

Mercuria Holdings Co., Ltd.

TSE Prime Market: 7347

Summary of Results of Operations for the Fiscal Year Ending December 31, 2022

February 24, 2023

Notes:

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1. Group Management and Business Strategy Progress

2022 results

- Business progressing steadily and aiming to make further growth from next year onwards.

Gross Operating Profit

¥4.39bn

Record-high

Operating Profit

¥2.21bn

Up 22% from 2022

ROE

9.8%

Aiming for 10-15%

Total Return Ratio

53.4%

Stock Repurchase Executed

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 end of December 2023)

Company name:	Mercuria Holdings Co., Ltd.
Head office:	Daibiru Bldg., 1-3-3 Uchisaiwaicho, Chiyoda-ku, Tokyo
Established:	July 1, 2021 (the former Mercuria Investment Co., Ltd. was established on October 5, 2005)
Capital:	¥4,063,576,580
Business:	Holding company, fund management business and principal investment business
Management personnel:	Toshihiro Toyoshima, CEO Hideya Ishino, Director, COO, Head of Asset Investment Dept. Kiyoto Koyama, Director, CIO, Head of Business Investment Dept.
Number of employees:	98 (consolidated)
Listing:	Tokyo Stock Exchange, Prime Market (stock code 7347)
Strategic shareholders:	Development Bank of Japan Inc. ITOCHU Corporation Sumitomo Mitsui Trust Bank, Limited

Major Affiliates

- **Mercuria Investment Co., Ltd. (Tokyo)**
- **Spring Asset Management Limited (Hong Kong)**
- **MIBJ Consulting (Beijing) Co., Ltd. (China)**
- **Mercuria (Thailand) Co., Ltd. (Thailand)**
- **Mercuria (Vietnam) Co., Ltd. (Vietnam)**
- **Enex Asset Management Co., Ltd. (Tokyo)**
- **Mercuria Airborne Capital Co., Ltd. (Tokyo)**
- **Business Market Co., Ltd. (Tokyo)**

Vision, Mission, and Management Philosophy

Vision

"To Become a World-Class Investment Group"

Mission

"Change Today's Japan Through Power of Funds"

**Management Philosophy
= Investment Philosophy**

**Growth of
Happiness**

Cross-Border

**All for the
Business**

**Undiscovered
Common**

Social Contribution

- Building upon our unique strengths and background, we aim to contribute to society by developing and offering new products.

Our Background

- Social credibility as a listed company
- Presence of strategic shareholders



Our Philosophy and Strengths

- Field-oriented approach
- Management philosophy
 - ✓ Growth of happiness
 - ✓ Cross-border
 - ✓ Undiscovered Common
 - ✓ All for the business



Development and Provision of Products

- Quality investment products

REIT



Buyout Funds



Renewable Energy Funds

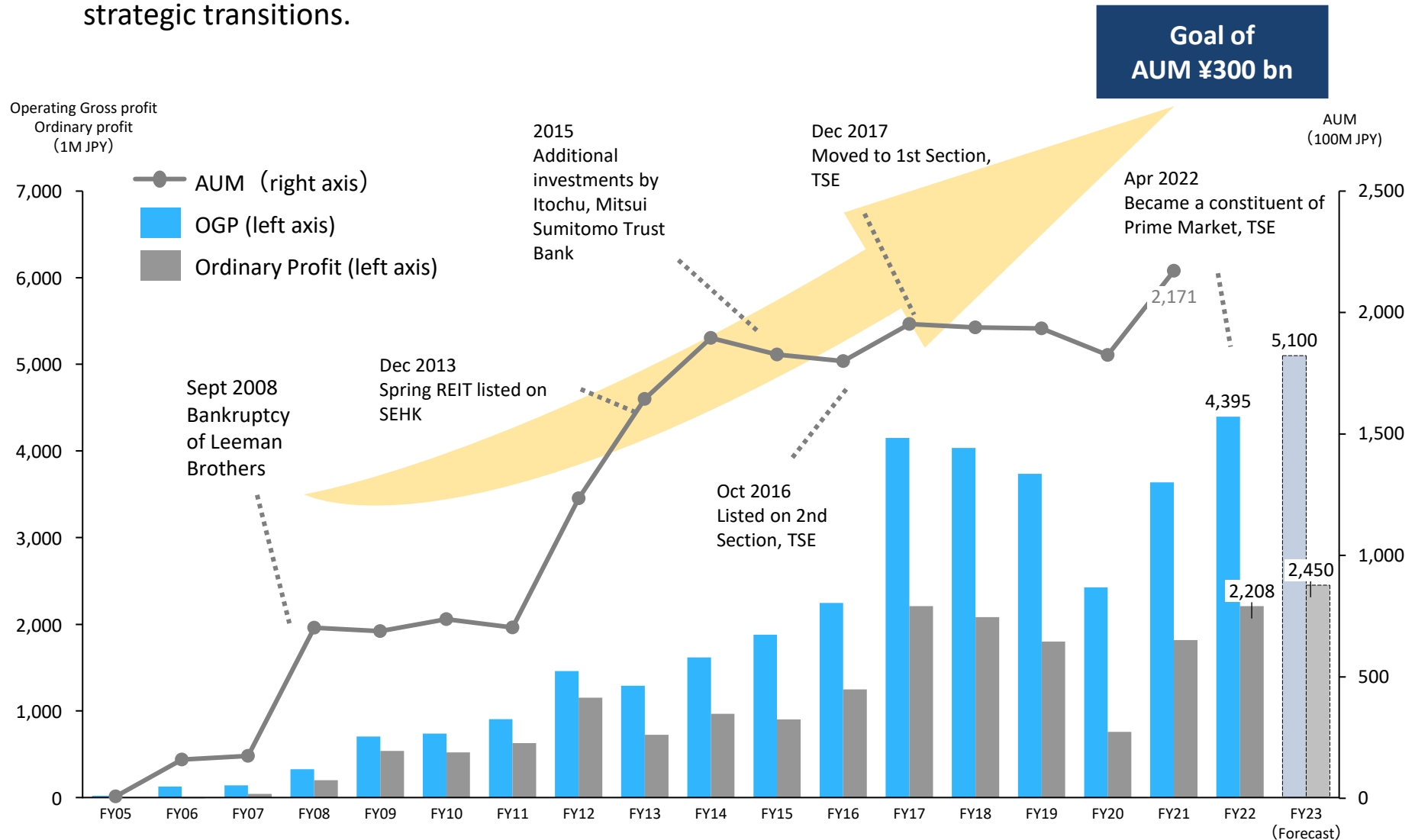


Aircraft Funds



Financial Results of Mercuria Investment Group

- Since our founding in 2005, we have developed new investment areas while steering through the Global Financial Crisis and other challenges, forecasting macroeconomic trends, and achieving strategic transitions.



Achievements after listing

Business investment and Asset investment

- 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.
- Formed new funds in each investment fields.

Business Investments

□ Buyout Investments

- Buyout Fund I (2016-)
- Buyout Fund II (2022-)



□ Growth Investments

- BizTech Fund (2019-)
- Successor Fund (Planned)



Asset Investments

□ Real estate Investments

- Acquisition of Spring REIT assets (2017/2022)



□ Aircraft Investments

- Aircraft fund I (2018-)
- Aircraft fund II (2022-)



□ Renewable energy Investments

- Enex Infrastructure REIT (2018-)
- Infrastructure warehousing fund (2020-)



Achievements after listing

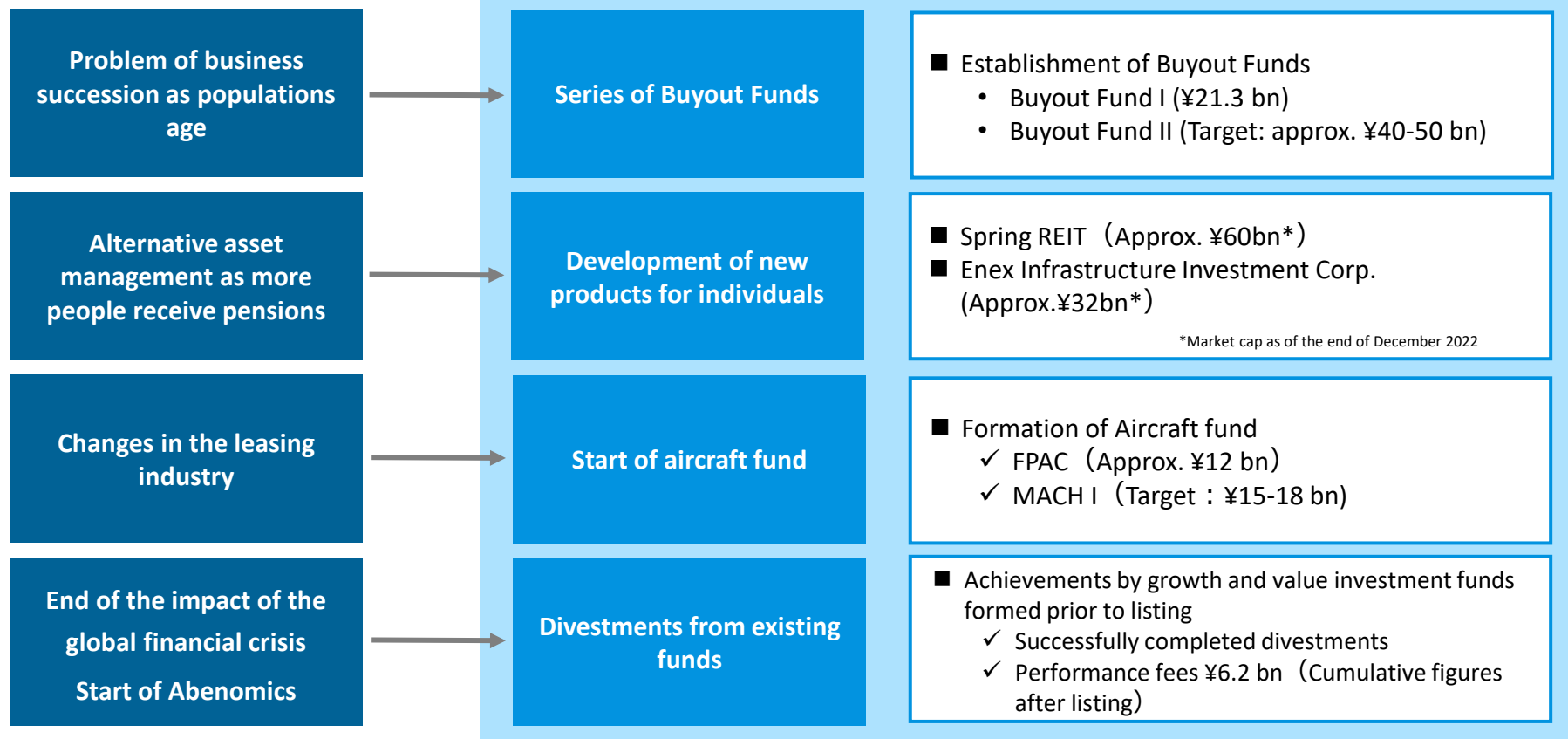
Realization of “Undiscovered Common”

- Steadily built solid track record by developing financial products focused on future business opportunities since our listing in 2016.
- Mercuria Holdings will continue to take on various challenges to realize our management philosophy, “Undiscovered Common”.

Business climate at 2016 TSE 2nd Section Listing

Actions/Solutions

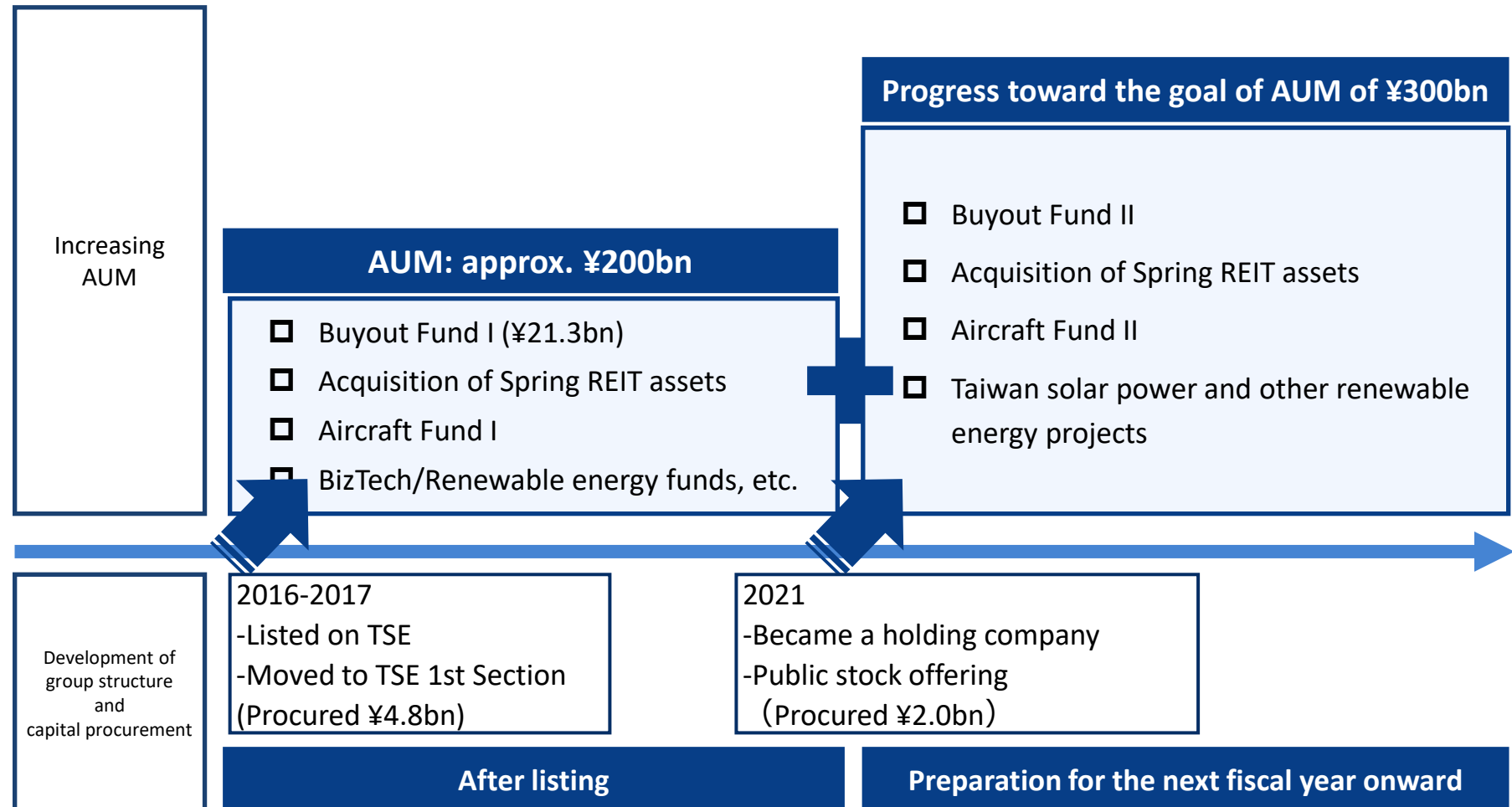
Accomplishments



Preparation for the future

Toward the goal of AUM ¥300 bn

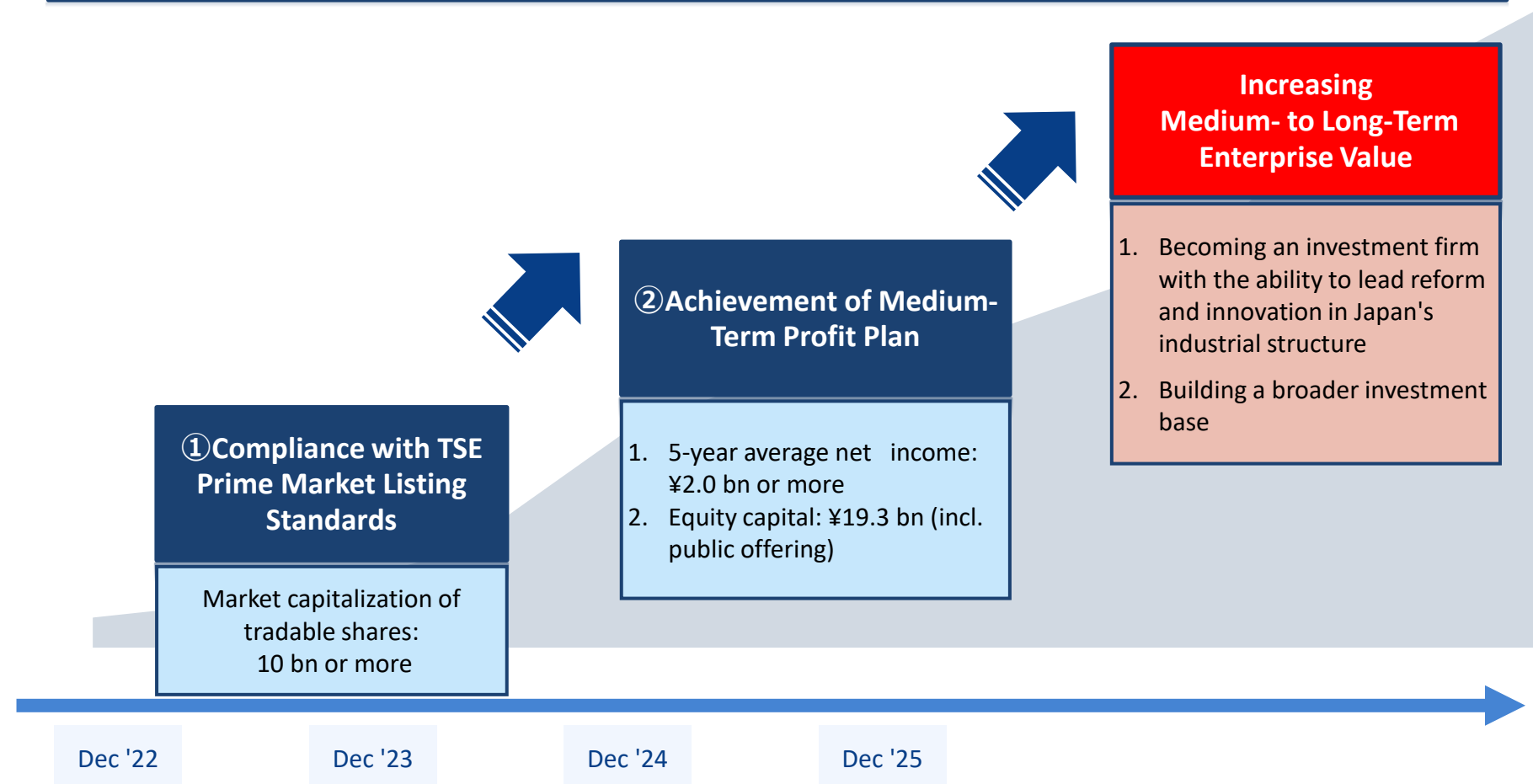
- In 2021, five years after listing on the Tokyo Stock Exchange, the Company made the transition to a holding company structure to accelerate business growth and raised funds through a public offering to establish a new fund at the end of the fiscal year.
- Selected the Prime Market in 2022. Started to form successor funds of existing funds centered on buyout No. 2, aiming to become a fund management company with assets under management of 300 billion yen.



Medium-Term Profit Plan and Compliance with TSE Prime Market Listing Standards

- As a listed company, we aim to achieve the following interim goals to increase MHD's medium- to long-term market cap and become an investment firm with the ability to lead reform and innovation in Japan's industrial structure: 1) Compliance with TSE Prime Market Listing Standards; 2) Achievement of Medium-Term Profit Plan

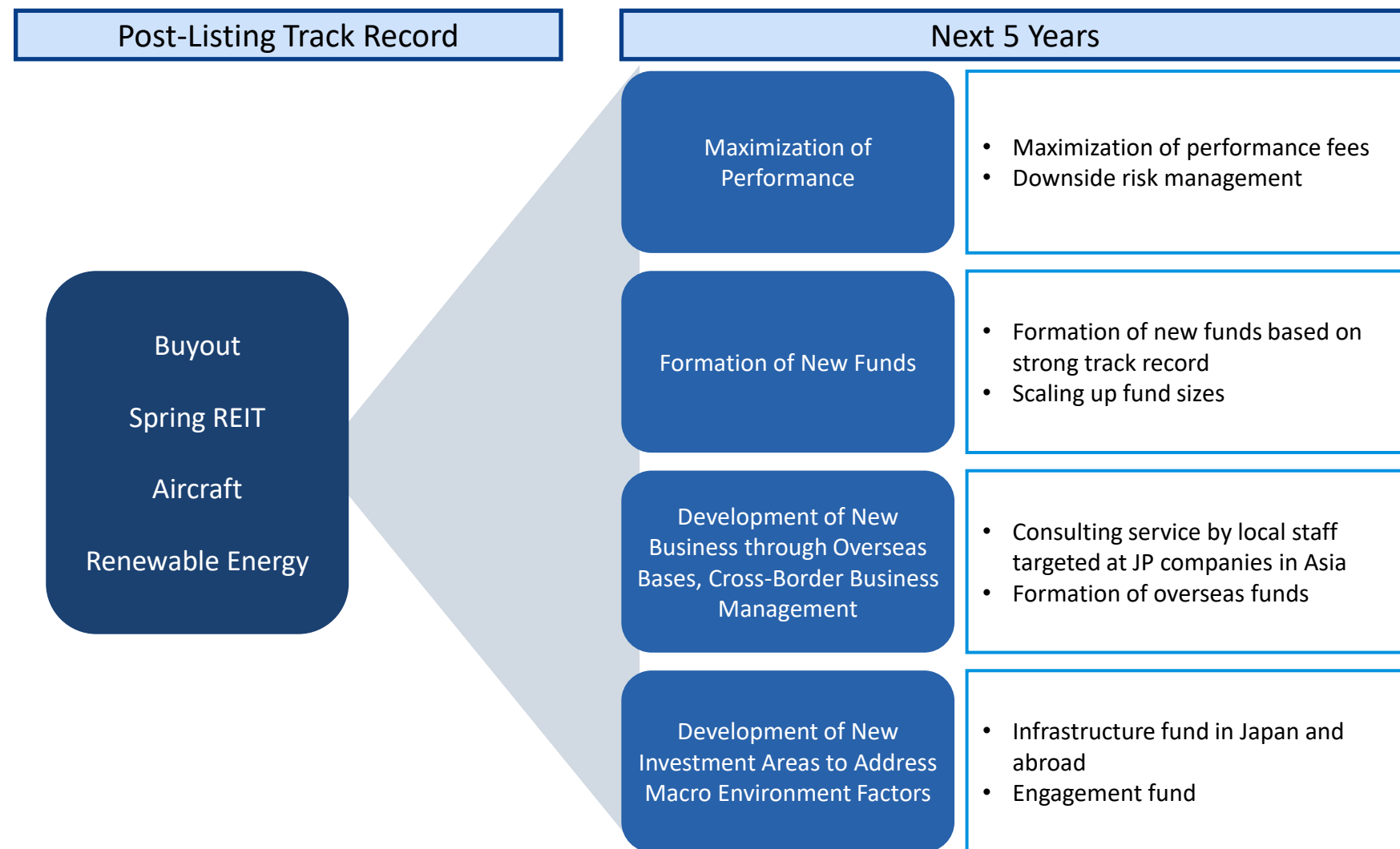
Roadmap for Increasing Medium- to Long-Term Corporate Value



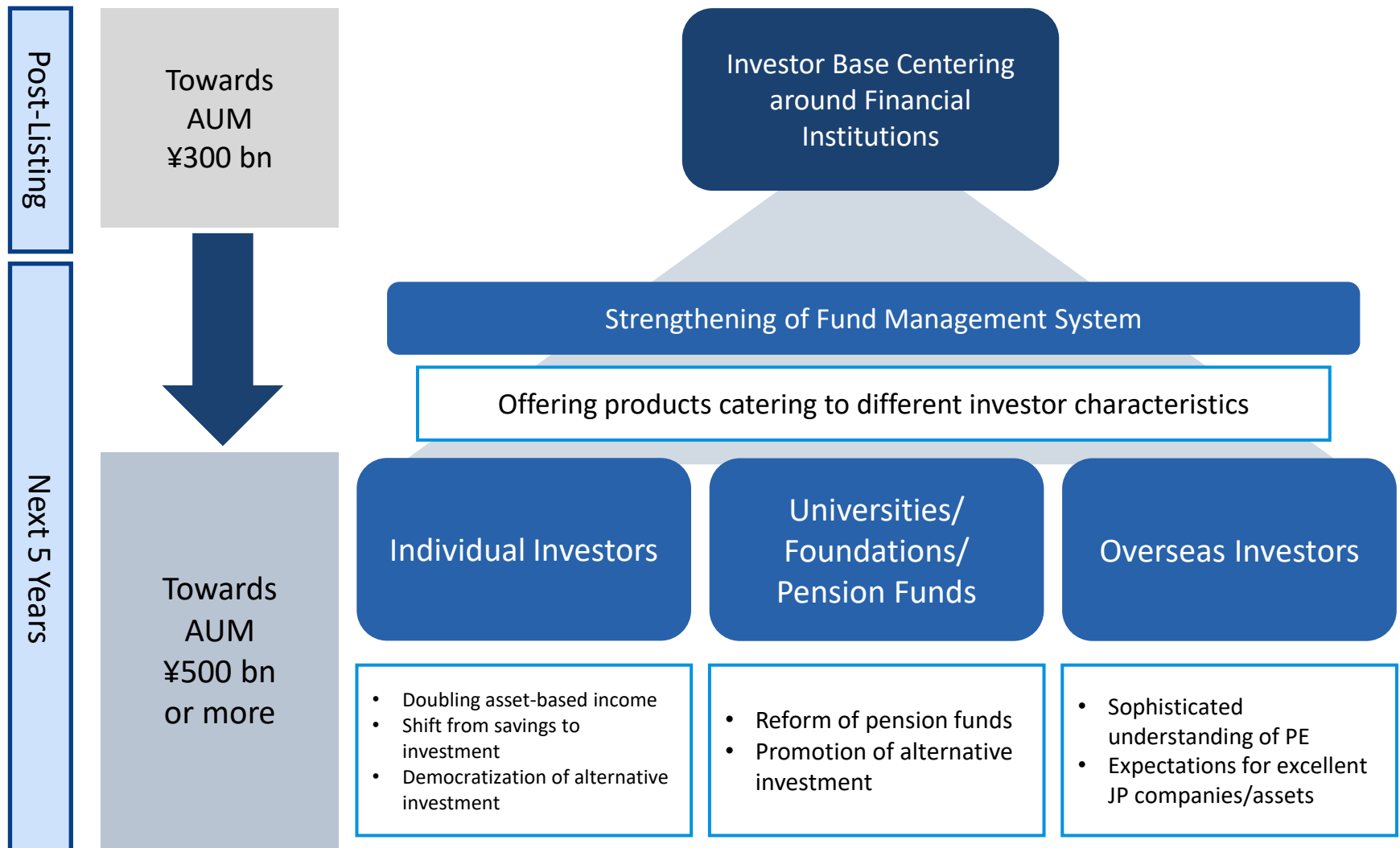
Business Development for Next Five Years

Leading Reform and Innovation in Industrial Structure

- Based on our post-listing track record, we will steadily develop business in the next five years to become a fund management company with the ability to lead reform and innovation in Japan's industrial structure.

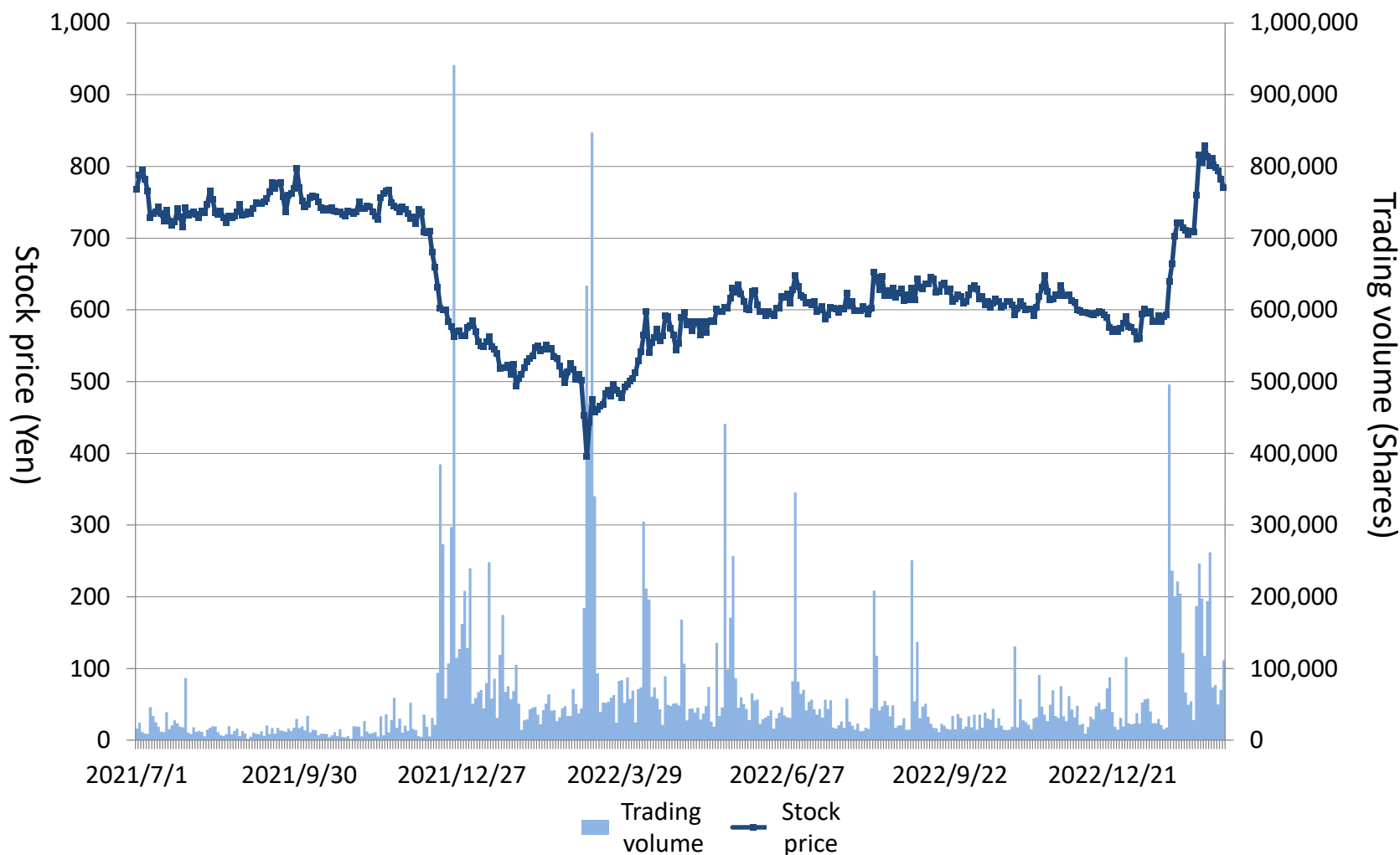


- As a fund management company, we will strive to build a broader investor base by further strengthening our fund management system, and offering products catering to the characteristics of each investor category, such as different risk/return perspectives and investment periods.



Stock Price and Trading Volume

- The December 2021 public offering raised trading volume significantly.
- Stock price recently recovered to the level of 800 yen, although fell to 600 yen after the public offering.



Reference:

Structure of Earnings and Corporate Value

- MHD's view of the value of its stock is based on following components: (1) business value (management fees); (2) net asset value (principal investments); and (3) upside value (performance fees).
- Market cap was ¥15.8 bn as of February 21, 2023. We will focus on proactive IR activities to realize the hidden value of MHD that we believe exists.

Value of stock			Market cap
Components of stock value	Upside value (performance fees)	Expectation for performance fees	Hidden value that MHD believes exists
	Business value (management fees)	Business value with a sound base for management fees	
	Net asset value (principal investments)	Equity capital ¥16.6 bn + Unrealized capital gain asset value	¥15.8 bn (¥771/share)

2. Financial Highlights

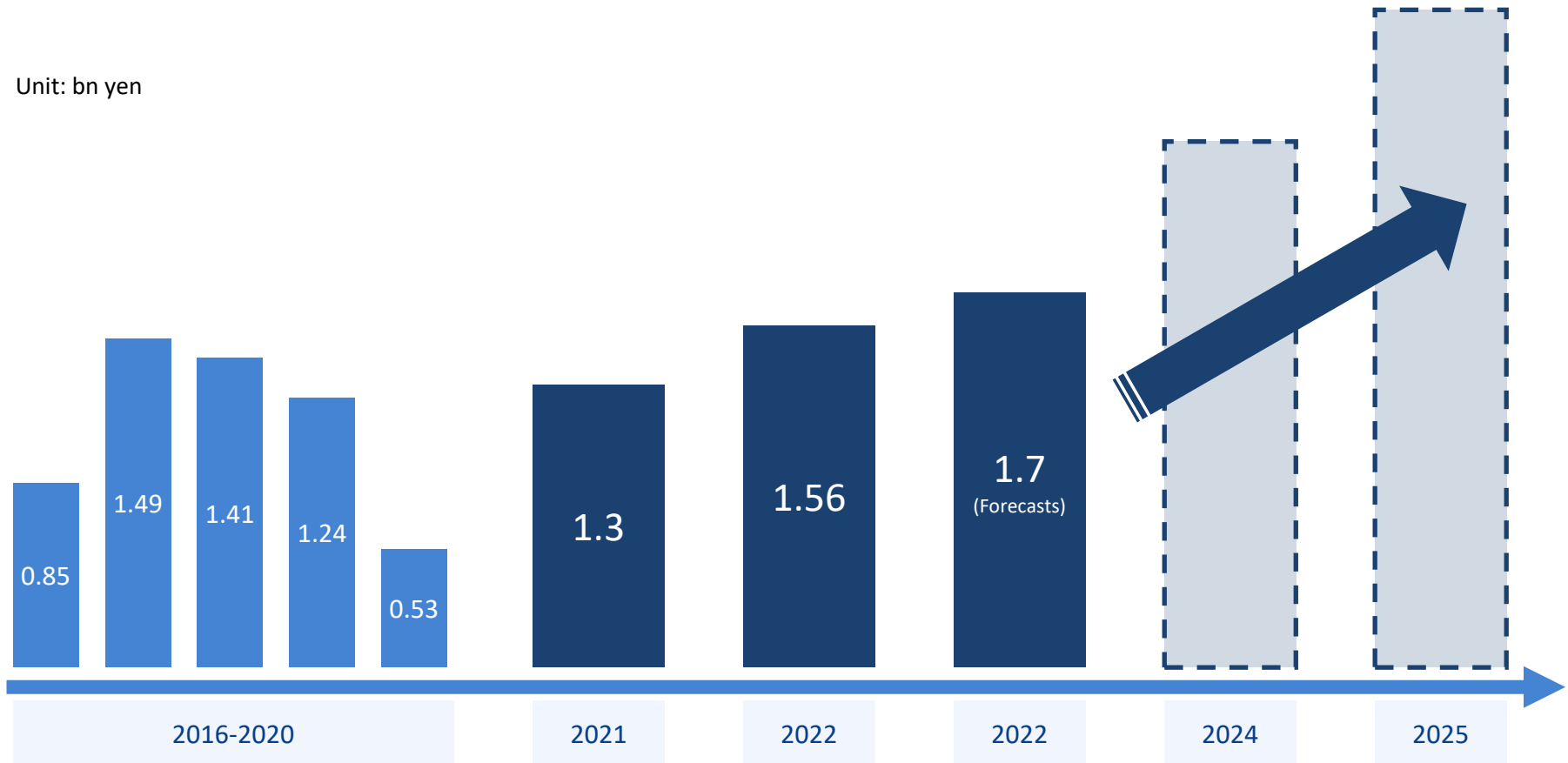
Progress of Medium-term profit plan

Five-year Average of Net Income

- Results of 2021 and 2022: Net income of ¥1.3 bn and ¥1.56 bn respectively while the funds formed before listing coming to the end of generating performance fee stage.
- 2023 onward: Aiming for the five-year average of net income of ¥2.0 bn in 2025 by accumulating management fees from newly established Buyout Fund II and performance fees from Buyout Fund I.

Five-year Average of Net Income : ¥2.0 bn (Mid-term goal)

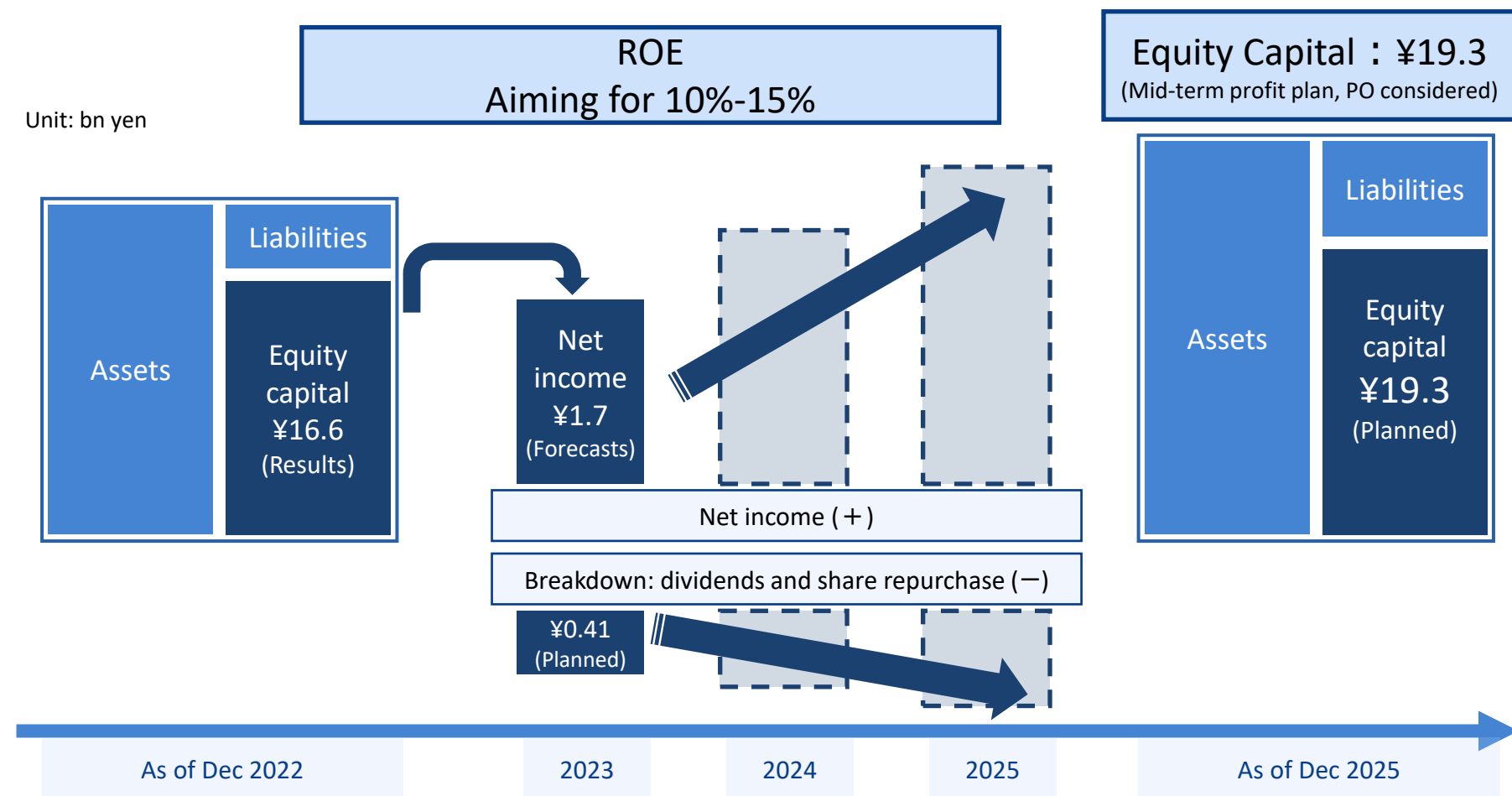
Unit: bn yen



Progress of Medium-term profit plan

Equity Capital and ROE

- By the end of Dec 2025, the last year of Medium-term profit plan, Mercuria Holdings plans to increase its equity capital to ¥19.3 bn, ¥2 bn procured by public offering added to the initial plan of ¥17.3 bn.
- Targeting ROE level of 10-15% from 2023 to 2025 by solidly accumulating profit based on the medium-term plan and other capitalization strategies such as dividends and share repurchase.



Updated status with TSE Prime Market Listing Maintenance Criteria

- MHD's market cap of tradable shares at the end of December 2022 is ¥7.39 bn (average share price is ¥604.9 from October to December 2022), compared to the market cap of ¥10 bn or more required under the criteria for maintaining its listing on TSE prime market.
- The stock price to satisfy the criteria for maintaining its listing on TSE prime market is 1x PBR, ¥820 in case of MHD.

		Reference period Ave. of Oct-Dec 2022	Current status Closing price as of Feb 7, 2023	Prime Market	Prime Market Listing Maintenance Criteria
Total market capitalization of the tradable shares		¥7.39 bn	¥10.13 bn		¥10 bn
Stock price		¥604.9	¥829		¥820
PBR	¥829.2 (Result of FY2022)	0.73	1.00		0.99
PER	¥83.21 (FY2023 forecasts)	7.3	10.0		9.9

※ The ratio of tradable shares is calculated as 56.86% as of December 31, 2022.

As of end of Dec 2022	MHD	TSE Prime Market Listing Maintenance Criteria	Status
Number of share holders	4,230	800 or more	○
Number of tradable shares	122,169 units	20,000 unites of more	○
Market capitalization of tradable shares	¥7.39 bn	¥10 bn or more	×
Ratio of tradable shares	56.86%	35% or more	○
Daily average trading volumes	¥35 mn	¥20 mn or more	○

Reference:

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Consolidated Financial Results

Vs.2021, Vs. Revised Plan

- Operating gross profit of ¥4.39 bn and ordinary profit of ¥2.05 bn vs. 2022 revised forecasts of ¥4.1 bn and ¥2.1 bn, respectively.
- Operating gross profit and ordinary profit increased 21% and 22% year on year, respectively.

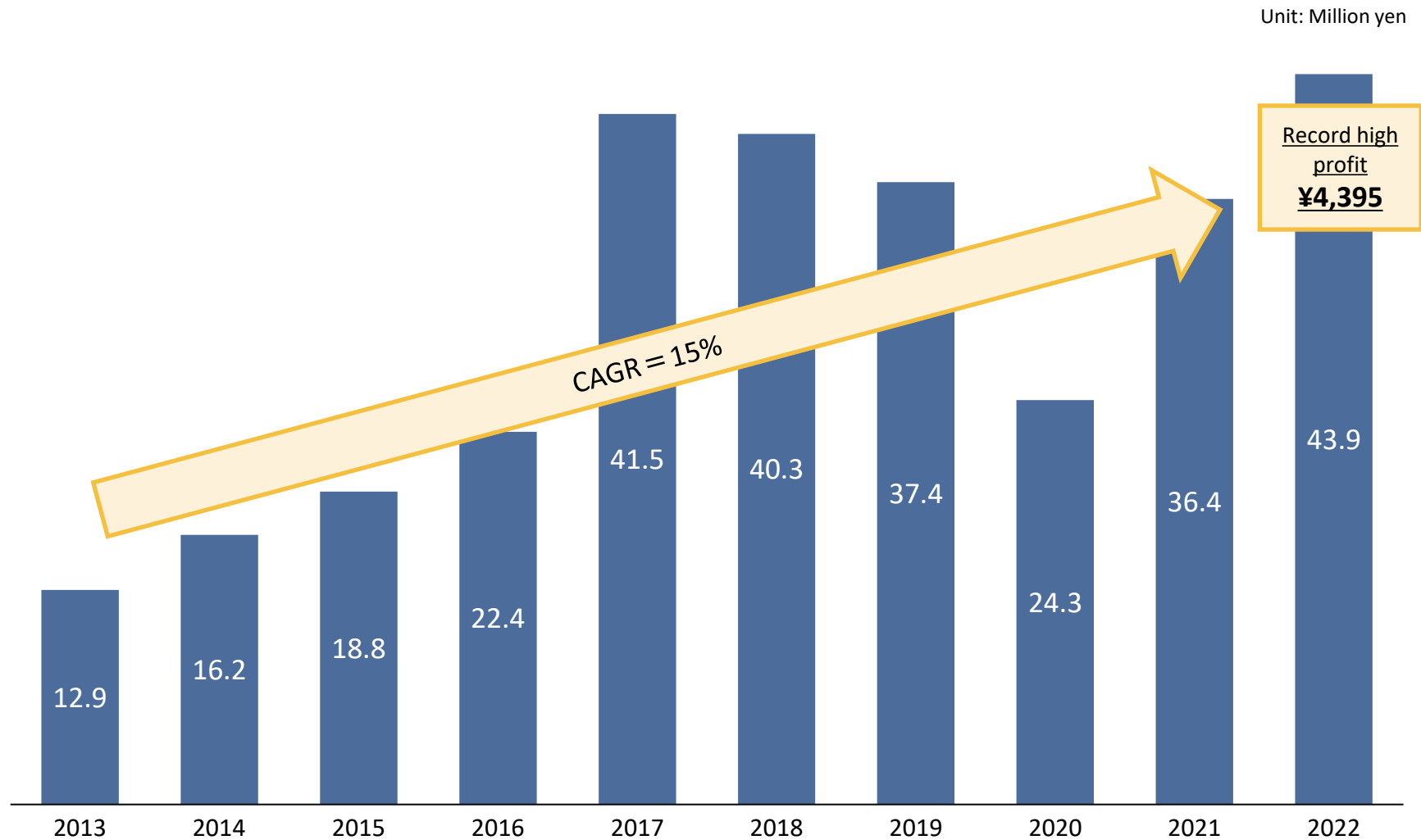
Unit : 100 million yen

		(1) 2021 Results	(2) 2022 Results	YoY (2)/(1)	(3) 2022 Revised forecasts	Pct. of 2022 forecast (2) / (3)
Earning capacity	Operating revenue	41.7	46.0	110%	44.0	105%
	Operating cost	(5.3)	(2.0)	38%	(3.0)	68%
	Operating gross profit	36.4	43.9	121%	41.0	107%
	SG&A expenses	(18.8)	(23.4)	125%	(22.0)	106%
	Operating profit	17.6	20.5	117%	19.0	108%
	Ordinary profit	18.2	22.1	122%	21.0	105%
	Profit attributable to owners of parent	13.0	15.6	120%	14.5	108%
Capital efficiency	Shareholders' equity	151.1	166.3	110%		
	ROE	9.7%	9.8%	102%		

Consolidated Financial Results

Operating Gross Profit from a Long-Term Perspective

- Although Operating gross profits have temporarily declined since FY2017, the average annual growth rate over the past 10 years has been at the 15% level. Operating gross profit of 2022 reached a record high of ¥4.4 bn.

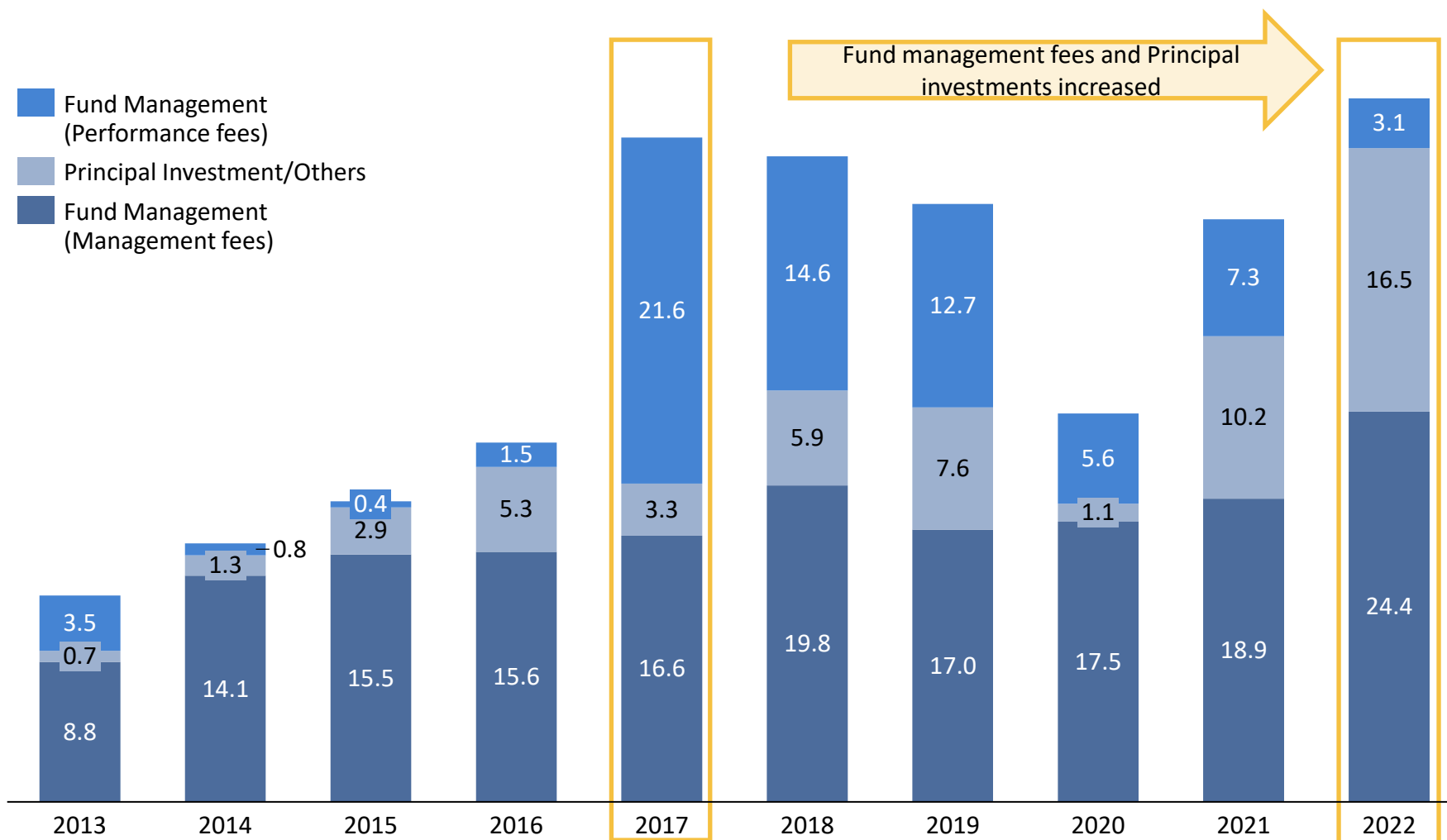


Consolidated Financial Results

Operating Gross Profit By Revenue Categories

- Performance fees between 2017 and 2022 were ¥6.5 bn, including ¥3.7 bn in the Growth Fund I and ¥1.7 bn 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.

Unit: Million yen



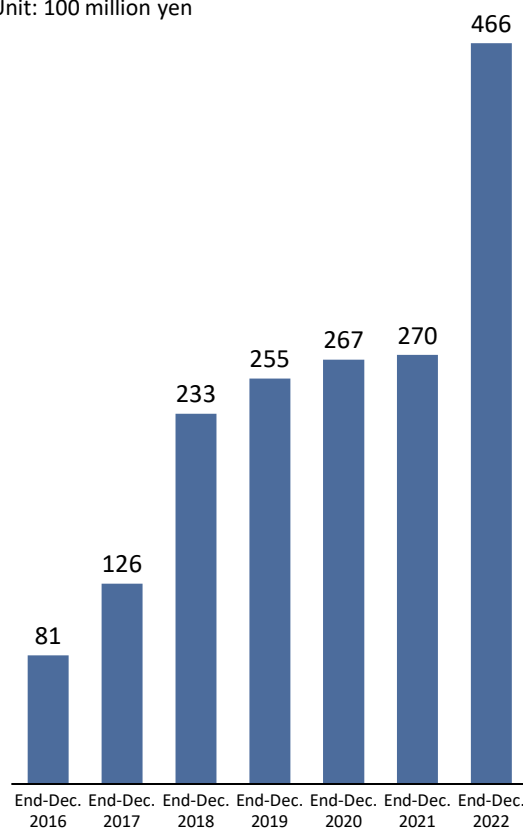
Consolidated Financial Results

Management Fees (Trend of AUM)

- Assets used to determine management fees increased by ¥26.9 bn due to the March 2022 establishment of Buyout Fund II (business investment), by about ¥5.5 bn due to the July 2022 establishment of Aircraft Fund II (an asset investment), and by about ¥33 bn due to the acquisition by Spring REIT of a property in September 2022.
- Planning to accumulate AUM by raising additional funds for Buyout Fund II and Aircraft Fund II.

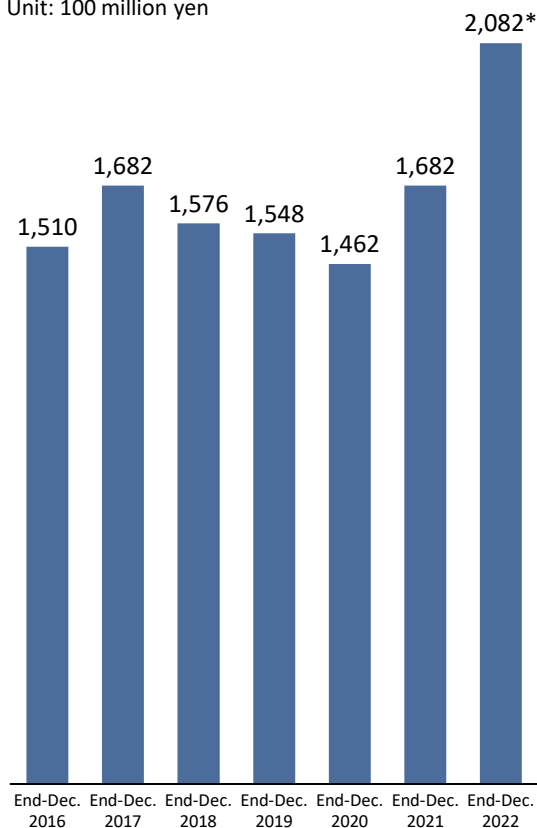
Business investments

Unit: 100 million yen



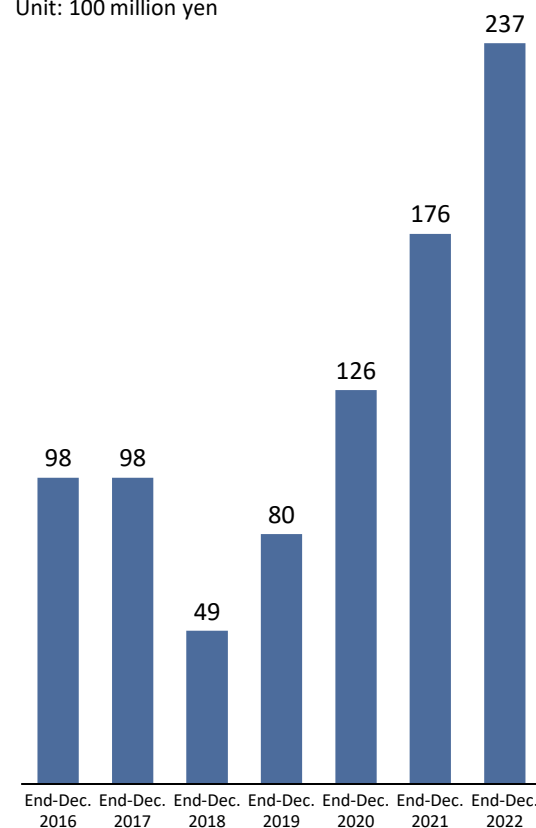
Spring REIT

Unit: 100 million yen



Asset investments

Unit: 100 million yen



Consolidated Financial Results

Structure of Balance Sheet and Capital Efficiency

- Assets side consists of Operational investment securities/Operating loans (principal investment) which is ¥14 bn and Cash and deposits of ¥3 bn. ¥16.6 bn in equity capital against ¥2.4 bn in liabilities, including ¥0.8 bn in borrowings.
- Capital efficiency at the end of December 2022 is REO of 9.8% and total return ratio of 53.4%.

Unit: 100 Million yen

Consolidated balance sheet as of end-Dec.2022					
Current assets	Cash and deposits	30.1	Liabilities	Borrowings	8.4
	Trade accounts receivable	6.0		Other current liabilities	9.5
	Operational investment securities/ Operating loans	140.2		Other non-current liabilities	6.5
	Other current assets	12.1	Net assets	Equity capital 166.3	
	Non-current assets	11.4			
Total		199.8		Total	
					199.8

Trend of equity capital as of end-Dec.2022		
	Equity capital at the beginning of the period	151.1
(+)	Profit attributable to owners of parent	15.6
(-)	Dividends	4.2
	Stock repurchase	2.8
(+)	Others	6.5
	Equity capital at the end of the period	166.3
ROE		9.8%
Total return ratio		53.4%

Dividends

- In accordance with the dividend policy, MHD plans to pay a dividend of ¥20 for 2022, which will result in an average payout ratio of 33.9% 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 Results
(1) Profit attributable to owners of parent	1,411	1,245	525	1,304	1,563
(2) Five-year average of net income	1,023	1,124	1,105	1,195	1,210
(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	20,500,979 Shares
(5) Total dividends (3) × (4)	314	335	342	418	410
(6) Dividend payout ratio (5) / (2)	30.7%	29.8%	31.0%	35.0%	33.9%

2023 forecasts

- The new forecasts operating revenue of ¥5.1 bn, up 16% from 2022, and ordinary profit of ¥2.45 bn, up 11%, plans to achieve record-high.

Unit: Million yen		2020 Results	2021 Results	2022 Results	Consolidated Earnings Forecast	2023 Forecasts	YoY
Operating revenue		6,184	4,170	4,598		-	-
Operating cost		(3,158)	(531)	(204)		-	-
Operating gross profit	Fund management (management fees)	1,750	1,894	2,438		5,100	116%
	Fund management (performance fees)	563	730	311			
	Principal investments/ Others	113	1,015	1,646			
	Total	2,426	3,638	4,395			
SG&A expenses		(1,654)	(1,875)	(2,340)		(2,650)	113%
Operating profit		772	1,763	2,055		2,450	119%
Ordinary profit		758	1,817	2,208		2,450	111%
Profit attributable to owners of parent		525	1,304	1,563		1,700	109%



Mercuria Investment Group

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