



Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending December 31, 2023
(Three Months Ended March 31, 2023)

[Japanese GAAP]
May 12, 2023

Company name: Mercuria Holdings Co., Ltd. Listing: Tokyo Stock Exchange
Stock code: 7347 URL: <https://www.mercuria.jp/en/>
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Scheduled date of filing of Quarterly Report: May 12, 2023
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Three Months of 2023 (January 1 to March 31, 2023)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Operating revenue		Operating gross profit		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Mar. 31, 2023	2,222	236.1	411	(34.3)	(218)	-	(223)	-	(157)	-
Three months ended Mar. 31, 2022	661	-	625	-	124	-	203	-	145	-

Note: Comprehensive income (millions of yen) Three months ended Mar. 31, 2023: 154 (down 82.2%)
Three months ended Mar. 31, 2022: 865 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar. 31, 2023	(7.92)	-
Three months ended Mar. 31, 2022	7.02	7.00

Notes: 1. Year-on-year changes for the three months ended Mar. 31, 2022 are not shown above as Mercuria Holdings was established on July 1, 2021 through a transfer of stock.
2. Diluted net income per share for the three months ended Mar. 31, 2023 is not presented since the Company had outstanding dilutive securities, though posted a net loss per share.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Mar. 31, 2023	18,419	17,039	87.3
As of Dec. 31, 2022	19,983	17,542	83.2

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2023: 16,082 As of Dec. 31, 2022: 16,628

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2022	-	0.00	-	20.00	20.00
2023	-	-	-	-	-
2023 (forecast)	-	0.00	-	21.00	21.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecast for 2023 (January 1 to December 31, 2023)

(Percentages represent year-on-year changes)

	Operating revenue		Operating gross profit		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	6,700	45.7	5,100	16.0	2,450	19.2	2,450	11.0	1,700	8.8	85.72

Note: Revisions to the most recently announced consolidated forecast: Yes

* Notes

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

As of Mar. 31, 2023:	21,482,700 shares	As of Dec. 31, 2022:	21,482,700 shares
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2) Number of treasury shares at the end of the period

As of Mar. 31, 2023:	1,778,977 shares	As of Dec. 31, 2022:	1,429,177 shares
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3) Average number of shares during the period

Three months ended Mar. 31, 2023:	19,832,864 shares	Three months ended Mar. 31, 2022:	20,593,203 shares
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* The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Cautionary statement with respect to forward-looking statements, and other special items

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to Mercuria Holdings' management, but are not promises by Mercuria Holdings regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 2 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first quarter of 2023 (January 1, 2023 to March 31, 2023), economic and social activity in Japan slowly began returning to normal as pandemic restrictions ended, resulting in an economic recovery. The outlook for the economy is still uncertain. Major reasons are the prolonged Ukraine conflict, the rising cost of resources, failures of U.S. banks and worldwide monetary tightening, primarily interest rate hikes by central banks in Europe and the United States, to combat inflation.

The goal of the Mercuria Group is medium to long-term growth. In the first quarter, the Mercuria Group earned a performance fee by recovering an investment through the sale of stock held by Asuka DBJ Investment Partnership, a fund managed by subsidiary Mercuria Investment Co., Ltd. There was also steady progress with fundraising for the final close of two funds established in 2022 and managed by the Mercuria Group. One is the Mercuria Japan Industrial Growth Support Fund II (Buyout Fund II), which is focused on investments involving business succession at middle-market companies in Japan. The other is a second aircraft fund established for investing mainly in small aircraft.

In the principal investment business, as part of restructuring measures associated with refinancing, Spring REIT investment units were sold. This sale resulted in the recognition of a loss involving operational investment securities held by the Mercuria Group.

In the first quarter of 2023, operating revenue was 2,222 million yen (up 236.1% year-on-year), and there was an ordinary loss of 223 million yen compared with a profit of 203 million yen one year earlier, and loss attributable to owners of parent of 157 million yen compared with a profit of 144 million yen one year earlier. Operating revenue increased mainly because of the substantial revenue in the principal investment business resulting from the sale of Spring REIT investment units as part of ongoing restructuring measures.

There is no segment information because the Mercuria Group operates only in the investment operations business segment.

(2) Explanation of Financial Position

Assets, Liabilities and Net Assets

Total assets amounted to 18,418 million yen at the end of the first quarter of 2023, a decrease of 1,564 million yen from the end of 2022. This was mainly the result of a 321 million yen increase in cash and deposits and a decrease of 1,877 million yen in operational investment securities due to the sale of Spring REIT investment units and other sales.

Total liabilities amounted to 1,380 million yen, a decrease of 1,060 million yen from the end of 2022. There were decreases of 311 million yen in accrued expenses, 277 million yen in income taxes payable and, due to refinancing activity in the principal investment business, 130 million yen in current portion of long-term borrowings and 613 million yen in long-term borrowings. Unearned revenue increased 279 million yen.

Net assets totaled 17,038 million yen, a decrease of 503 million yen from the end of 2022. The main reasons are an increase of 243 million yen in valuation difference on available-for-sale securities, a decrease of 567 million yen in retained earnings due to cash dividends paid, and an increase of 247 million yen in treasury shares (decrease in net assets) due to the purchase of treasury shares.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

At this point, we have revised the consolidated earnings forecast for 2023, which was disclosed on February 13, 2023. For more details, please refer to the “Notice of Revisions to Consolidated Earnings Forecast” released today (May 12, 2023).

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	2022 (As of Dec. 31, 2022)	First quarter of 2023 (As of Mar. 31, 2023)
Assets		
Current assets		
Cash and deposits	3,013,477	3,335,067
Trade accounts receivable	603,901	745,739
Operational investment securities	13,423,443	11,546,324
Operating loans	594,850	559,838
Short-term loans receivable from subsidiaries and associates	520,000	520,000
Advances paid	113,452	134,550
Other	574,351	374,714
Total current assets	18,843,472	17,216,233
Non-current assets		
Property, plant and equipment		
Buildings, net	175,775	164,362
Tools, furniture and fixtures, net	17,179	18,172
Total property, plant and equipment	192,954	182,535
Intangible assets		
Software	1,388	1,458
Total intangible assets	1,388	1,458
Investments and other assets		
Investment securities	307,454	307,451
Leasehold and guarantee deposits	83,031	84,985
Deferred tax assets	538,432	613,083
Other	16,337	12,839
Total investments and other assets	945,253	1,018,358
Total non-current assets	1,139,595	1,202,350
Total assets	19,983,067	18,418,583
Liabilities		
Current liabilities		
Short-term borrowings	100,000	-
Current portion of long-term borrowings	130,000	-
Accounts payable-other	38,201	29,841
Accrued expenses	401,479	90,338
Accrued consumption taxes	30,527	32,858
Income taxes payable	388,734	111,526
Unearned revenue	-	279,922
Provision for bonuses	33,641	68,649
Other	58,256	90,661
Total current liabilities	1,180,839	703,797
Non-current liabilities		
Long-term borrowings	613,500	-
Provision for retirement benefits for directors (and other officers)	102,000	102,000
Provision for share-based remuneration for directors (and other officers)	180,294	184,669
Provision for share-based remuneration for employees	20,000	21,875
Retirement benefit liability	160,053	186,797
Long-term accounts payable-other	70,000	70,000
Long-term deposits received	19,407	19,407
Other	94,888	91,519
Total non-current liabilities	1,260,143	676,268
Total liabilities	2,440,981	1,380,064

	(Thousands of yen)	
	2022 (As of Dec. 31, 2022)	First quarter of 2023 (As of Mar. 31, 2023)
Net assets		
Shareholders' equity		
Share capital	4,063,577	4,063,577
Capital surplus	4,516,845	4,516,845
Retained earnings	8,863,183	8,296,066
Treasury shares	(1,065,271)	(1,312,883)
Total shareholders' equity	16,378,334	15,563,605
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	111,274	354,925
Foreign currency translation adjustment	138,065	163,033
Total accumulated other comprehensive income	249,340	517,958
Share acquisition rights	83	83
Non-controlling interests	914,330	956,874
Total net assets	17,542,086	17,038,519
Total liabilities and net assets	19,983,067	18,418,583

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statement of Income)
(For the Three-month Period)

(Thousands of yen)

	First three months of 2022 (Jan. 1 - Mar. 31, 2022)	First three months of 2023 (Jan. 1 - Mar. 31, 2023)
Operating revenue	661,180	2,222,071
Operating costs	36,073	1,811,346
Operating gross profit	625,108	410,725
Selling, general and administrative expenses	501,079	628,329
Operating profit (loss)	124,029	(217,603)
Non-operating income		
Interest income	315	5,628
Foreign exchange gains	81,900	5,686
Rent revenue	148	121
Other	366	202
Total non-operating income	82,729	11,637
Non-operating expenses		
Interest expenses	1,844	2,464
Financing fees	1,500	13,500
Other	85	1,246
Total non-operating expenses	3,429	17,210
Ordinary profit (loss)	203,330	(223,176)
Profit (loss) before income taxes	203,330	(223,176)
Income taxes	15,523	(98,714)
Profit (loss)	187,807	(124,463)
Profit attributable to non-controlling interests	43,173	32,635
Profit (loss) attributable to owners of parent	144,634	(157,098)

(Quarterly Consolidated Statement of Comprehensive Income)
(For the Three-month Period)

(Thousands of yen)

	First three months of 2022 (Jan. 1 - Mar. 31, 2022)	First three months of 2023 (Jan. 1 - Mar. 31, 2023)
Profit (loss)	187,807	(124,463)
Other comprehensive income		
Valuation difference on available-for-sale securities	519,654	243,650
Foreign currency translation adjustment	162,918	35,926
Share of other comprehensive income of entities accounted for using equity method	(5,070)	(1,050)
Total other comprehensive income	677,502	278,527
Comprehensive income	865,309	154,064
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	779,184	111,520
Comprehensive income attributable to non-controlling interests	86,125	42,544

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Consolidated Subsidiaries during the Period

Not applicable.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Tax expenses are calculated by first determining a reasonable estimate of the effective tax rate after the application of tax effect accounting for profit before income taxes for the fiscal year that includes the first quarter of the current fiscal year. Quarterly profit (loss) before income taxes then multiplied by the estimated effective tax rate. However, statutory effective tax rate is used instead when the method using an estimated effective tax rate results in tax expenses that differ significantly from a reasonable amount.

Income taxes-deferred were included and displayed with income taxes.

Segment and Other Information

Segment Information

There is no segment information because the Mercuria Group operates only in the investment operations business segment.

Subsequent Events

Stock Repurchase

Pursuant to the provisions of Article 370 of the Companies Act (a written resolution in lieu of a resolution by the Board of Directors), the Mercuria Holdings Board of Directors approved a resolution on May 12, 2023 to repurchase its own shares pursuant to Article 156 of the Companies Act which is applicable in lieu of Paragraph 3, Article 165 of this act.

1. Reason for stock repurchase

Repurchasing stock distributes earnings to shareholders by facilitating the more efficient use of capital. In addition, these repurchases are used to implement capital strategies in a timely and flexible manner in response to changes in the operating environment.

2. Information concerning stock repurchase

- | | |
|--|--|
| (1) Type of shares to be repurchased: | Mercuria Holdings common stock |
| (2) Number of shares to be repurchased: | Up to 375,000 shares
(About 1.9% all Mercuria Holdings shares issued, except treasury shares) |
| (3) Total value of shares to be repurchased: | Up to 300,000,000 yen |
| (4) Repurchase schedule: | May 15, 2023 to November 30, 2023 |
| (5) Method of repurchase: | Purchase on the Tokyo Stock Exchange |

* A part or all of the repurchase program may not be implemented depending on market trends and other factors.

The above is an English translation of provided for information purpose only. The original Japanese version was released through our website (<https://www.mercuria.jp>). If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.