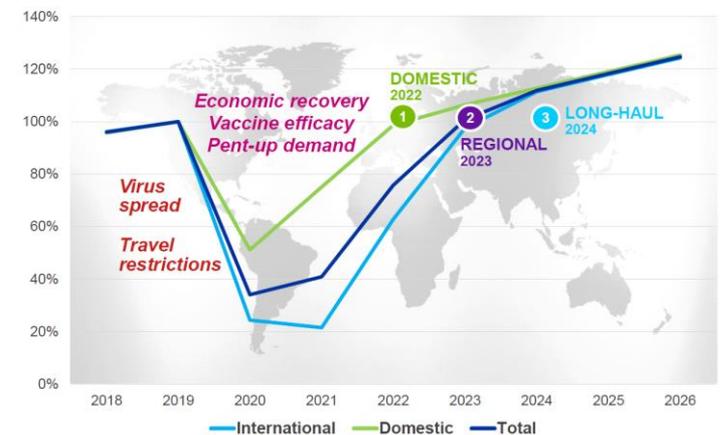
## Overview of Aircraft Fund II (MACH I)

<b>Holdings</b>	Aircraft Mainly small and midsize aircraft that account for the majority of jets operated by airlines worldwide
<b>Fund size</b>	Approx. ¥5.5 billion (1st close) Plan to procure capital to increase assets to about ¥50 billion including loans
<b>Establishment</b>	July 2022
<b>Investors</b>	Airport Facilities Co., Ltd. Mercuria Holdings Co., Ltd., etc.
<b>External partner</b>	Airborne Capital Limited (Ireland)

## Post-pandemic Market Environment for Aircraft Investments

- Demand for aircraft is expected to continue to increase with global economic growth; the pandemic temporarily impacted demand.
- Airlines have significantly increased the pct. of leased aircraft in their fleets. The role of lessors is expected to continue increasing as airlines procure new aircraft.
- A correction is taking place in the aircraft financing market, which was somewhat overheated. The timing is now good for obtaining more favorable investment terms than prior to the pandemic.

## Demand for Aircraft (Actual and Outlook)



# 1.4 Asset Investment Business

## (Profile and Progress Report of Taiwan Renewable Energy Profile)

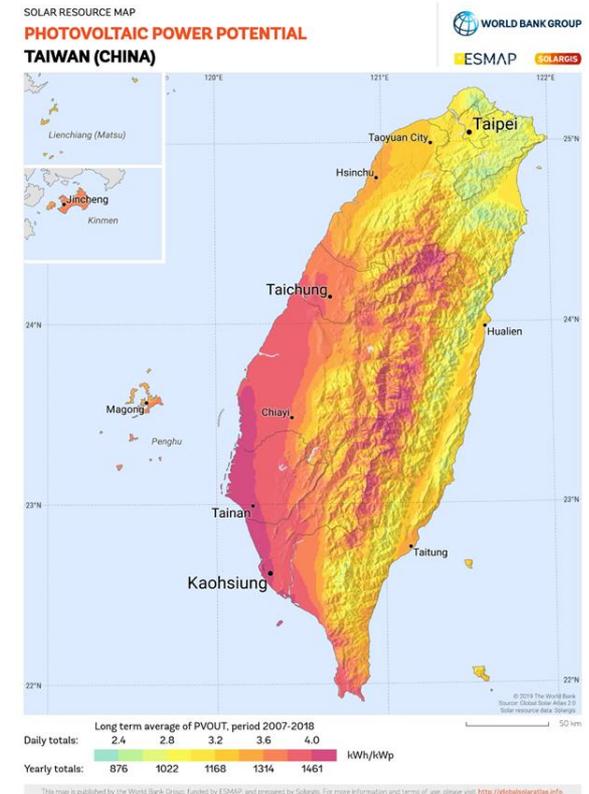
- Plan to establish a new fund by participating in the Taiwan solar power development project with Maiora, a partner with Enx Infrastructure Investment Corp. and other companies
- Mercuria will make a principal investment of ¥1 billion

### Advantages of the Taiwan renewable energy business

- Per capita electricity use in Taiwan is higher than in Japan
- The government-owned Taiwan Power Company handles generation, distribution and sales of electricity
- Solar power was 4.15GW as of 2019; a mega-solar market is now emerging due to government policies for speeding up installations of renewable energy facilities
- The FIT purchase period is 20 years, the same as in Japan; the purchase price of solar power is determined when each project is completed

### Large Projects in the Pipeline

- Solar power projects at Maiora currently have a solar panel output of about 400MW and total investments of about ¥90 billion. Projects with an output of about 100MW are planned to start during the next year.
- Including potential projects where negotiations are under way, the pipeline has a maximum solar panel output of about 750MW and total investments of about ¥170 billion.
- Studies are proceeding to determine investment schemes for these pipeline projects.



Source: Photovoltaic Power Potential Map of Countries, The World Bank

## 1.5 Corporate (1Q-3Q 2022 Investor Relations Activities)

- Mercuria Holdings provides a large volume of information about business policies and progress with business activities based on its business cycle of five to 10 years (the gap between planning and fund establishment to the time a business starts generating revenue and earnings).
- Mercuria Holdings plans to increase the awareness in Japan of alternative investments and to provide more information in English-language materials to foreign investors who are very familiar with alternative investments.

IR activities	Current and planned activities
Information meetings	<ul style="list-style-type: none"> <li>- Seven company/financial information meetings, using Nikkei CNBC and an audio text service</li> <li>• Feb. 25: Information meeting for results of operations (<a href="https://finance.logmi.jp/376847">https://finance.logmi.jp/376847</a>)</li> <li>• Mar. 2: Information meeting for individual investors (<a href="https://www.irmovie.jp/nir2/?conts=mercuria-hd_202203_tH1v">https://www.irmovie.jp/nir2/?conts=mercuria-hd_202203_tH1v</a>)</li> <li>• Mar. 10: Nikkei CNBC – Offensive IR – Market Breakthrough (<a href="https://www.youtube.com/watch?v=UkcMLv2-oKg&amp;list=PLM6ldbteA6OMiiWerKL6GXnsphPDdpJ59&amp;index=3">https://www.youtube.com/watch?v=UkcMLv2-oKg&amp;list=PLM6ldbteA6OMiiWerKL6GXnsphPDdpJ59&amp;index=3</a>)</li> <li>• Mar. 26: Information meeting for individual investors (<a href="https://finance.logmi.jp/376923">https://finance.logmi.jp/376923</a>)</li> <li>• May 16: Information meeting for individual investors (<a href="https://www.youtube.com/watch?v=UM0xudYOtRY">https://www.youtube.com/watch?v=UM0xudYOtRY</a>)</li> <li>• Aug. 26: Information meeting for results of Operations for the Second Quarter (<a href="https://finance.logmi.jp/377302">https://finance.logmi.jp/377302</a>)</li> <li>• Sep. 28: Information meeting for individual investors (<a href="https://www.youtube.com/watch?v=St6LkxuM-yY">https://www.youtube.com/watch?v=St6LkxuM-yY</a>)</li> </ul>
News releases	<ul style="list-style-type: none"> <li>- News releases based on information using two-way communications with business units</li> <li>- 64 releases every quarter (almost seven every month), including timely disclosure</li> </ul>
More information in English	<ul style="list-style-type: none"> <li>- Started disclosing English-language financial reports on TDnet (delayed) for compliance with Prime Market requirements</li> <li>- Started providing timely disclosure materials and news releases in English</li> </ul>

## 1.5 Corporate (IR and Fund Procurement Using Investment Funds “Funds”)

- Individuals have only limited opportunities to make alternative investments. Mercuria Holdings is using loan investment funds for the purposes of giving individuals a better understanding of alternative investments (investor relations) and procuring part of the funds needed for same-boat (principal) investments in funds (fund procurement)



“Change today's Japan through  
the Power of Funds”



“Expanding accessibility to asset management  
from only a few people to everyone”

### A message to Funds investors

We are using Funds to make more people aware of our business activities. We believe that one of our missions is to give many people a better understanding of alternative investments.

Alternative investments have low liquidity and cannot be bought or sold easily. Nevertheless, these investments can generate high returns for people who have a thorough understanding of companies and assets in which they are investing.

Acquiring a thorough understanding of an investment is not easy. The investment climate may change significantly and unexpected events may happen at any time. On the other hand, alternative investments are an exciting business for people who have the skill and confidence to identify the growth potential of an investment and foresee upcoming changes in the global economy.

Our goal is to become a company that can give more people an understanding of the advantages of alternative investments and enable people to select the most suitable financial products, including alternative investments, based on their risk tolerance and financial literacy.

We want Funds to be a means for strengthening communications with Mercuria Holdings by attracting more investors and for our goal of establishing alternative investment products that are accessible even to individual investors.

## 1.5 Corporate (Stock Repurchase)

- Mercuria Holdings authorized the open market repurchase of up to 3.8% of its stock for the purposes of returning more earnings to shareholders, using capital more efficiently and quickly taking actions involving capital strategies based on the current operating environment
- As of October 31, 254,300 shares were repurchased, which is 31.8% of the total repurchase authorization.

### Summary of stock repurchase

- (1) Type of shares to be repurchased: Mercuria Holdings common stock
- (2) Number of shares to be repurchased: Up to 800,000 shares  
(About 3.8% of all Mercuria Holdings shares issued, except treasury shares)
- (3) Total value of shares to be repurchased: Up to 640,000,000 yen
- (4) Repurchase schedule: August 12, 2022 to June 30, 2023
- (5) Method of repurchase: Purchases on the Tokyo Stock Exchange
- \*A part or all of the repurchase program may not be implemented depending on market trends and other factors.

Acquisition date (Based on contract date)	(1) Number of shares (shares)	(2) Total value of shares (Yen)	(3) Unit price (Yen) ((2)/(1))
<b>August 12 to 31</b>	92,800	59,151,700	637
<b>September 1 to 30</b>	86,200	54,627,600	634
<b>October 1 to 31</b>	75,300	46,021,600	611
<b>(1) Total</b>	254,300	159,800,900	628
<b>(2) Authorization</b>	800,000	640,000,000	800
<b>Pct.</b>	31.8%	25.0%	

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## 2. Financial Highlights

## 2.1 Consolidated Financial Results (1/9)

Vs. 1Q-3Q 2021, Vs. Plan

- Operating revenue of ¥3.7 billion and ordinary profit of ¥2.09 billion in 1Q to 3Q vs. the 2022 forecasts of ¥4.0 billion and ¥1.9 billion, respectively.
- Operating revenue and ordinary profit increased 32% and 40% year on year, respectively.

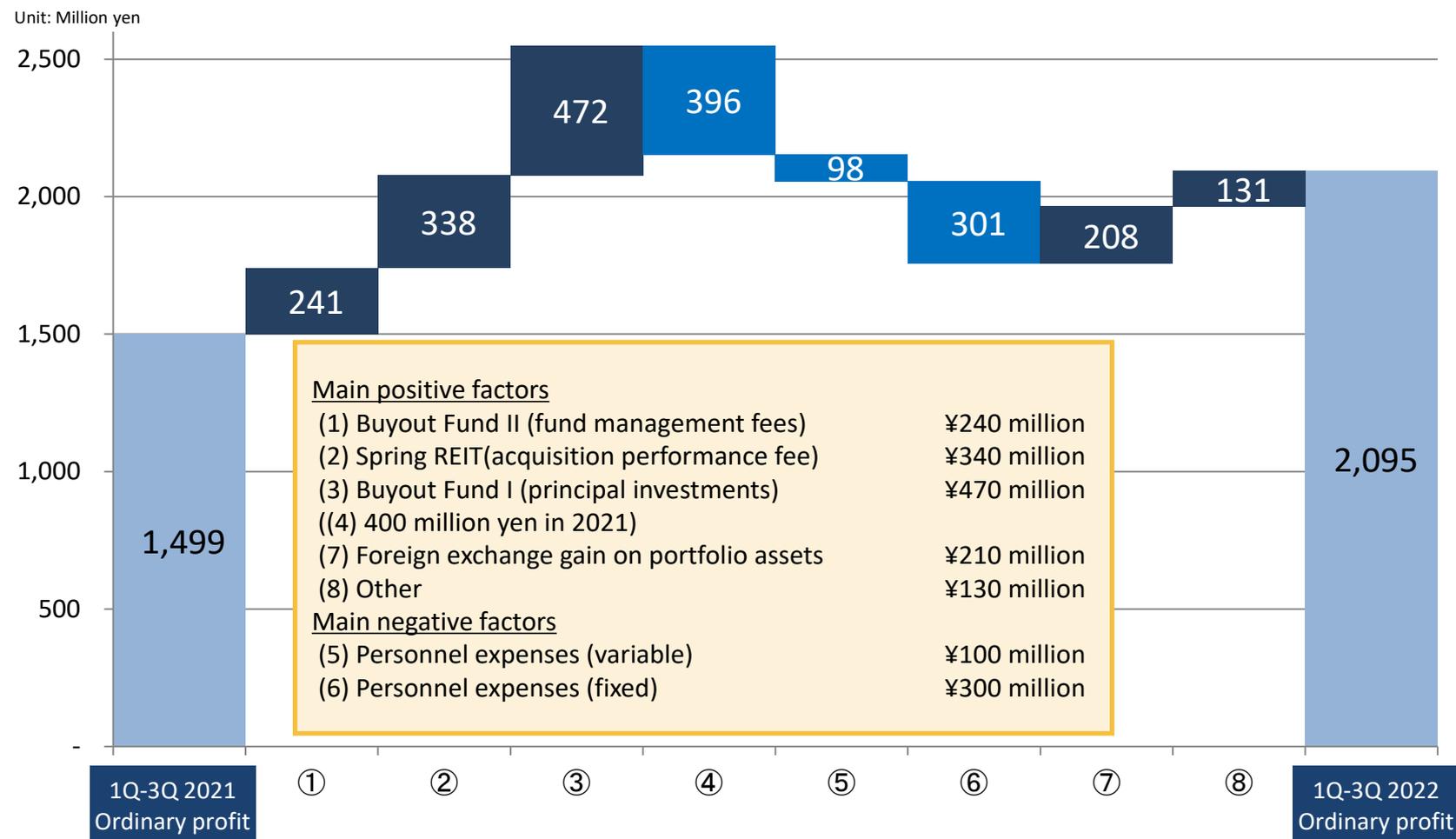
Unit: Million yen

		(1) 1Q-3Q 2021 Results	(2) 1Q-3Q 2022 Results	YoY (2) / (1)	(3) 2022 Forecasts	Pct. of 2022 forecast (2) / (3)
Operating revenue		2,819	3,709	132%	4,000	93%
Operating costs		(137)	(177)	129%	(100)	177%
Operating gross profit	Fund management (management fees)	1,364	1,802	132%	3,900	91%
	Fund management (performance fees)	12	338	2,817%		
	Principal investments/ Others	1,305	1,393	107%		
	Total	2,682	3,533	132%		
SG&A expenses		(1,222)	(1,693)	139%	(2,000)	85%
Operating profit		1,460	1,839	126%	1,900	97%
Ordinary profit		1,499	2,095	140%	1,900	110%
Profit attributable to owners of parent		1,032	1,441	140%	1,300	111%

## 2.1 Consolidated Financial Results (2/9)

### Components of YoY Change in Operating Profit

- Major reasons for the increase in operating profit: (1) Higher fund management fees due to increase in Buyout Fund II assets; (2) Performance fee received due to property acquisition by Spring REIT; (3) Principal income due to Buyout Fund I exit from investments; (7) Foreign exchange gain on assets due to the yen's depreciation



## 2.1 Consolidated Financial Results (3/9) Revised Forecasts

- Increased the 2022 revenue and earnings forecasts because of the strong performance in the first three quarters.
- The new forecasts are operating revenue of ¥4.4 billion, up 6% from 2021, and ordinary profit of ¥2.1 billion, up 16%.

Unit: Million yen

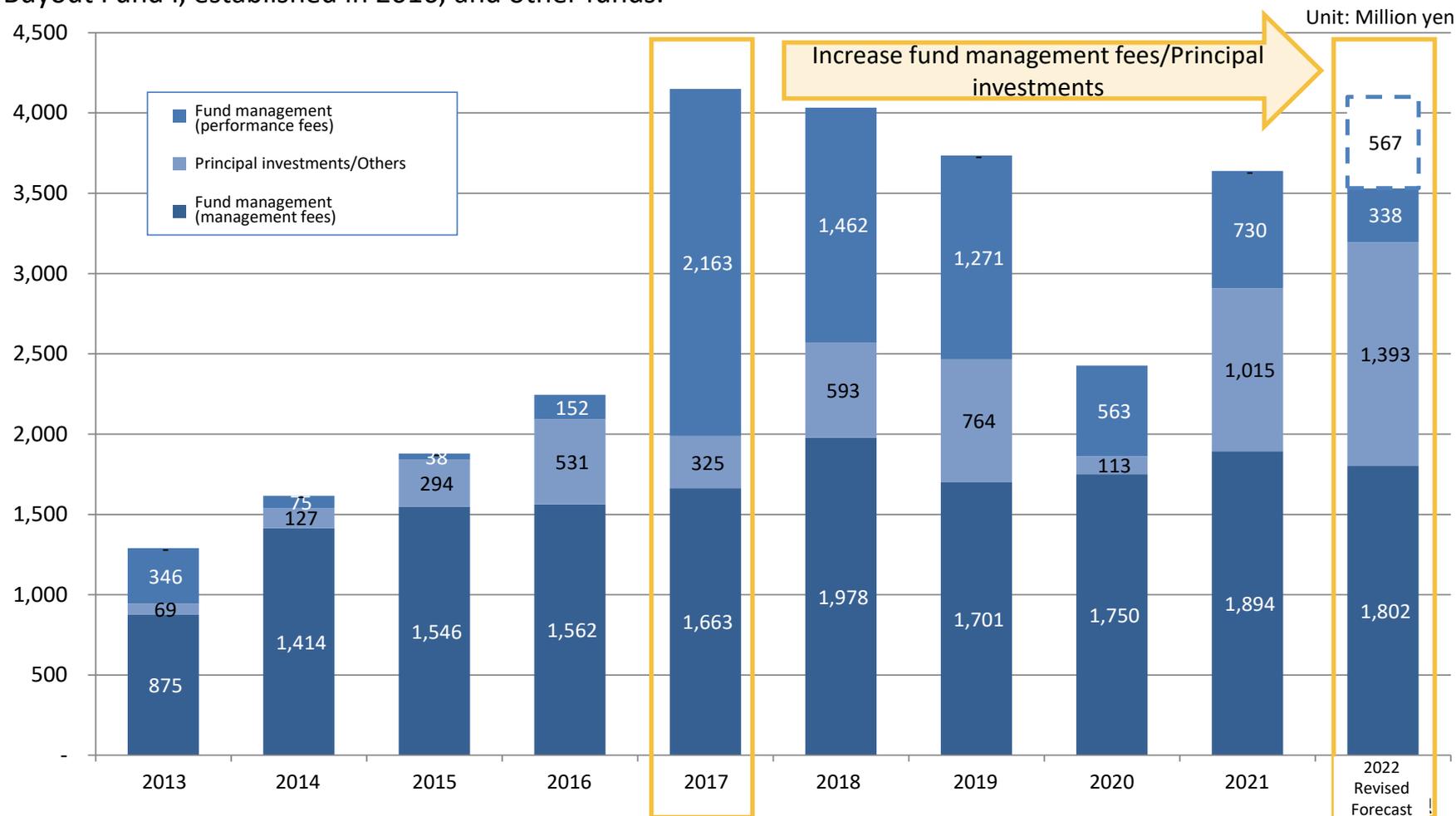
		2020 Results	2021 Results	2022 Initial forecasts	2022 Revised forecasts
Operating revenue		6,184	4,170	4,000	4,400
Operating costs		(3,158)	(531)	(100)	(300)
Operating gross profit	Fund management (management fees)	1,750	1,894	3,900	4,100
	Fund management (performance fees)	563	730		
	Principal investments/ Others	113	1,015		
	Total	2,426	3,638		
SG&A expenses		(1,654)	(1,875)	(2,000)	(2,200)
Operating profit		772	1,763	1,900	1,900
Ordinary profit		758	1,817	1,900	2,100
Profit attributable to owners of parent		525	1,304	1,300	1,450

Revisions to  
Consolidated  
Earnings Forecast

## 2.1 Consolidated Financial Results (4/9)

### Operating Gross Profit By Revenue Categories

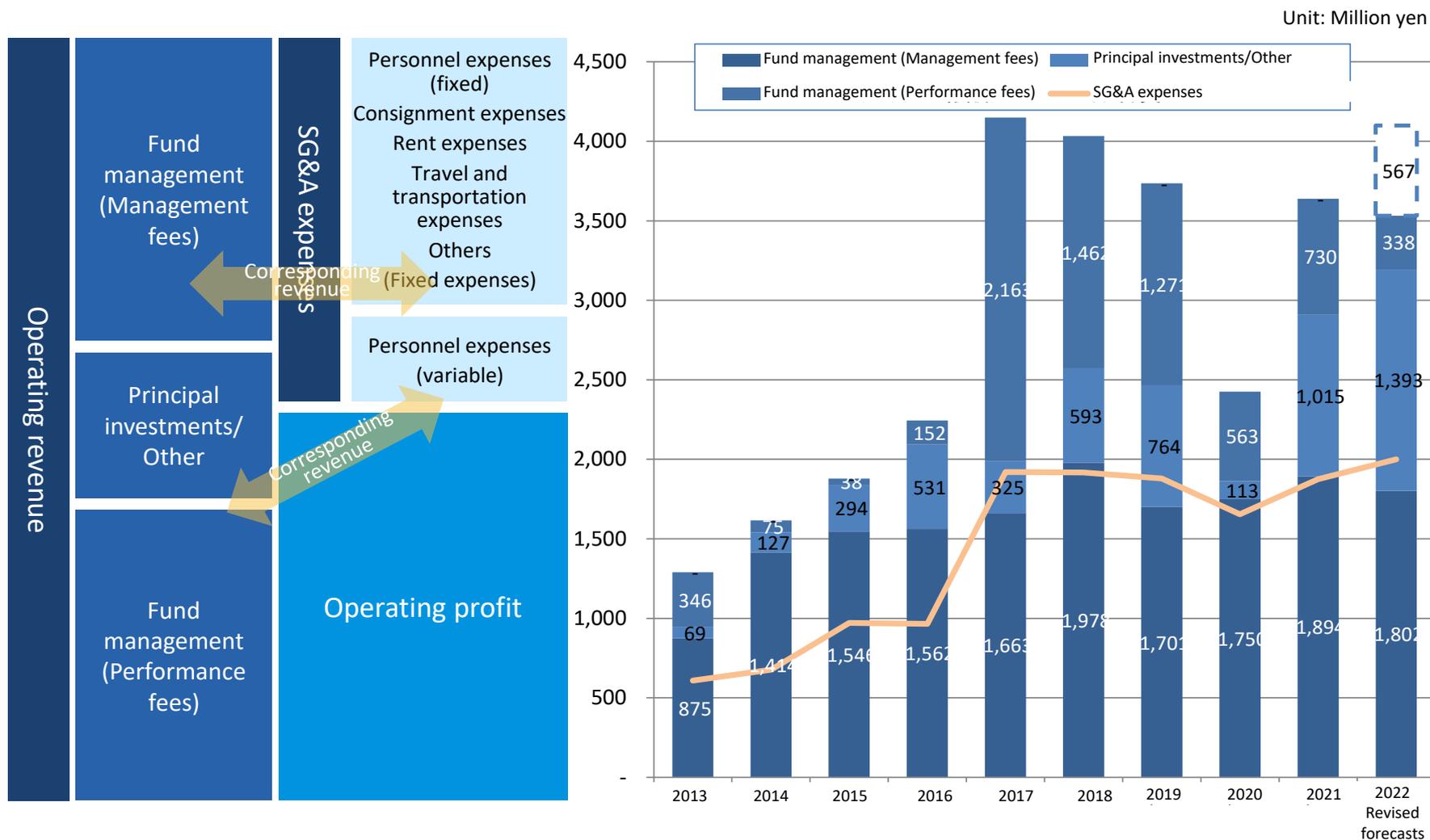
- Performance fees between 2017 and 2021 are ¥6.2 billion, including ¥3.7 billion in the Growth Fund I and ¥1.7 billion in the value investment fund, which was established during the global financial crisis.
- Principal investments have become a major source of revenue along with fund management fees and performance fees because of consistent dividend income from Spring REIT and the strong performances of Buyout Fund I, established in 2016, and other funds.



## 2.1 Consolidated Financial Results (5/9)

### Operating Revenue and Cost of Sales/SG&A Expenses

- In the Mercuria Holdings profit structure, management fees, which are received consistently, generally cover fixed expenses, thus performance fees and principal investment revenue provide upside potential.



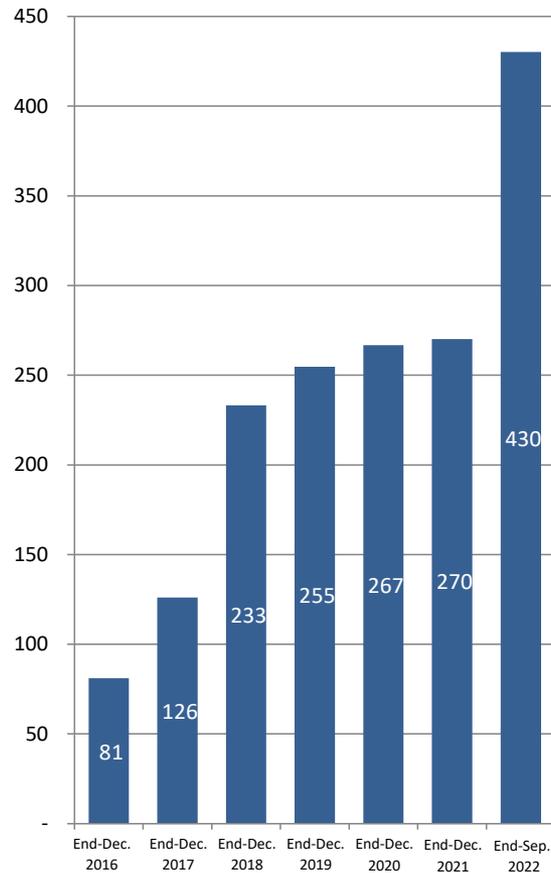
## 2.1 Consolidated Financial Results (6/9)

### Management Fees (AUM Used to Determine Management Fees)

- Assets used to determine management fees increased ¥26.9 billion due to the March 2022 establishment of Buyout Fund II, a business investment, about ¥5.5 billion due to the July 2022 establishment of Aircraft Fund II, an asset investment, and about ¥33 billion due to the purchase by Spring REIT of a property in September 2022.
- Planning on more growth due to additional funds raised for Buyout Fund II and Aircraft Fund II

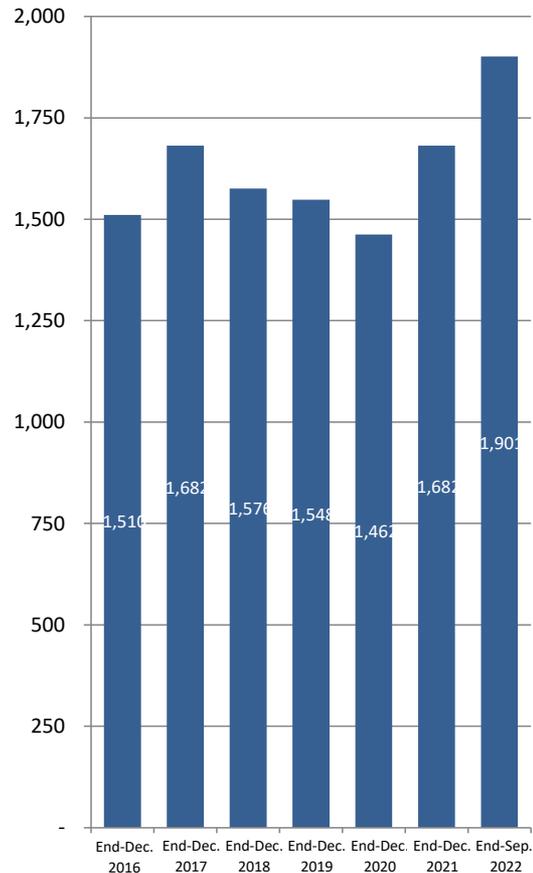
#### Business investments

Unit: 100 million yen



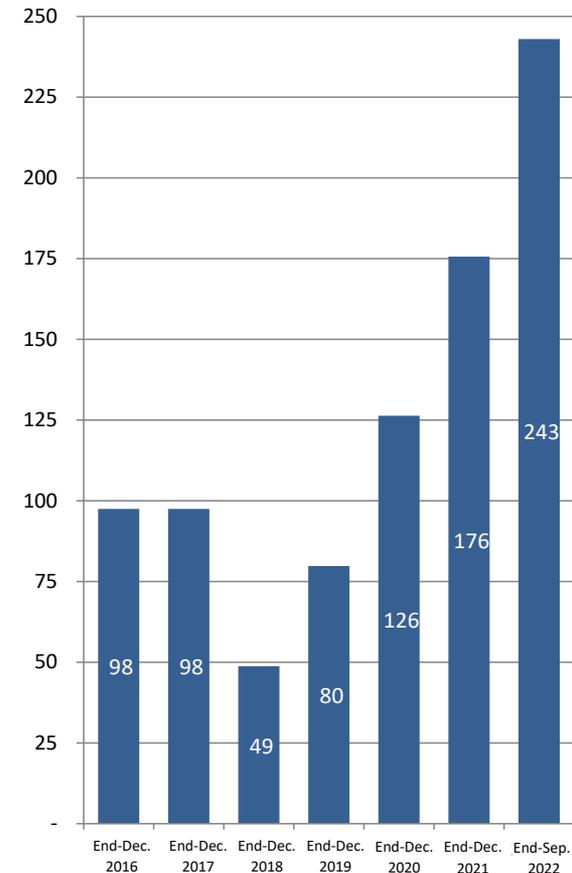
#### Spring REIT

Unit: 100 million yen



#### Asset investments

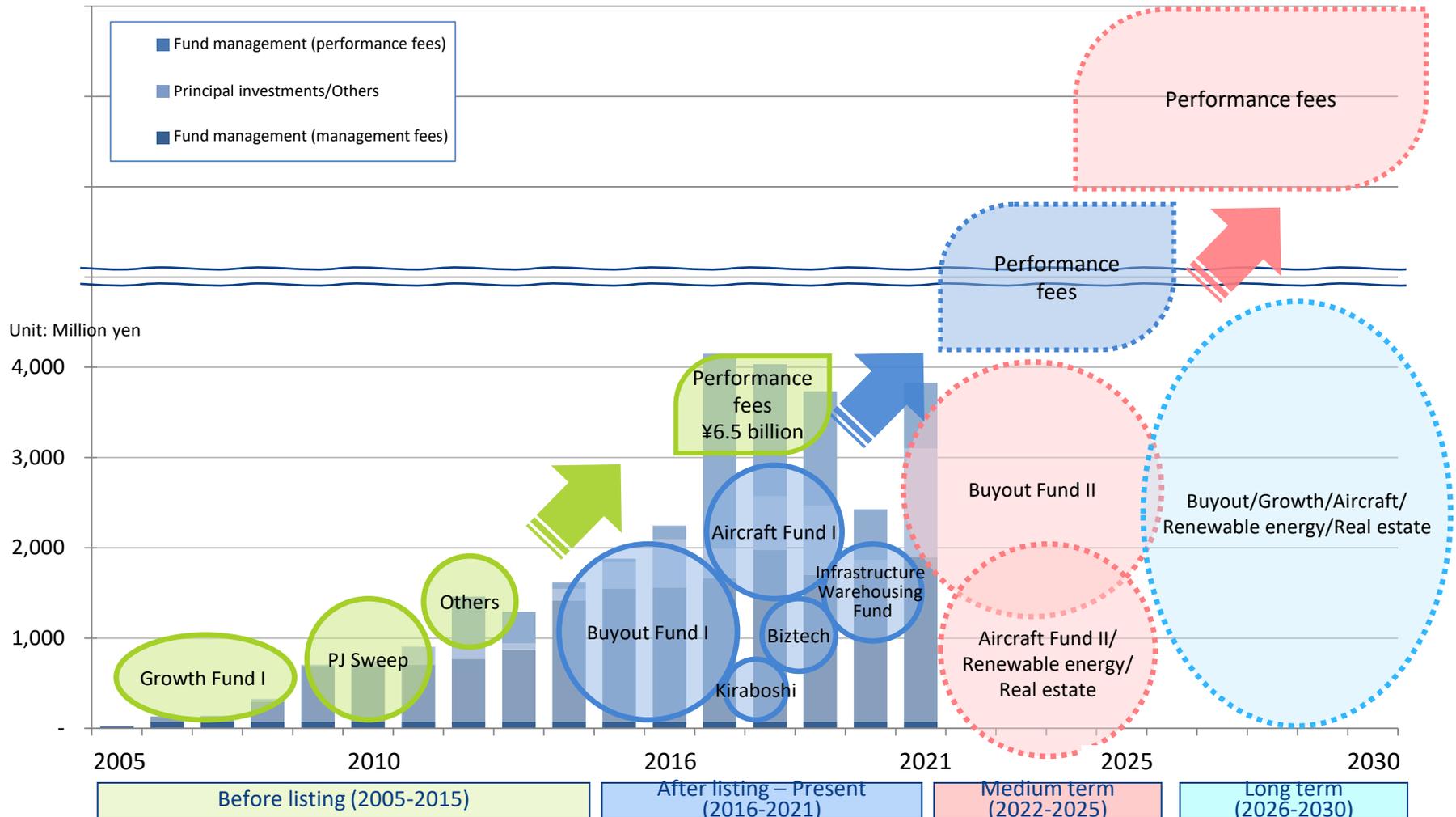
Unit: 100 million yen



## 2.1 Consolidated Financial Results (7/9)

### Performance Fees (Fund Establishment and Revenue Contribution)

- Performance fees normally begin a few years after a fund is established. Funds established after the IPO are expected to start generating performance fees within the next few years.
- As a multi-strategy fund management company, Mercuria Holdings plans to establish and manage a variety of funds in the business investment and asset investment categories. The aim is to use the success of these funds for the medium to long-term growth of corporate value.



## 2.1 Consolidated Financial Results (8/9)

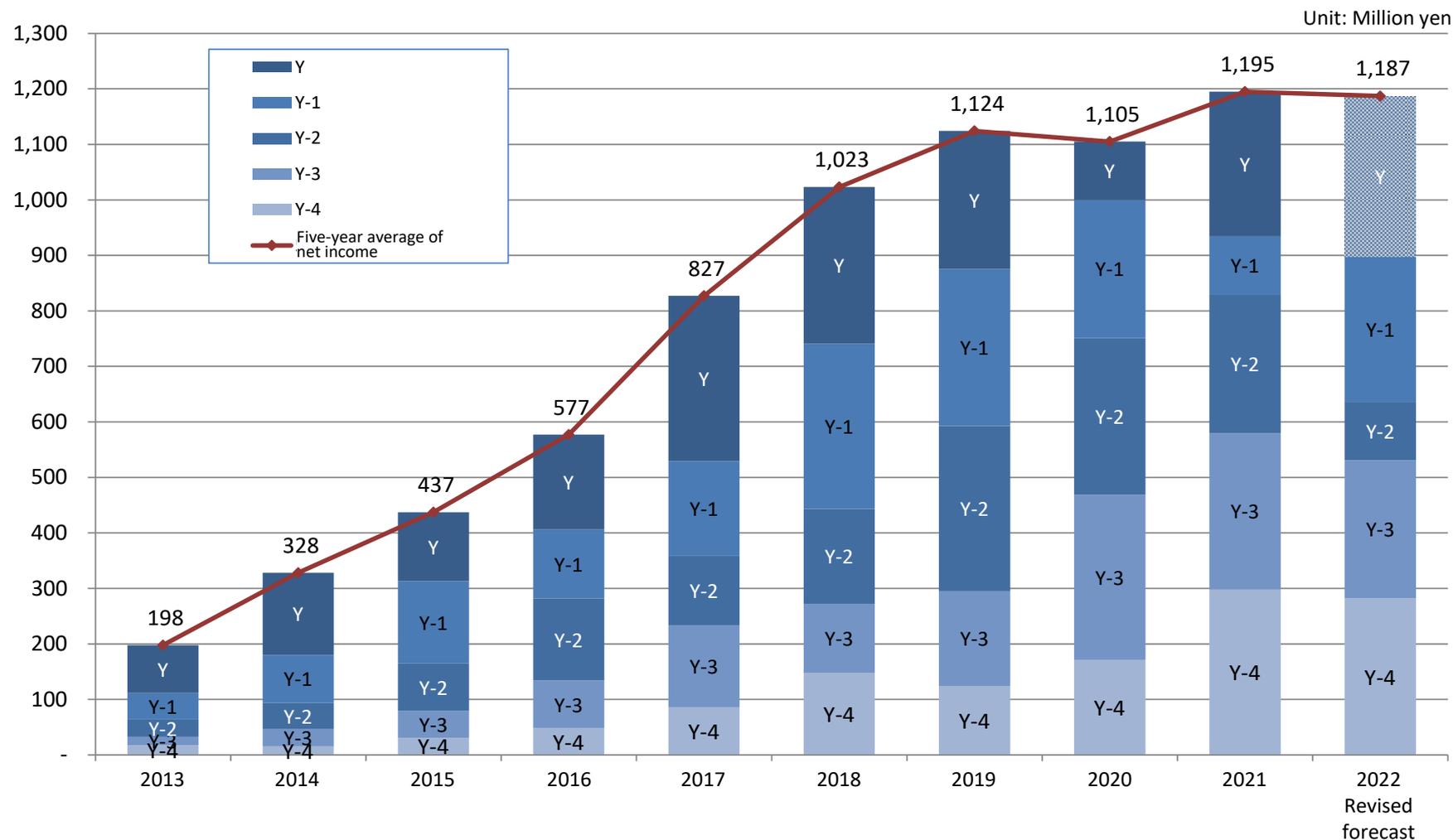
### Performance Fees by Fund Category

	Fund category	Investment strategies	Major partners	Total funds	Duration	Total performance fees
Prior-year funds	Growth Fund I	Growth	DBJ, etc.	¥7.0bn	2005-	¥3.73bn
	Project Sweep	Value	Overseas investors	¥9.8bn	2010-2017	¥1.60bn
	Other funds	Growth/Value	Domestic/overseas investors	-	2012-	¥1.20bn
Business investments	Buyout Fund I	Buyout	DBJ, SMTB, etc.	¥21.3bn	2016-	(Investment period)
	Kiraboshi Fund	Buyout	Kiraboshi Bank, Japan Post Bank, etc.	¥2.6bn	2018-	(Investment period)
	BizTech Fund	Growth	ITOCHU, SMTB, etc.	¥3.1bn	2019-	(Investment period)
	Buyout Fund II	Buyout	DBJ, etc.	Target: ¥40-¥50bn	1st close (¥26.9bn)	(Under establishment)
Spring REIT	Spring REIT	Real estate	Listed on HKEX	Approx. ¥67bn	2013-	¥0.44bn (Open-end)
Asset investments	Growth Fund II	Growth	DBJ, etc.	¥3.1bn	2013-	(Investment period)
	Aircraft Fund I	Aircraft	Pension funds, Shinkin banks, regional banks, etc.	Approx. ¥12bn	2018-	(Investment period)
	Infrastructure Warehousing Fund	Renewable energy	ITOCHU ENEX, SMTB, etc.	¥7.5bn	2020-	(Investment period)
	Aircraft Fund II	Aircraft	Airport Facilities, etc.	Target: ¥15-¥18bn	1st close (approx. ¥5.5bn)	(Under establishment)
	Taiwan Solar Power Fund	Renewable energy	Planning stage	Planning stage	Planning stage	-

## 2.1 Consolidated Financial Results (9/9)

### Five-year Average of Net Income

- The normal business cycle for Mercuria Holdings is five to 10 years. In addition, performance fees and other one-time revenue have a big effect on annual earnings. As a result, the five-year average of net income is used as a key performance indicator.
- Forecasts five-year average of net income of ¥1.19 billion for 2022.

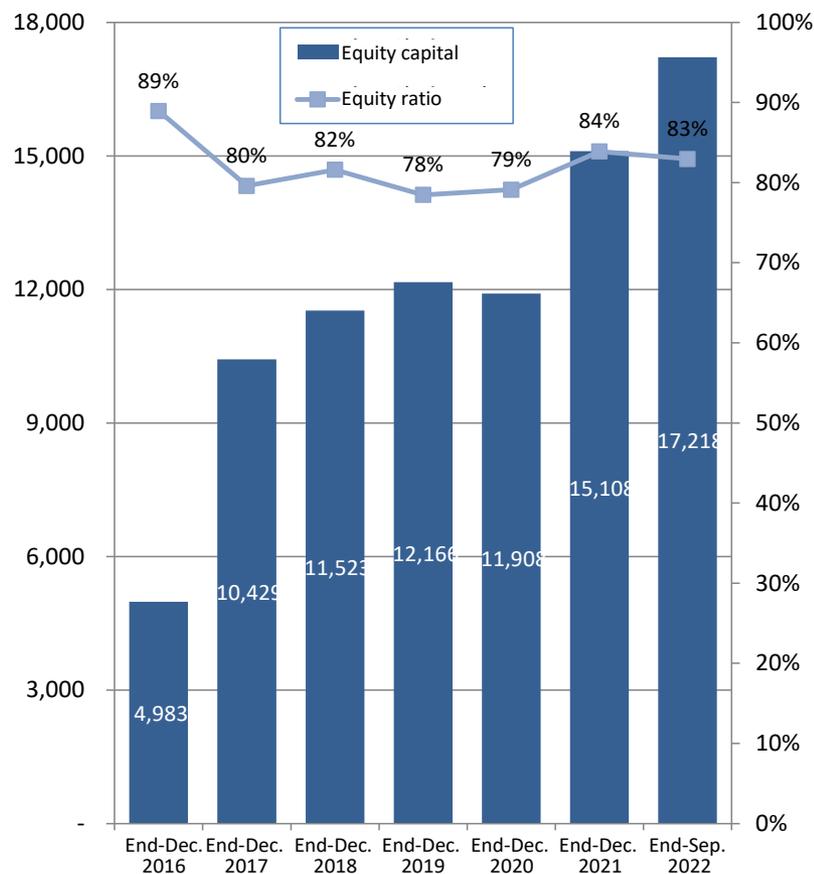


## 2.2 Consolidated Financial Position (1/4) Overview

- Equity capital increased to ¥17.2 billion as of September 30, 2022 because of consistent profitability, depreciation of the yen and stock offerings.
- Cash and deposits of ¥3.7 billion are to be used for principal (same boat) investments in Buyout Fund II and other funds.

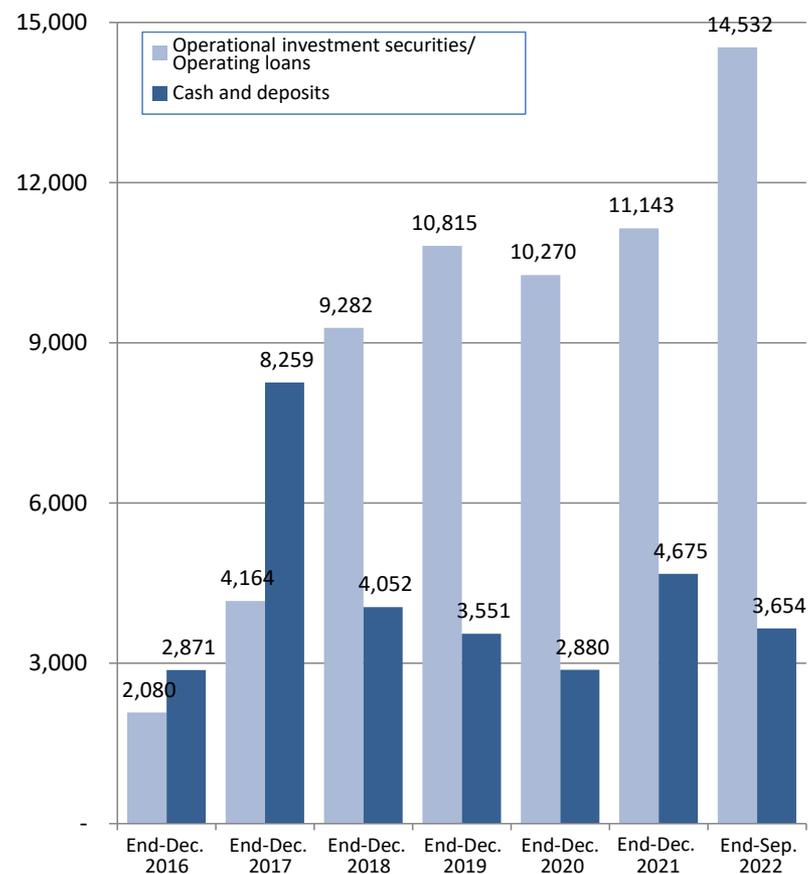
### Equity capital

Unit: Million yen



### Cash and deposits/Principal investments

Unit: Million yen



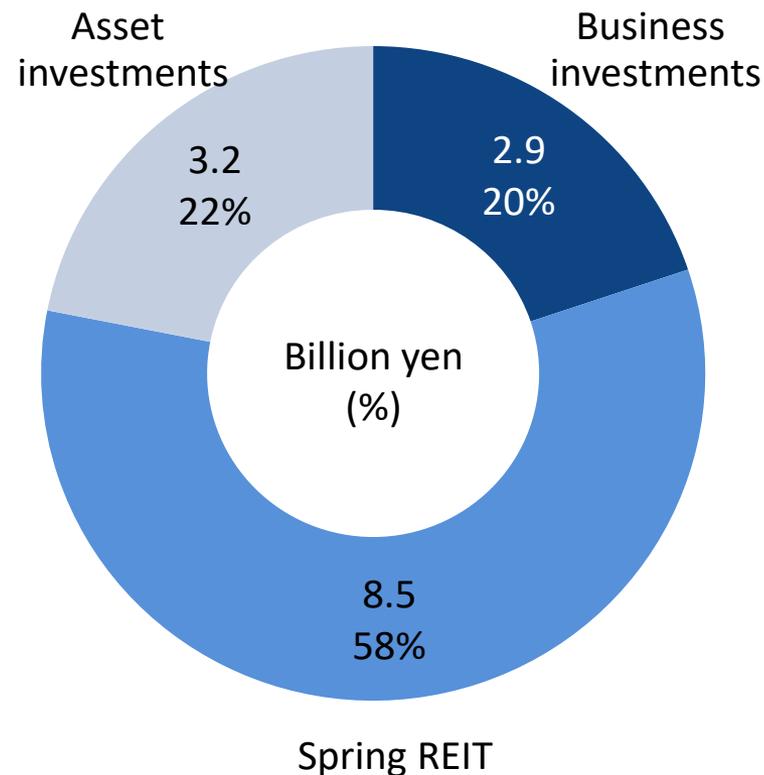
## 2.2 Consolidated Financial Position (2/4) Amount of Assets and Liabilities

- At the end of September 2022, principal investments were ¥14.5 billion and loans were ¥1 billion. Considering the use of loans and financial leverage too.

### Assets and liabilities

Billion yen	End-Dec. 2021	End-Sep. 2022
Business investments	2.5	2.9
Spring REIT	6.5	8.5
Asset investments	2.2	3.2
Operational investment securities/Operating loans	11.1	14.5
Cash and deposits	4.7	3.7
Trade accounts receivable	0.5	0.9
Other current assets	0.4	0.9
Investment securities	0.3	0.3
Other non-current assets	0.9	0.6
(1) Total assets	18.0	20.8
Business investments	-	-
Spring REIT	0.9	0.8
Asset investments	-	0.2
Borrowings	0.9	1.0
Other current liabilities	0.8	1.1
Other non-current liabilities	0.5	0.6
(2) Total liabilities	2.2	2.6
Equity capital	15.1	17.2
Non-controlling interests	0.7	1.0
(3) Net assets (1) - (2)	15.8	18.2

### Principal investments (As of September 30, 2022) (Operational investment securities/Operating loans)



## 2.2 Consolidated Financial Position (3/4)

### Capital Efficiency

- Operating profit is about 10% of total assets and ordinary profit is about 13% of shareholders' equity.
- Considering the use of loans in order to use capital more efficiently by utilizing financial leverage.

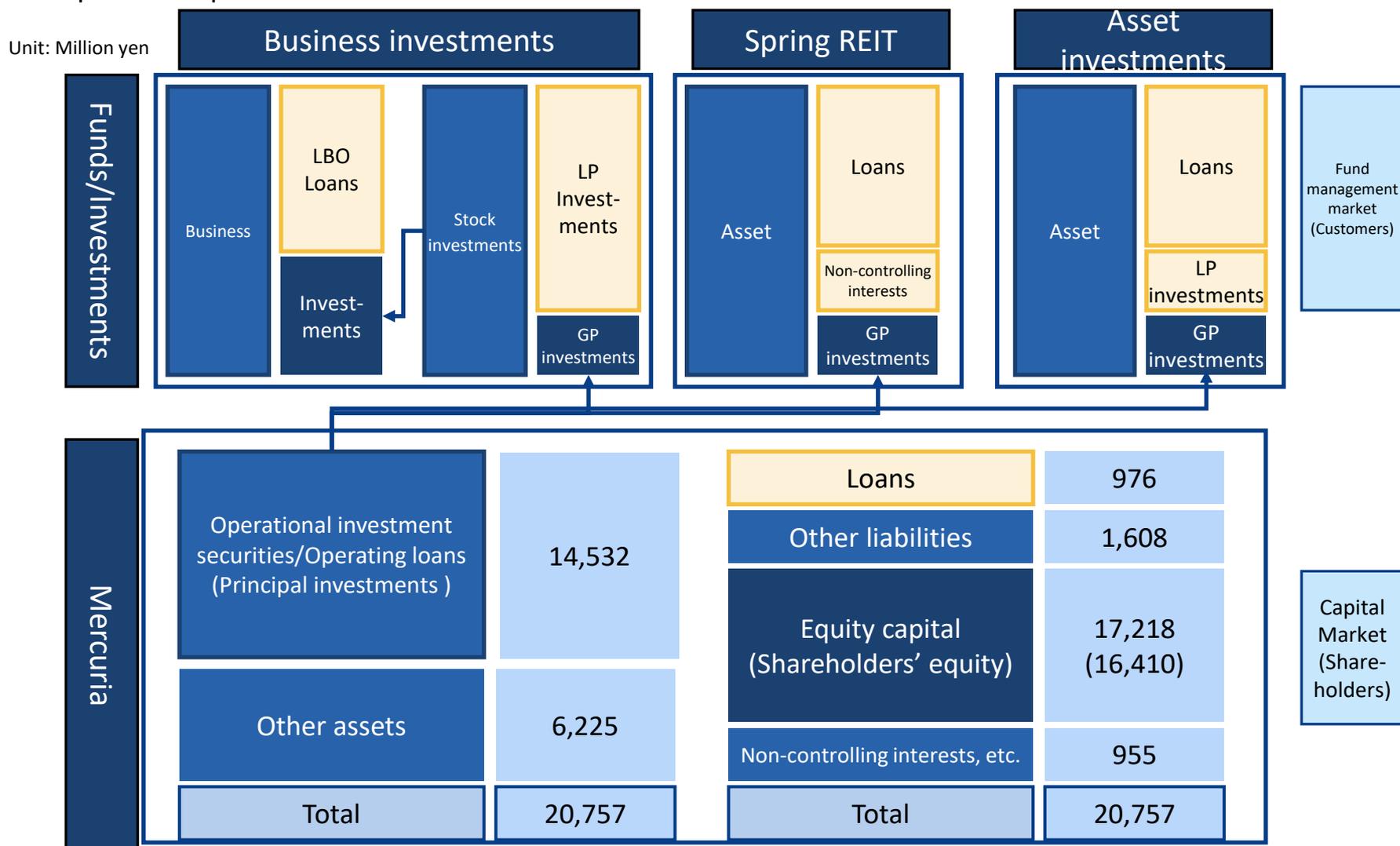
Unit: Million yen

Assets		End-Sep. 2022 (End-Dec. 2021)	Liabilities and net assets	End-Sep. 2022 (End-Dec. 2021)			
Operating profit 1,900~2,100 (after forex)  About 10% of assets	Current assets	Cash and deposits	3,654	Liabilities	Borrowings	976 (874)	Interest expenses 10
		Trade accounts receivable	851		Other current liabilities	1,057	
		Operational investment securities/ Operating loans	14,532		Other non-current liabilities	551	About 1% of loans
		Other current assets	870	Net assets	Equity capital	17,218	Ordinary profit 2,100
	Non-current assets	850	(Breakdown) Shareholders' equity		16,410 (15,575)	About 13% of equity	
Total	20,757 (18,010)	Total	20,757 (18,010)				

## 2.2 Consolidated Financial Position (4/4)

### Financial Leverage Including Investment Funds

- Mercuria is considering the use of financial leverage while taking into account external funds such as investment funds managed by Mercuria, loans at portfolio companies and investments in limited partnerships.



## 2.3 Dividends

- In accordance with the dividend policy, Mercuria Holdings plans to pay a dividend of ¥20 for 2022, which will result in an average payout ratio of 34.9% of net income during the past five years.

### Dividend policy

- Dividends are the primary way to distribute earnings to shareholders and the priority is dividend stability.
- The current payout ratio guideline is about 30%. As performance fees and other one-time revenue has a big effect on earnings, the guideline is to use average net income for five years as the basis. Using this average reduces the effects of earnings swings from year to year and increases the stability of dividends.
- The goal is to raise the dividend along with growth of the five-year average of net income.

Unit: Million yen	2018 Results	2019 Results	2020 Results	2021 Results	2022 Forecasts
(1) Profit attributable to owners of parent	1,411	1,245	525	1,304	1,450
(2) Five-year average of net income	1,023	1,124	1,105	1,195	1,187
(3) Dividend per share	¥18	¥19	¥20	¥20	¥20
(4) Total number of outstanding shares	17,465,989 shares	17,606,389 shares	17,113,389 shares	20,911,579 shares	20,732,579 shares
(5) Total dividends (3) × (4)	314	335	342	418	415
(6) Dividend payout ratio (5) / (2)	30.7%	29.8%	31.0%	35.0%	34.9%

Note

Note: The number of shares in the 2022 forecast is as of September 30, 2022.

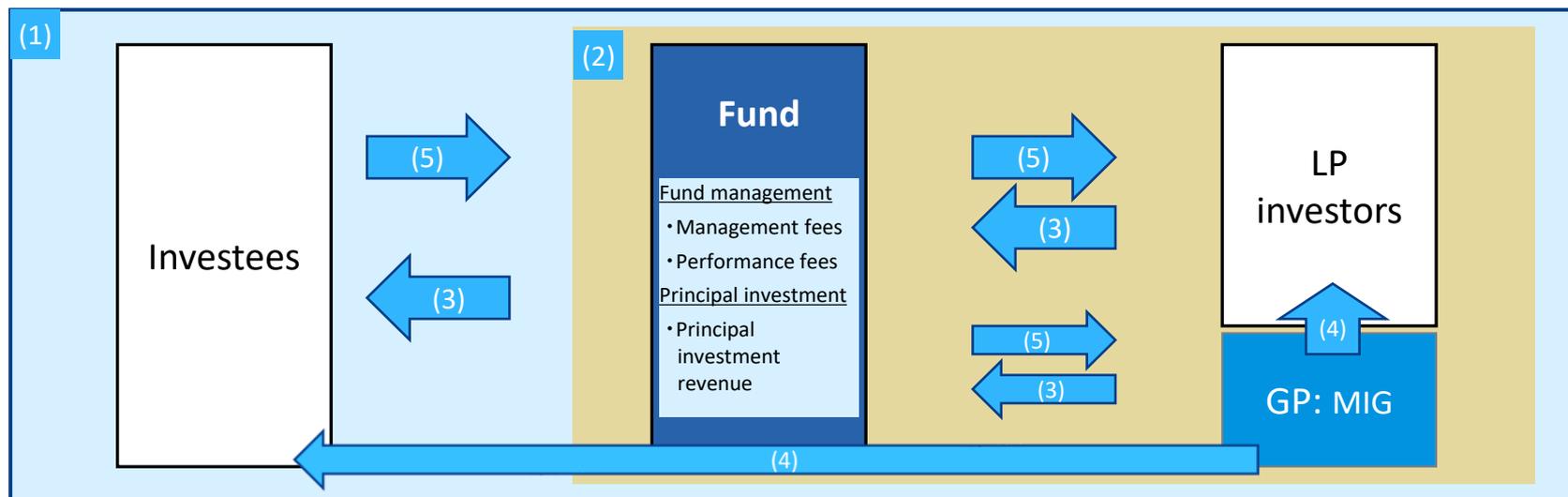
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# **3. Revenue and Earnings Composition and Trends**

## 3.1 Business Summary (1/2) Business Model

- The Mercuria Investment Group has a fund management business, which involves the management of funds received from investors, and a principal investment business, which is same-boat investments using our own funds in funds that we manage.
- In the fund management business, we receive management fees and performance fees based on returns generated by the management of fund assets. The performance of the principal investment business is the gains and losses of investment funds.



Investees		Investors
Analysis of need for funding based on the macro environment	(1) Business plan	Analysis of investment needs based on the macro environment
Pipeline	(2) Fund establishment	Contracts for funds
Investments	(3) Investments	Capital calls
Provision of executives, business matching, etc.	(4) Increase value/Monitoring	Fund performance reports
Sales	(5) Exit	Distributions

## 3.1 Business Summary (2/2)

### Revenue Categories

- Operating revenue consists of management fees, principal investment revenue and performance fees, depending on the current stage of each fund. The following table explains these fees and their timing.

Revenue categories	Description	Timing
Management fees	<ul style="list-style-type: none"><li>- These fees are a fixed percentage of the total fund assets (committed capital) while the fund is operating and a fixed percentage of remaining investments after the fund reaches its investment phase.</li></ul>	<ul style="list-style-type: none"><li>- Received during the life of the fund.</li></ul>
Principal investment revenue	<ul style="list-style-type: none"><li>- This revenue is the gain of a fund multiplied by the percentage of Mercuria Holdings' holding of the fund.</li></ul>	<ul style="list-style-type: none"><li>- Revenue is recognized during the life of a fund every time the fund records a profit due to the sale of an investment or some other event.</li></ul>
Performance fees	<ul style="list-style-type: none"><li>- This fee is a fixed percentage of fund distributions (sometimes with a hurdle rate) that exceed the amount of called capital.</li></ul>	<ul style="list-style-type: none"><li>- During a fund's second half, performance fees are received based on the overall performance of the fund's holdings.</li></ul>

# Reference: Composition of Earnings and Corporate Value

- Mercuria Holdings' view of the value of its stock is based on three components (1): business value (management fees); (2) net asset value (principal investments); and (3) upside value (performance fees).
- Market cap was ¥12.9 billion as of November 8, 2022. The goal is to earn recognition from investors of the value that Mercuria Holdings believes is currently hidden.

Value of stock		Explanations	Market cap Closing price on Nov. 8, 2022
Components of stock value	Upside value (performance fees)	<ul style="list-style-type: none"> <li>+ Funds established after the IPO will start reaching the performance fee stage and launches of even larger successor funds are going well</li> <li>+ Buyout target return is a net IRR of at least 15% (Gross MOIC 2.0x over five years) (Performance fees are ¥6.5 billion for funds in prior years)</li> </ul>	Expectation for performance fees
	Business value (management fees)	<ul style="list-style-type: none"> <li>+ Increase base annual management fees (from almost ¥1.9 billion now to at least ¥2.5 billion)</li> <li>+ Little uncertainty because fees are based on long-term contracts</li> <li>- Operating expenses</li> </ul>	Business value with a sound base for management fees
	Net asset value (principal investments)	<ul style="list-style-type: none"> <li>+ Cash and deposits ¥3.7 billion</li> <li>+ Principal investments ¥14.5 billion (including unrealized capital gains)</li> <li>+ Other assets ¥2.6 billion</li> <li>- Borrowings ¥1.0 billion</li> <li>- Operational liabilities, etc. ¥1.6 billion</li> <li>- Non-controlling interests ¥1.0 billion</li> </ul>	Principal investments ¥17.2 billion + Unrealized capital gain asset value
			<p><b>Hidden value that Mercuria Holdings believes exists</b></p> <p>¥12.9 billion (¥601/share)</p>

## 3.2 Revenue, Expenses and Earnings

### ■ Six-year summary of revenue, expenses and earnings

Unit: Million yen

<u>Revenue, expenses and earnings</u>	2016	2017	2018	2019	2020	2021
Operating revenue	2,521	4,224	4,122	4,718	6,184	4,170
Operating gross profit	2,245	4,150	4,034	3,735	2,426	3,638
<i>Fund management fees</i>	1,562	1,663	1,978	1,701	1,750	1,894
<i>Performance fees</i>	152	2,163	1,462	1,271	563	730
<i>Principal investments/ Others</i>	531	325	593	764	113	1,015
SG&A expenses	(965)	(1,920)	(1,917)	(1,879)	(1,654)	(1,875)
Operating profit	1,280	2,230	2,117	1,856	772	1,763
Ordinary profit	1,248	2,208	2,083	1,800	758	1,817

## 3.2 Operating Gross Profit (Management Fees)

- Operating gross profit from management fees during the past six years

Unit: Million yen

<u>Operating gross profit (management fees)</u>	2016	2017	2018	2019	2020	2021
Business investments	296	498	821	675	710	729
Spring REIT	974	942	1,065	946	929	1,003
Asset investments	293	223	92	79	111	162
Operating gross profit (management fees)	1,562	1,663	1,978	1,701	1,750	1,894

- For business investments, total fund assets have been increasing mainly because of Buyout Fund I and other funds established after the 2016 IPO. The establishment of Buyout Fund II is expected to further increase fund assets. (In 2018, at the final closing of Buyout Fund I management fees for prior years of the fund were recognized retroactively.)
- The performance of Spring REIT is generally stable; revisions to asset valuations caused by exchange rate movements are the major reason for changes in this REIT's performance. The goal is a further increase in Spring REIT's assets by purchasing more assets.
- Regarding asset investments, exits of funds in prior years are largely completed and capital procured at the IPO are being used to fund the establishment of new funds.

## 3.2 Operating Gross Profit (Performance Fees)

- Operating gross profit from performance fees during the past six years

Unit: Million yen

<u>Operating gross profit (performance fees)</u>	2016	2017	2018	2019	2020	2021
Business investments	110	-	-	25	-	644
Spring REIT	-	108	-	-	-	-
Asset investments	41	2,055	1,462	1,246	563	86
Operating gross profit (performance fees)	152	2,163	1,462	1,271	563	730

- For business investments, Buyout Fund I and other primary funds are still in the phase of making investments and have therefore not reached the stage of earning performance fees.
- Spring REIT purchased assets during 2017, which resulted in acquisition fees (performance fees). More acquisition fees will be received every time Spring REIT purchases assets.
- For asset investments, there were performance fees resulting from the exit from exiting investments of past funds, including Growth Fund I and value investment and other funds established during the global financial crisis.

## 3.2 Operating Gross Profit (Principal Investments/Others)

- Operating gross profit from principal investments/others during the past six years

Unit: Million yen

<u>Operating gross profit (principal investments/others)</u>	2016	2017	2018	2019	2020	2021
Business investments	0	-1	288	142	-7	398
Spring REIT (of which, dividends)	76 (77)	92 (93)	308 (282)	136 (233)	-106 (364)	433 (486)
Asset investments	455	234	-2	485	227	184
Operating gross profit (principal investments)	531	325	593	764	113	1,015

- For business investments, Buyout Fund I and other primary funds are still in the phase of making investments. Fund income resulting from the exit from some existing investments is classified as principal investment revenue.
- Spring REIT is a source of steady income due to dividend income. There were valuation losses because of restructuring activities at this REIT in 2019 and 2020.
- For asset investments, fund income associated with principal investments in Growth Fund I and value investment and other funds established during the global financial crisis is classified as principal investment revenue.

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# 4. The Holding Company Structure

# Outline of the Mercuria Investment Group

- The Mercuria Investment Group, with its core company Mercuria Investment that was established in 2005, manages funds that invest in alternative assets and makes principal investments in these funds.
- Listed on the Tokyo Stock Exchange in 2016. Changed to a holding company structure in 2021.

## Company Profile (As of June 30, 2022)

<b>Company name:</b>	Mercuria Holdings Co., Ltd.
<b>Head office:</b>	Daibiru Bldg., 1-3-3 Uchisaiwaicho, Chiyoda-ku, Tokyo
<b>Established:</b>	July 1, 2021 (the former Mercuria Investment Co., Ltd. was established on October 5, 2005)
<b>Capital:</b>	¥4,057,656,380
<b>Business:</b>	Holding company, fund management business and principal investment business
<b>Management personnel:</b>	Toshihiro Toyoshima, CEO Hideya Ishino, Director, COO, Head of Asset Investment Dept. Kiyoto Koyama, Director, CIO, Head of Business Investment Dept.
<b>Number of employees:</b>	90 (consolidated)
<b>Listing:</b>	Tokyo Stock Exchange, Prime Market (stock code 7347)
<b>Strategic shareholders:</b>	Development Bank of Japan Inc. ITOCHU Corporation Sumitomo Mitsui Trust Bank, Limited

## Major Affiliates

- **Mercuria Investment Co., Ltd. (Tokyo)**  
Management of private equity funds including buyout funds, growth funds, renewable energy funds, aircraft funds, etc.
- **Spring Asset Management Limited (Hong Kong)**  
Management of Spring REIT (listed on the Hong Kong Exchanges and Clearing)
- **MIBJ Consulting (Beijing) Co., Ltd. (China)**  
Management of China Central Place (owned by Spring REIT) and consulting about investments in China
- **Mercuria (Thailand) Co., Ltd. (Thailand)**  
Support for the business operations of Japanese companies in Thailand and consulting about investments in Thailand
- **Enex Asset Management Co., Ltd. (Tokyo)**  
Asset management for Enex Infrastructure Investment Corporation (listed on the Tokyo Stock Exchange)
- **Mercuria Airborne Capital Co., Ltd. (Tokyo)**  
Aircraft leasing fund and aircraft financing businesses
- **Business Market Co., Ltd. (Tokyo)**  
Business succession assistance using the internet

## Mission

**“Change today's Japan  
through Power of Funds”**

## Three Management Philosophies

**Crossing National, Mental and Generational Boundaries —Cross Border**

**Becoming a World-class Investment Group —Global Reach**

**Common Knowledge in Five Years —Undiscovered Common**

# History (1/2)

Before  
establishment

Toshihiro Toyoshima, the CEO of Mercuria Holdings, made the following statement at the World Bank that defined the **Mercuria cross-border management philosophy**: “The breakout power of equity will be essential for making the Japanese economy part of the dynamic growth of the global economy”

2005

Established Asuka DBJ Partners primarily with the backing of Development Bank of Japan  
Established Growth Fund I

Invested in Beijing's China Central Place, later owned by Spring REIT = **Beyond national boundaries**  
Invested in Lifenet Insurance Company and Hoken No Madoguchi = **Beyond mental boundaries**

2008

Reorganized real estate investments in China due to the global financial crisis  
Invested in assets of foreign investment bank that shut down Japan operations and in non-bank assets

2011

Established Growth Fund II

Spring REIT was listed on the Hong Kong Exchange and Clearing

Equity investments by ITOCHU and Sumitomo Mitsui Trust Bank = **Strategic partners**

2016

Established Buyout Fund I = **Beyond generational boundaries**

Mercuria Investment was listed on the Tokyo Stock Exchange Second Section (moved to the First Section in 2017)

2018

Established Aircraft Fund I = **Full-scale start of cash flow investments, including a renewable energy fund**

2019

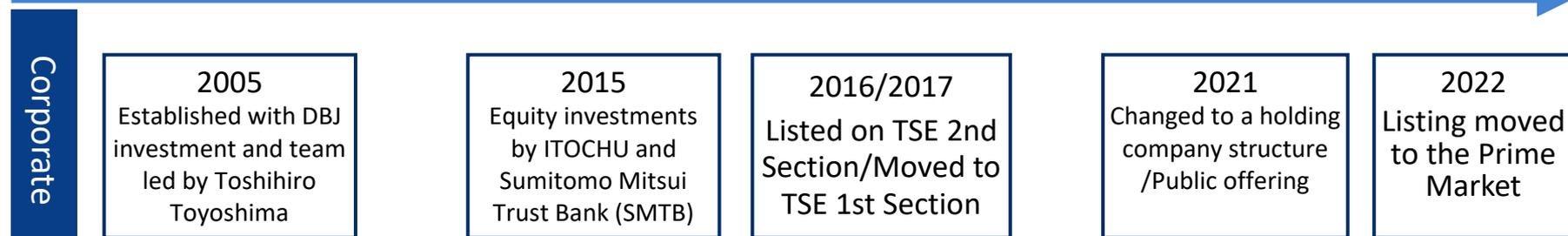
Enex Infrastructure Investment Corporation was listed on the Tokyo Stock Exchange Infrastructure Fund Market  
Established BizTech Fund

2021

Established Mercuria Holdings, which is listed on the Tokyo Stock Exchange  
Established Mercuria Airborne Capital Co., Ltd.

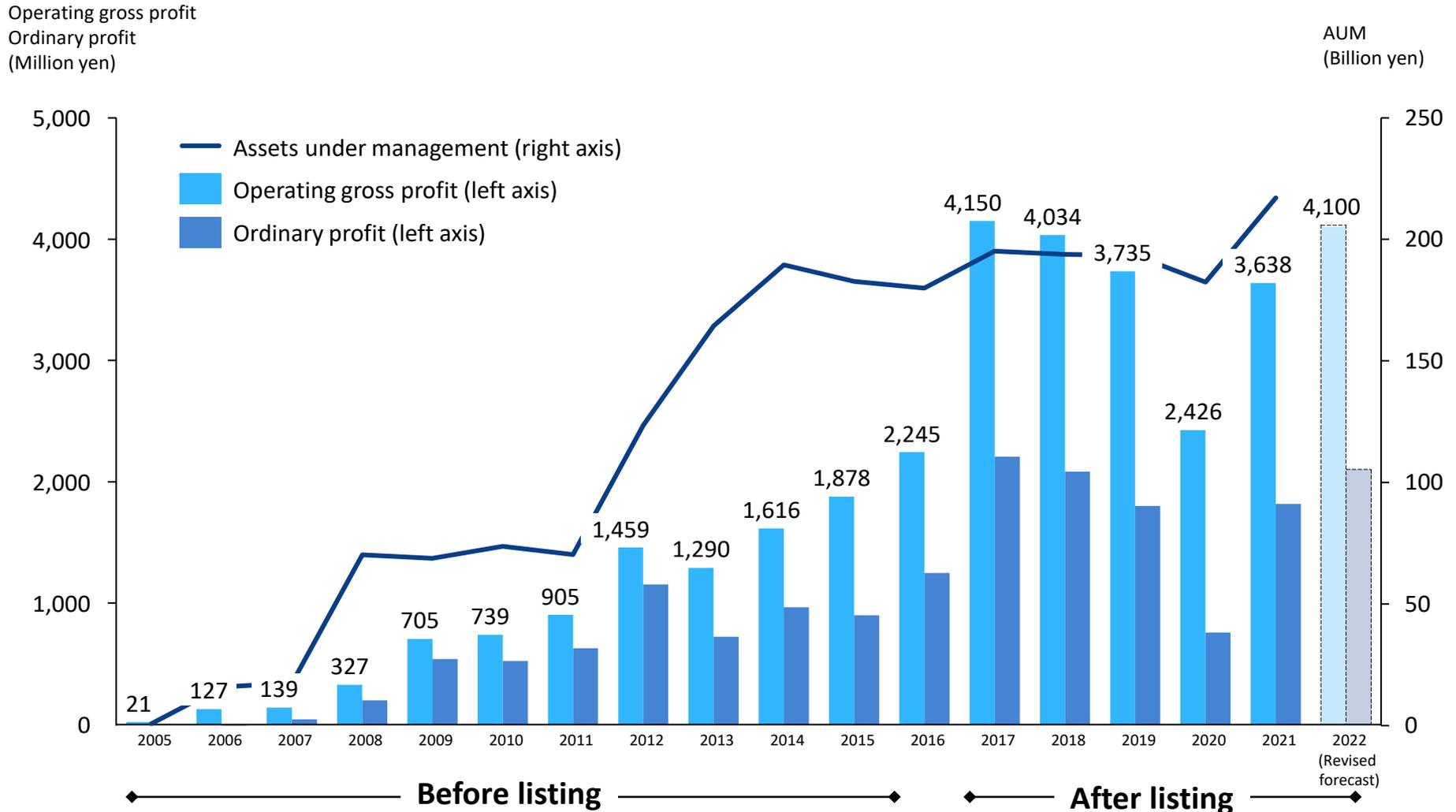
# History (2/2)

- Since our establishment in 2005, we have established and managed growth funds with the common theme of cross-border (national and mental boundaries).
- Following the stock market listing in 2016, the Mercuria Investment Group has established and managed buyout funds and cash flow (aircraft, renewable energy) funds with theme of cross-border (generational boundaries).



# Main Financial Indicators (2005–2021)

- The Mercuria Investment Group has achieved significant growth since its establishment even during economic crises and other challenges by making strategic shifts in targeted investment categories based on the outlook for macroeconomic trends.



# Business Sectors and Investment Strategies

- A multi-strategy investment backed by the holding company platform.
- Business operations consist primarily of two categories. One is business investments, which are buyout and growth investments. The other is asset investments, which are real estate, aircraft and renewable energy investments.

## Business Investments

Invest in companies, increase the value and sell companies to the next generation of ownership

- Buyout investments
- Growth investments

## Asset Investments

Purchase high-grade assets in order to generate consistent revenue and gains on sales of assets

- Real estate investments
- Aircraft investments
- Renewable energy investments

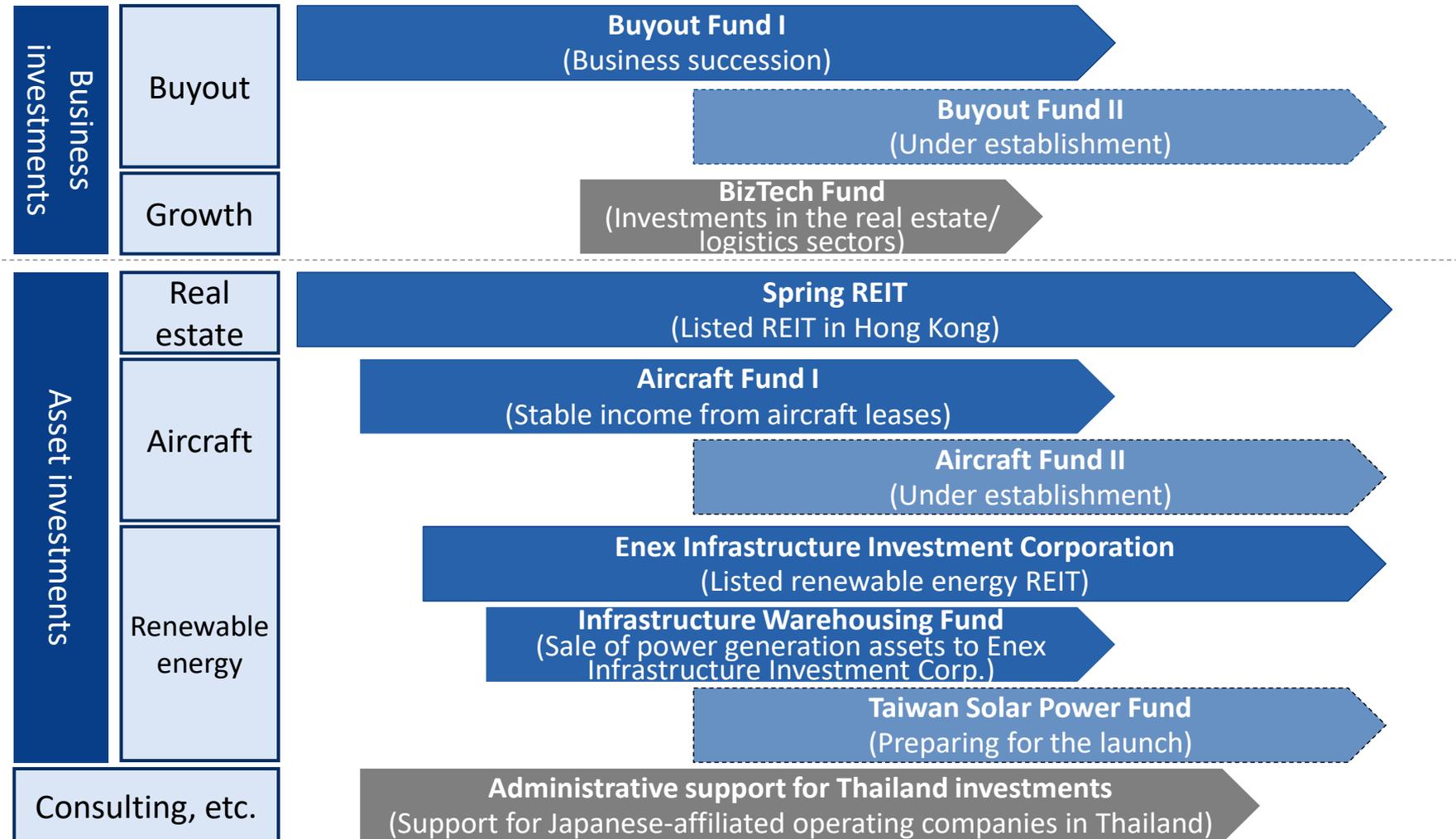
## Value Investments

Goal is buying undervalued assets to earn high returns

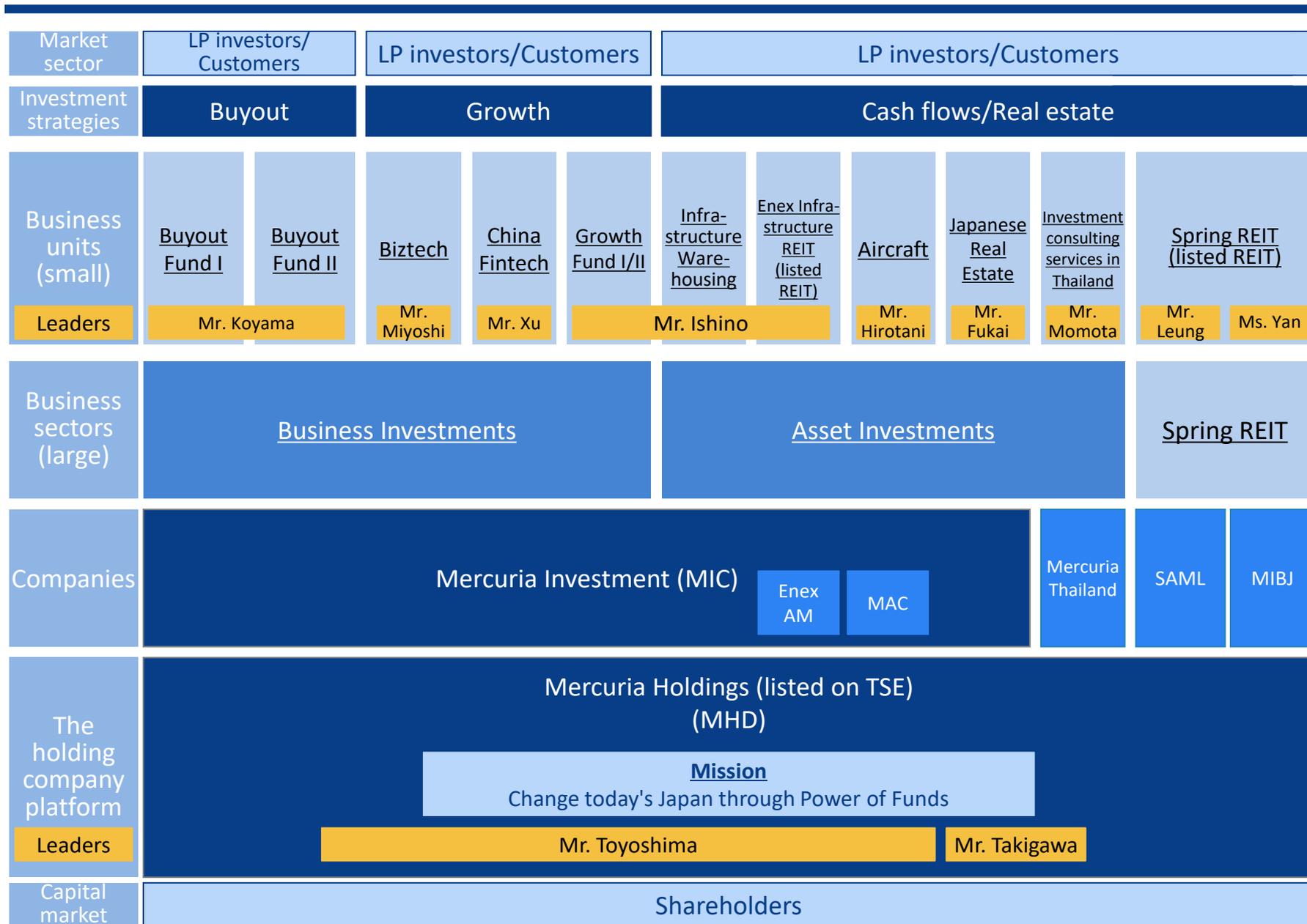
- Special situations, market volatility, non-performing loans, etc.

# Funds for Business and Asset Investments

- In the business investments category, the goals are to maximize returns of Buyout Fund I, which is performing very well, and launch its successor, Buyout Fund II.
- In the asset investments category, the goal is to increase AUM by using a multi-strategy investment encompassing Spring REIT and funds for aircraft, renewable energy and other assets.



# The Holding Company Platform (1/2)



# The Holding Company Platform (2/2)

Business team	Business Investment Leaders	Asset Investment Leaders	Spring REIT Business Leaders
	 <p><b><u>Kiyoto Koyama</u></b>                  Director, CIO,                  Head of Business Investment Dept.                  Career                  • Development Bank of Japan</p>	 <p><b><u>Hideya Ishino</u></b>                  Director, COO,                  Head of Asset Investment Dept.                  Career                  • Salomon Brothers</p>	 <p><b><u>Leung Kwok Hoe, Kevin</u></b>                  Spring Asset Management Limited</p>
	 <p><b><u>Xiaolin Xu</u></b>                  Executive Officer,                  China Business Leader</p>	 <p><b><u>Daisuke Miyoshi</u></b>                  Managing Director of Biztech Fund Business</p>	 <p><b><u>Toru Aratani</u></b>                  Managing Director of Business Investment Dept.</p>
		 <p><b><u>Toshiaki Fukai</u></b>                  Executive officer,                  Head of Japanese Real Estate Business Dept.</p>	 <p><b><u>Yoichi Hirotani</u></b>                  Mercuria Airborne Capital Co., Ltd.</p>
			Thai Business Leader
			 <p><b><u>Minoru Momota</u></b>                  Mercuria (Thailand) Co., Ltd.</p>
The holding company platform	Mercuria Investment Group Leaders		
	 <p><b><u>Toshihiro Toyoshima</u></b>                  CEO of Mercuria Holdings                  Career                  • Development Bank of Japan                  • World Bank</p>	Finance & Control / Business Planning Leader	
		 <p><b><u>Yusuke Takigawa</u></b>                  Executive Officer,                  Head of Finance &amp; Control Dept. and Business Planning Dept.</p>	



Mercuria Investment Group

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