



Mercuria Holdings Co., Ltd.

TSE Prime Market: 7347

Summary of Results of Operations

for the Second Quarter of the Fiscal Year Ending December 31, 2023

August 24, 2023

Notes:

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1. Group Management and Business Strategy Progress

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.
- Mercuria's mission is "Change Today's Japan Through Power of Funds."

Company Profile (As of end of June 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:	104 (consolidated)
Listing:	Tokyo Stock Exchange, Prime Market (stock code 7347)
Strategic shareholders:	Development Bank of Japan Inc. ITOCHU Corporation Sumitomo Mitsui Trust Bank, Limited

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**

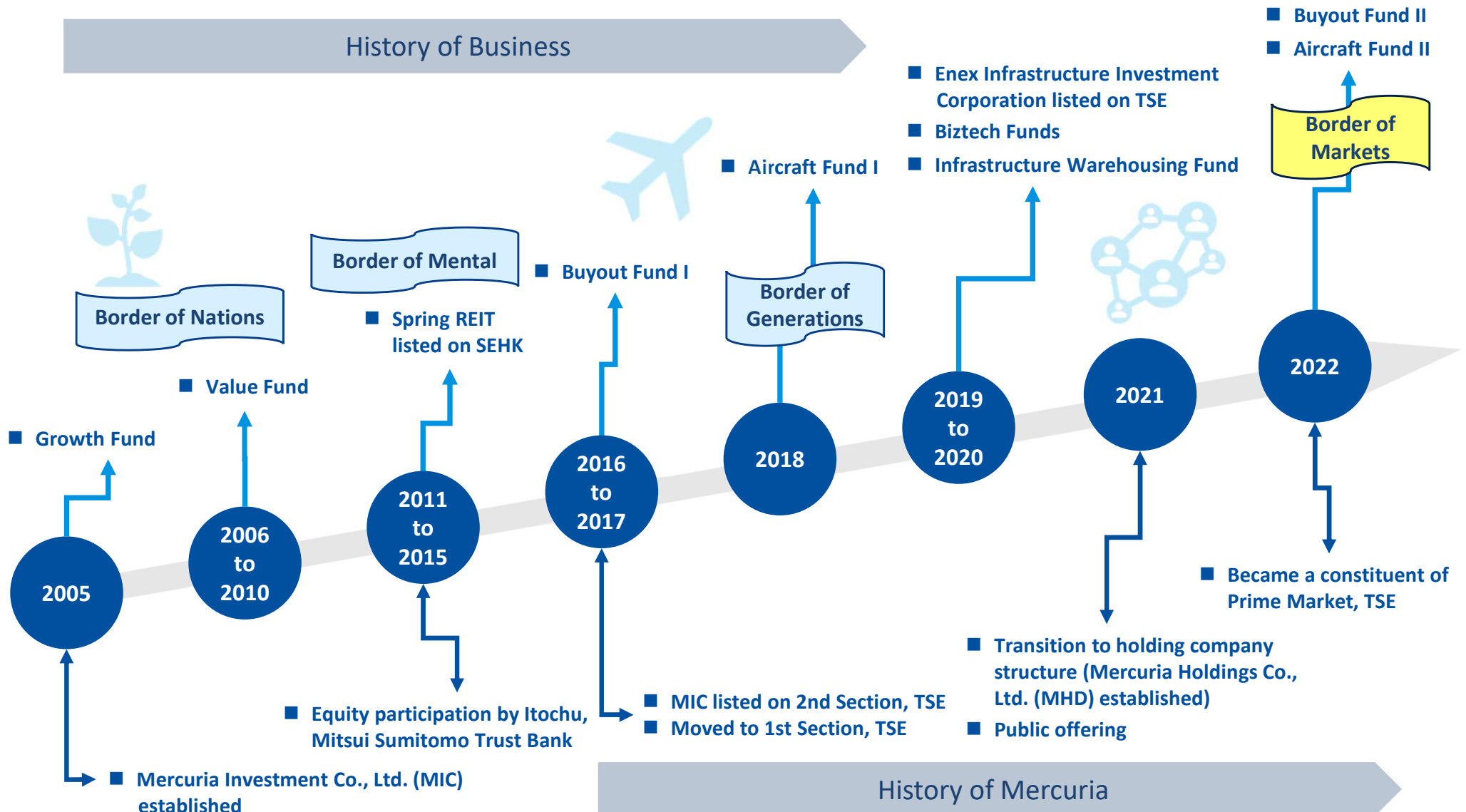
**Cross-
Border**

**All for the
Business**

**Undiscovered
Common**

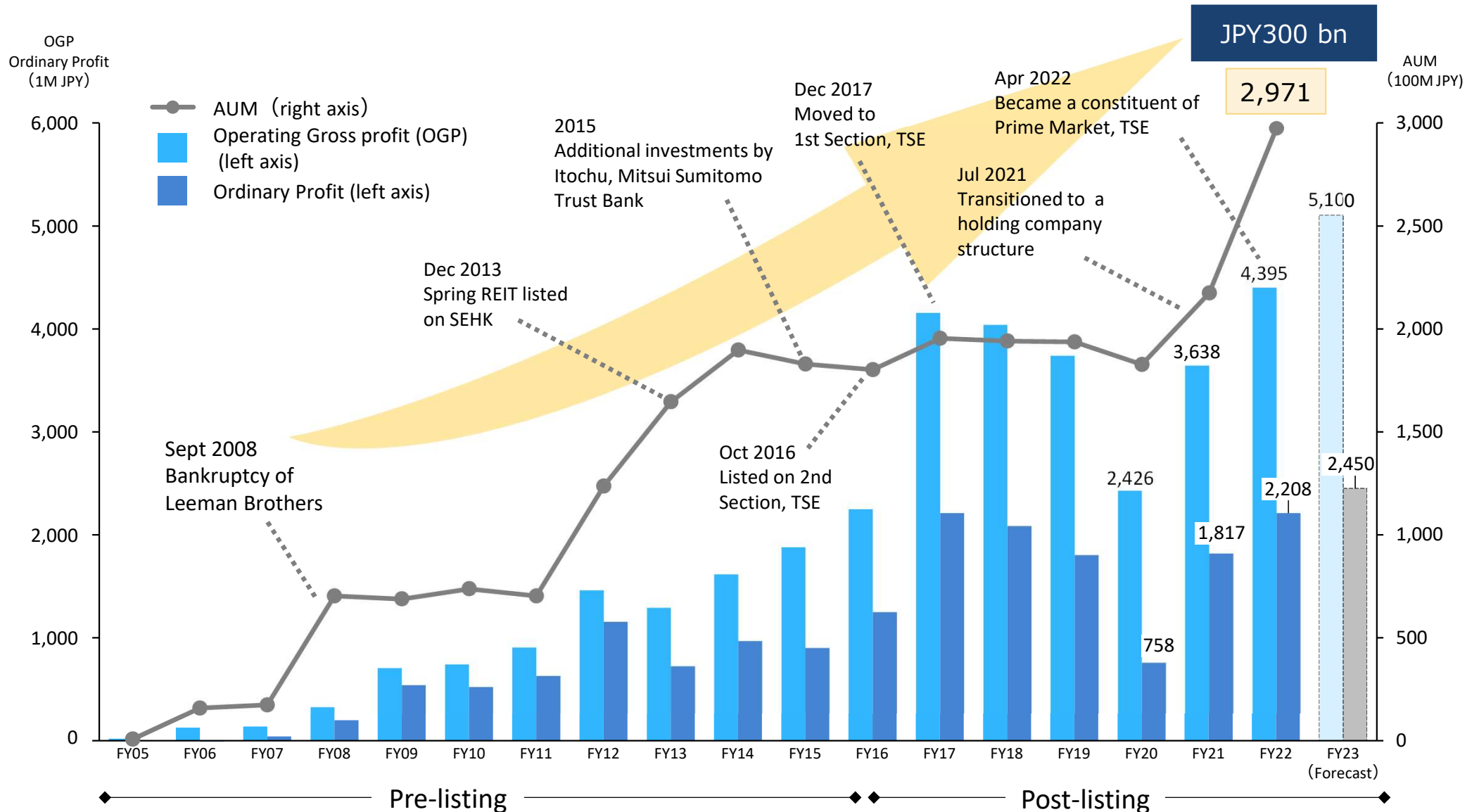
History of Mercuria and Its Business

- Since its establishment in 2005, we have expanded our business by strategically shifting investment areas by taking a cross-border approach based on macro trends.
- Listed on the Tokyo Stock Exchange in 2016, transitioned to a holding company structure in 2021, and selected the Prime Market in 2022.



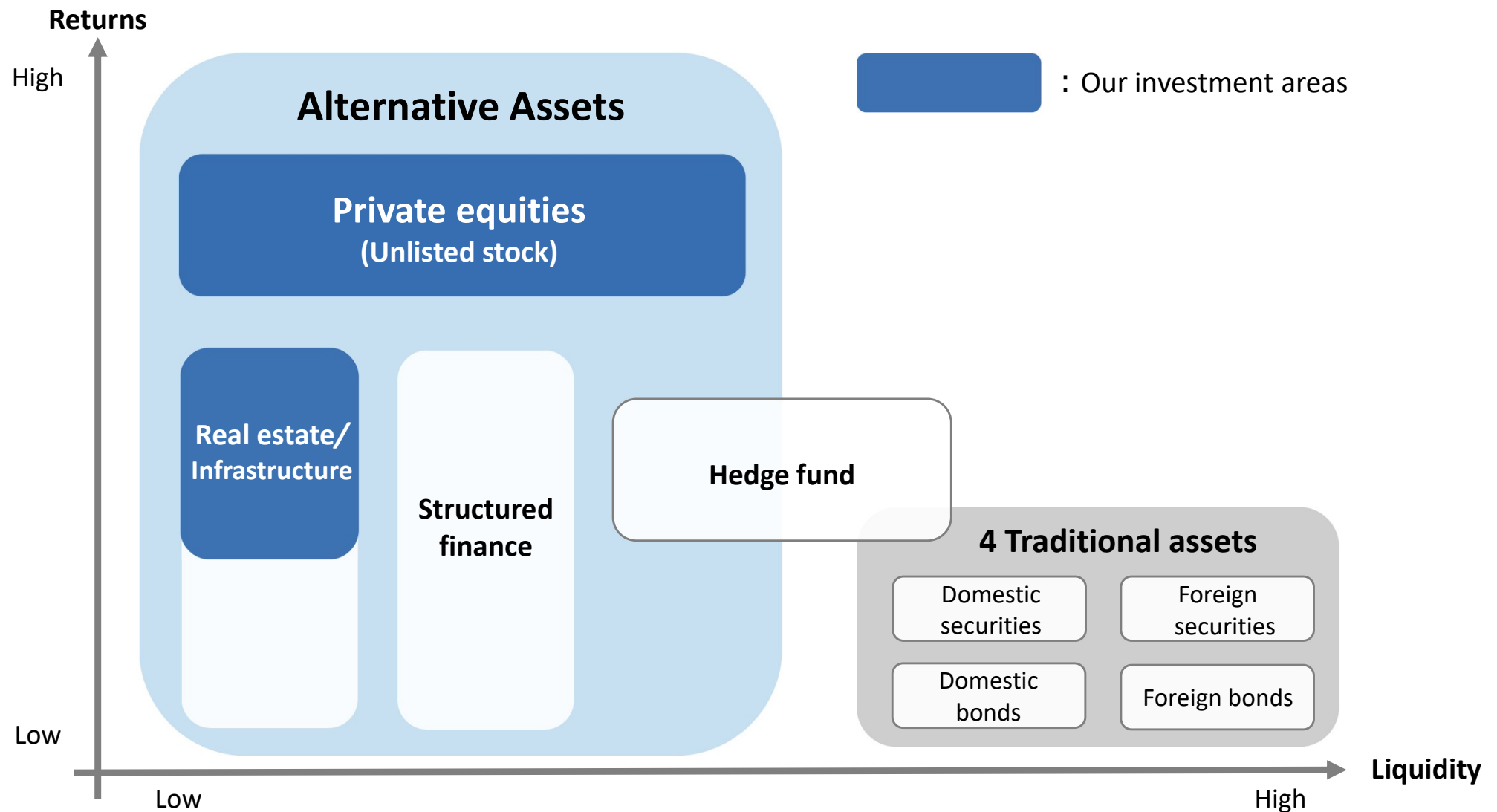
Key Performance Indicators

- After 2021, the revenue driver has shifted from previous funds to funds established after the IPO. Aim to further strengthen the business base by earning performance fees and establishing successor funds.
- AUM is reaching ¥300 billion. Aiming for a record-high profit in 2023.



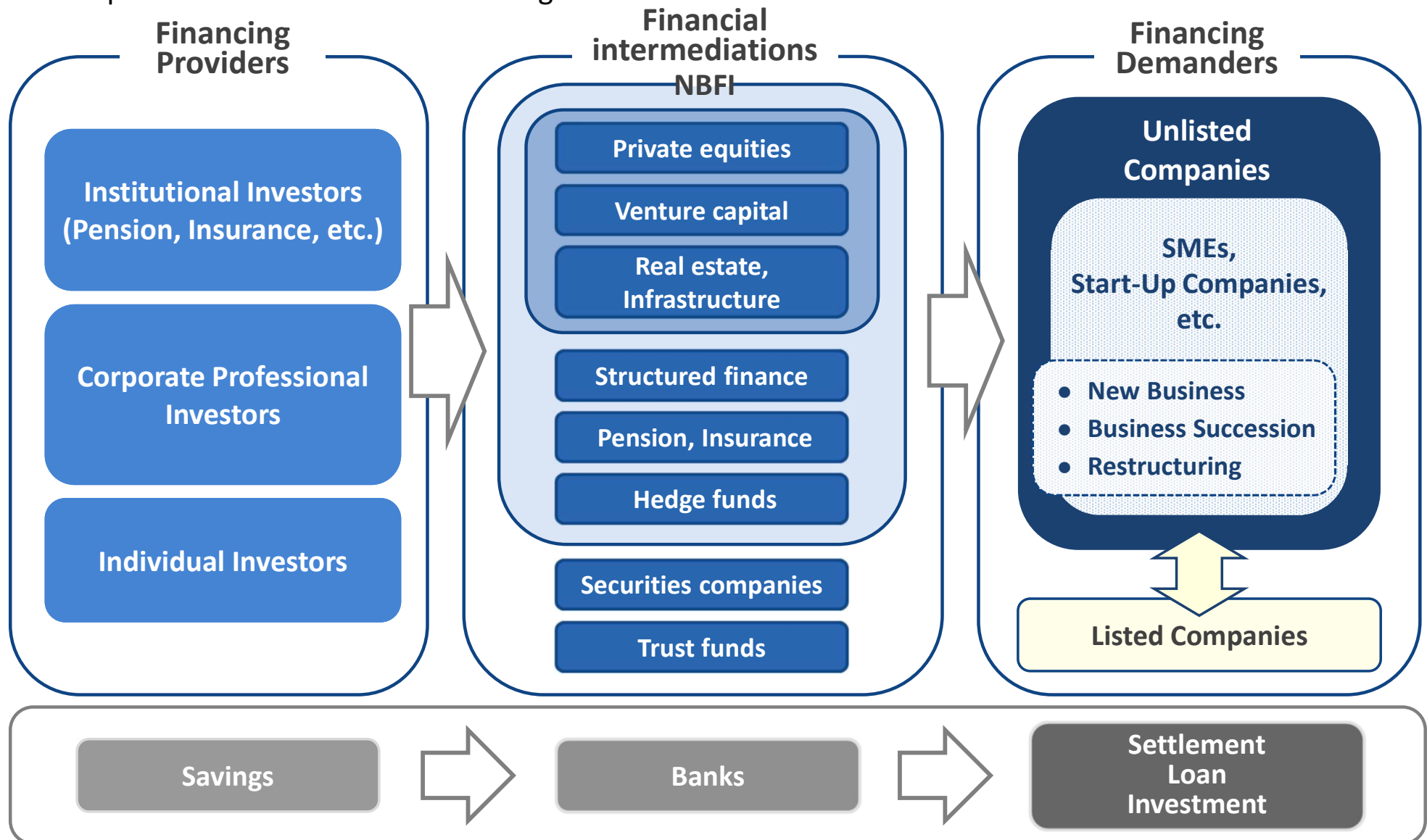
Alternative Investment and Investment Areas

- Alternative investment, which has less liquidity than the four traditional asset classes and generally takes longer to achieve returns, is an investment strategy to earn reasonable excess returns.
- Mercuria Investment Group's investment area is the alternative assets such as private equities (Buyout Investment and Growth Investment), real estate and infrastructure (Real Estate Investment and Aircraft Investment).



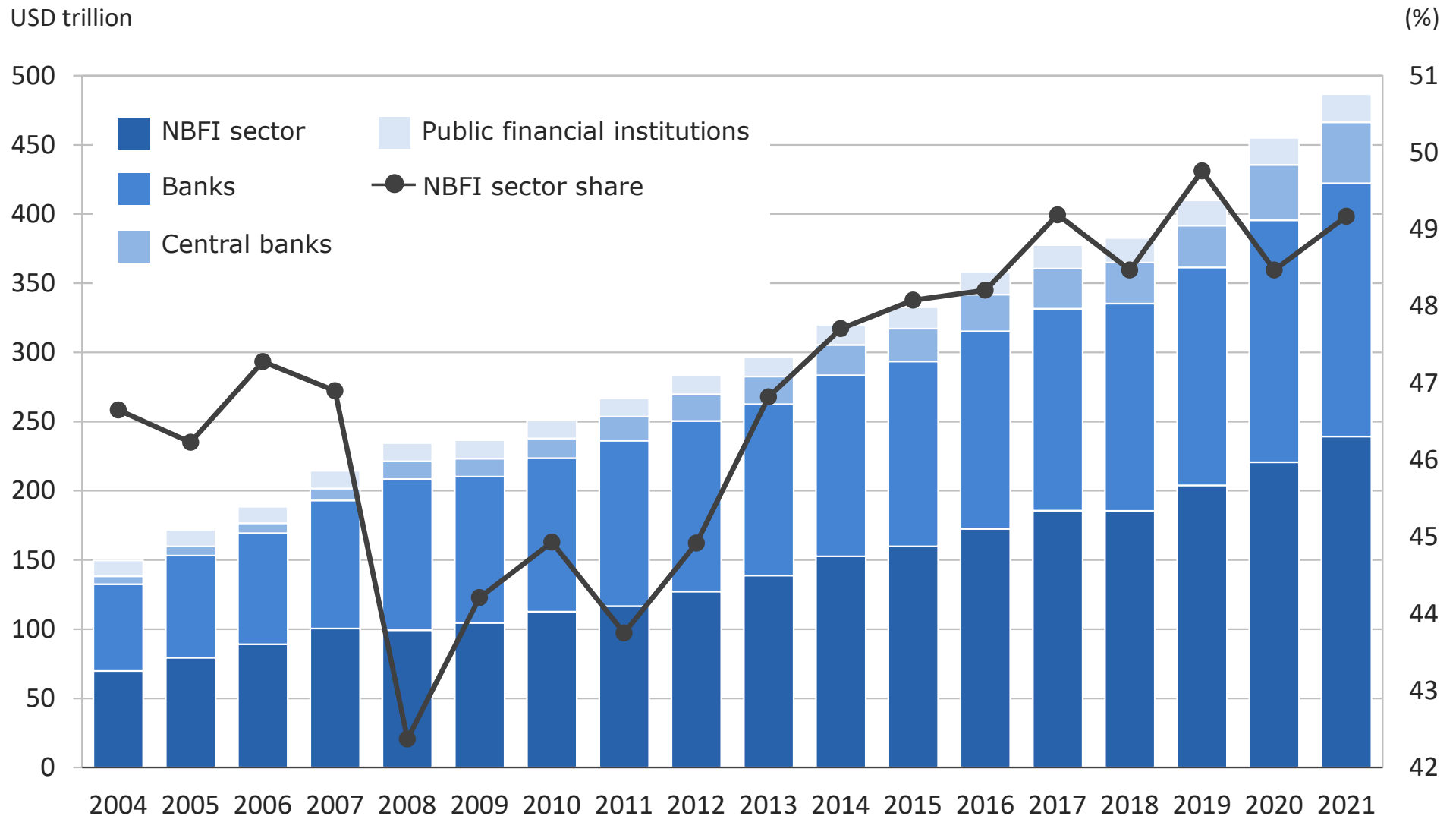
Role of the Alternative Investment Funds in Financial Intermediation

- Non-bank financial intermediations (NBFIs) rise to approx. 50% of global financial assets as banks face increased capital requirements under the Basel Capital Accord.
- Growing importance of NBFIs as providers of risk financing for start-ups, succession of unlisted companies and industrial restructuring.



Expansion of NBFIs in Global Financial Assets

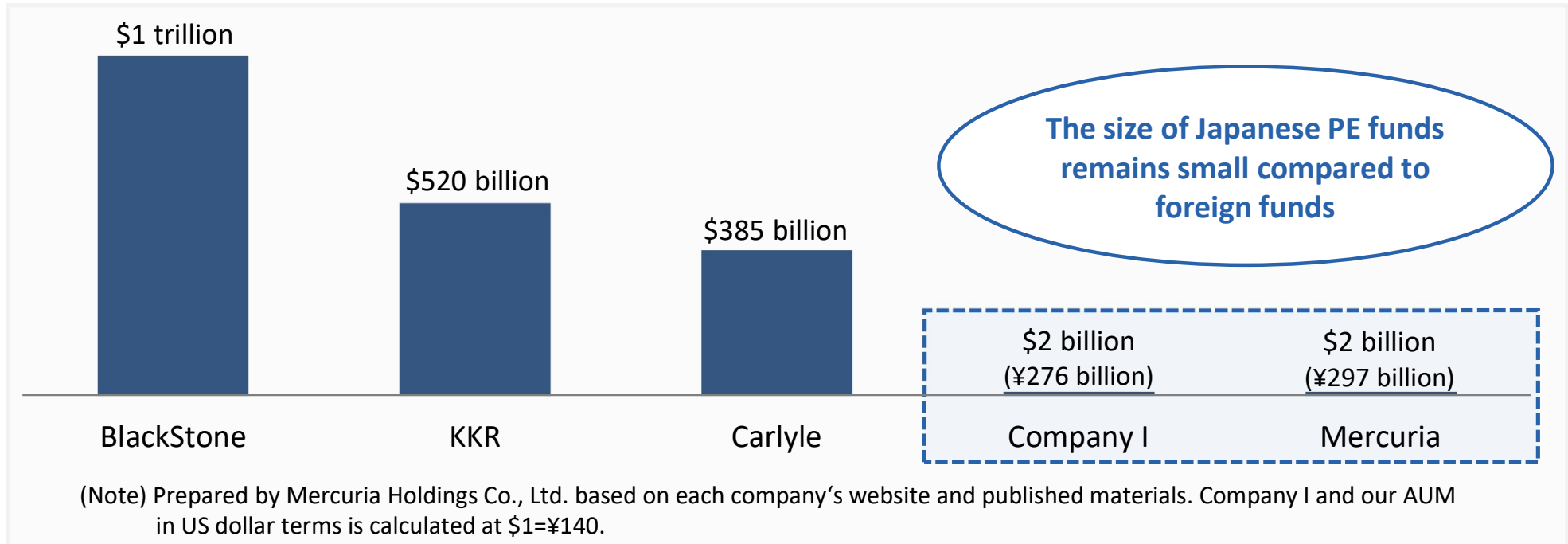
- Global financial assets continue to grow (approx. \$150 trillion in 2004 ⇒ approx. \$486.6 trillion in 2021).
- Financial assets of NBFIs have increased significantly, with the NBFI sector share reaching about 50%.



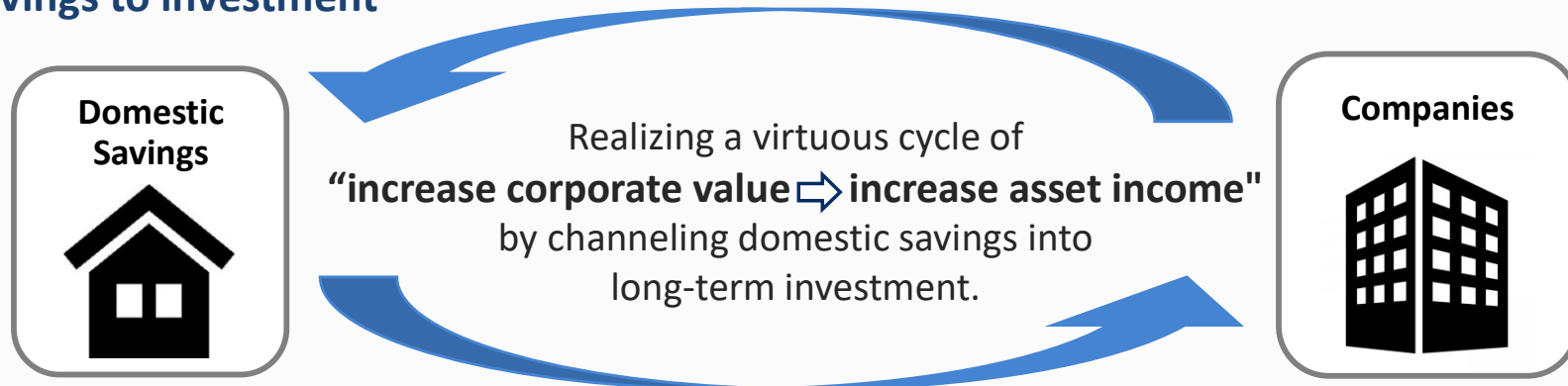
(Source) Financial Stability Board "Global Monitoring Report on Non-Bank Financial Intermediation 2022"

Flow of Funds in the Private Equity Market

- Compared to global PE funds, Japanese PE funds remain small.
- Further growth of Japan's PE industry is needed to successfully implement the Kishida administration's "Doubling Asset-based Income Plan" and increase the nation's overall asset income.



From savings to investment

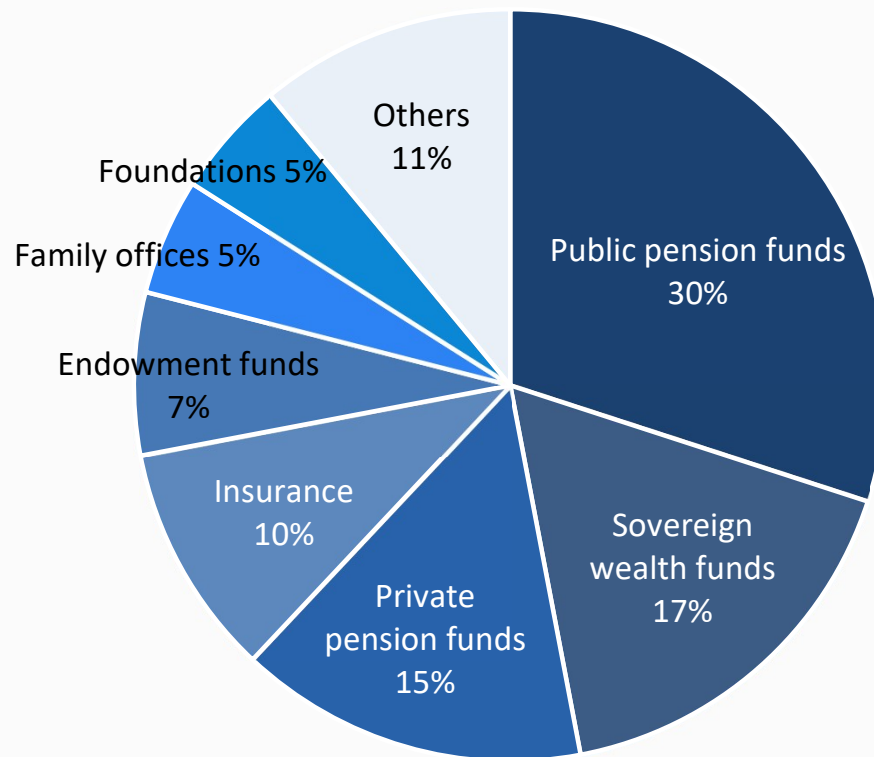


(Reference) PE Fund Investors

- In the global market, public pension funds account for about 30% of PE fund investments, while in Japan they account for only about 2%.

Components of PE fund investors in global

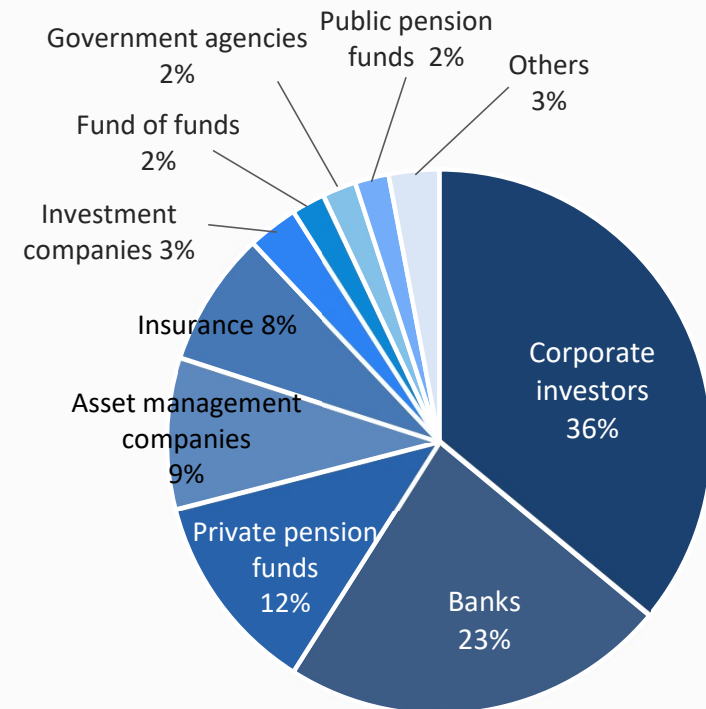
Percentage of each investor type in AUM^(Note1)



AUM of PE and VC funds in global^(Note2)
approx. \$4.74 trillion (as of 2020)

Components of PE fund investors in Japan

Percentage of each type for Japan-based institutional investors in AUM^(Note1)



AUM of PE and VC funds investing in Japan^(Note3)
approx. \$68 billion (as of 2020)

(Note1) Prepared by Mercuria Holdings Co., Ltd. based on "Study on Risk Money Supply for the Fourth Industrial Revolution Compilation Reference Material (2018): Ministry of Economy, Trade and Industry"

(Note2) Referred to "2021 Preqin Global Private Equity & Venture Capital Report"

(Note3) Referred to "Alternative Markets in Asia Pacific: Japan" by Preqin

Significance of Alternative Investment Funds

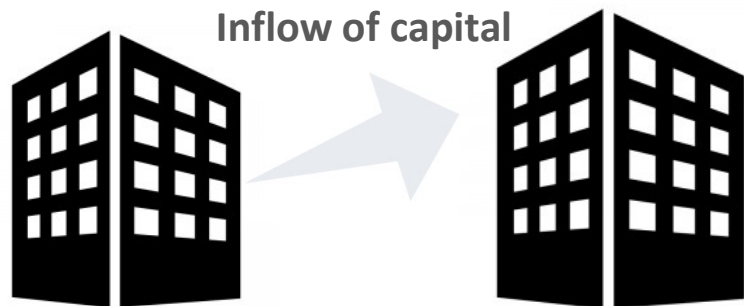
- As the market's investment funds are inclined toward passive management, there has been a more inflow of funds into companies with large market capitalization. Opportunities to invest in SMEs with unique value are often overlooked.
 - ➔ Investing long-term risk capital in companies and businesses with potential value to boost the value and growth of Japanese companies. (Change Today's Japan Through Power of Funds)

Current State of Japan's Capital Markets

- Further inflows to companies with large market capitalization
 - Potentially valuable companies are often overlooked
- ➔ **Valuable companies (SMEs) are left undervalued**

Significance of Alternative Investment Funds

- Value discovery
Uncovering the value of companies overlooked by the market
 - On-site ability
Cooperating with investee companies, Utilizing of overseas offices
 - Provision of medium- to long-term risk capital,
High quality of investment
Investing responsibly with fund money, Conducting careful due diligence
- ➔ **Contribute to the growth of corporate value and the development of the Japanese economy by uncovering existing value**



Competitive Advantages of Mercuria Investment Group

Fund planning according to the macro environment

Business Investments

Buyout Investment



Growth Investment



Asset Investments

Real Estate Investment



Aircraft Investment



Renewable Energy Investment



Value Investment

Experienced management team



Chief Executive Officer



CIO, Head of Business Investment Dept.



COO, Head of Asset Investment Dept.

Credit quality of prime market listing



Investment group whose principal occupation is managing alternative funds, listed on TSE Prime Market

Change Today's Japan Through Power of Funds

"Overseas Bases" and "Global Team"



BEIJING



BANGKOK



HONG KONG



Ho Chi Minh City



SINGAPORE

Percentage of Foreign Employees
49%

*as of June 2023

Collaboration with strategic shareholders



三井住友信託銀行

Company Overview

- 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.
- Also carry out value investments such as undervalued real estate investments/bonds, etc. during the financial crisis.

Business Investments

□ Buyout Investments

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



□ Growth Investments

- BizTech Fund (2019-)
- Successor Fund (Under planning)



Asset Investments

□ Real estate Investments

- Spring REIT (2013-)



□ Aircraft Investments

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



□ Renewable energy Investments

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






Value Investments

- Undervalued real estate investments/ bonds, etc. during the financial crisis

Summary of Business Progress (Current fund operations)

- Fund operations and fundraising for each business category are steady.
- In addition to the current funds under management and successor funds in the process of establishment, we are planning and considering new concepts that will transcend market borders in the long-term asset management market for the future growth.

Category	Current Situation	Management	Fundraising
Business Investments 	<ul style="list-style-type: none"> ➤ <u>Buyout Fund I</u> : Operating above target returns, soon to reach the stage of performance fees. ➤ <u>Buyout Fund II</u> : Aiming for the total fund amount of ¥40-50 billion toward the final closing expected in September 2023. ➤ <u>Growth Investment</u> : In addition to Biztech Fund, planning successor funds. 	◎	◎
Spring REIT 	<ul style="list-style-type: none"> ➤ <u>Spring REIT</u> : Listed on Hong Kong Stock Exchange (Market cap: ¥61.3 billion, total asset: ¥245.9 billion). ➤ Owned Assets : Luxury offices (Beijing: 145,000m²), High-end shopping mall (Huizhou: 145,000m²), Store real estate (UK: 84 stores) ➤ Occupancy rate : Both are above 90%; operating steadily. 	◎	—
Asset Investments 	<ul style="list-style-type: none"> ➤ <u>Aircraft Fund I</u> : Although there was an impact of Covid-19, aircraft investment is going well in the post-Covid-19-period. ➤ <u>Aircraft Fund II</u> : Aiming for the total fund amount of ¥15-18 billion (¥50 billion combined with loans) toward the final closing. ➤ <u>Renewable Energy Investment</u> : AUM for Enex Infrastructure REIT exceeds ¥100 billion. The Case Number 1 solar power plant in a Taiwan-based mega solar development project has started its operations; aiming for further expansion. 	○	○

Summary of Business Progress (Business development based on PE expertise)

- Helping Japanese companies expand overseas by local employees of Mercuria Group Subsidiaries with professional skills.
- Providing strong support for JVs between Japanese companies and overseas partners by leveraging PE expertise, such as the consulting business in Thailand.

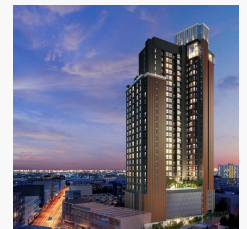


● Consulting business in Thailand (Mercuria (Thailand) Co., Ltd.)

In March 2023, we participated in a condominium project in the suburbs of Bangkok in cooperation with Sotetsu Real Estate Co., Ltd., combining the high technology of Japanese housing development with Thai real estate business know-how through the high on-site capability of local knowledgeable employees. High returns expected from real estate investment in rapidly urbanizing Bangkok.

● New subsidiaries established in Vietnam and Singapore

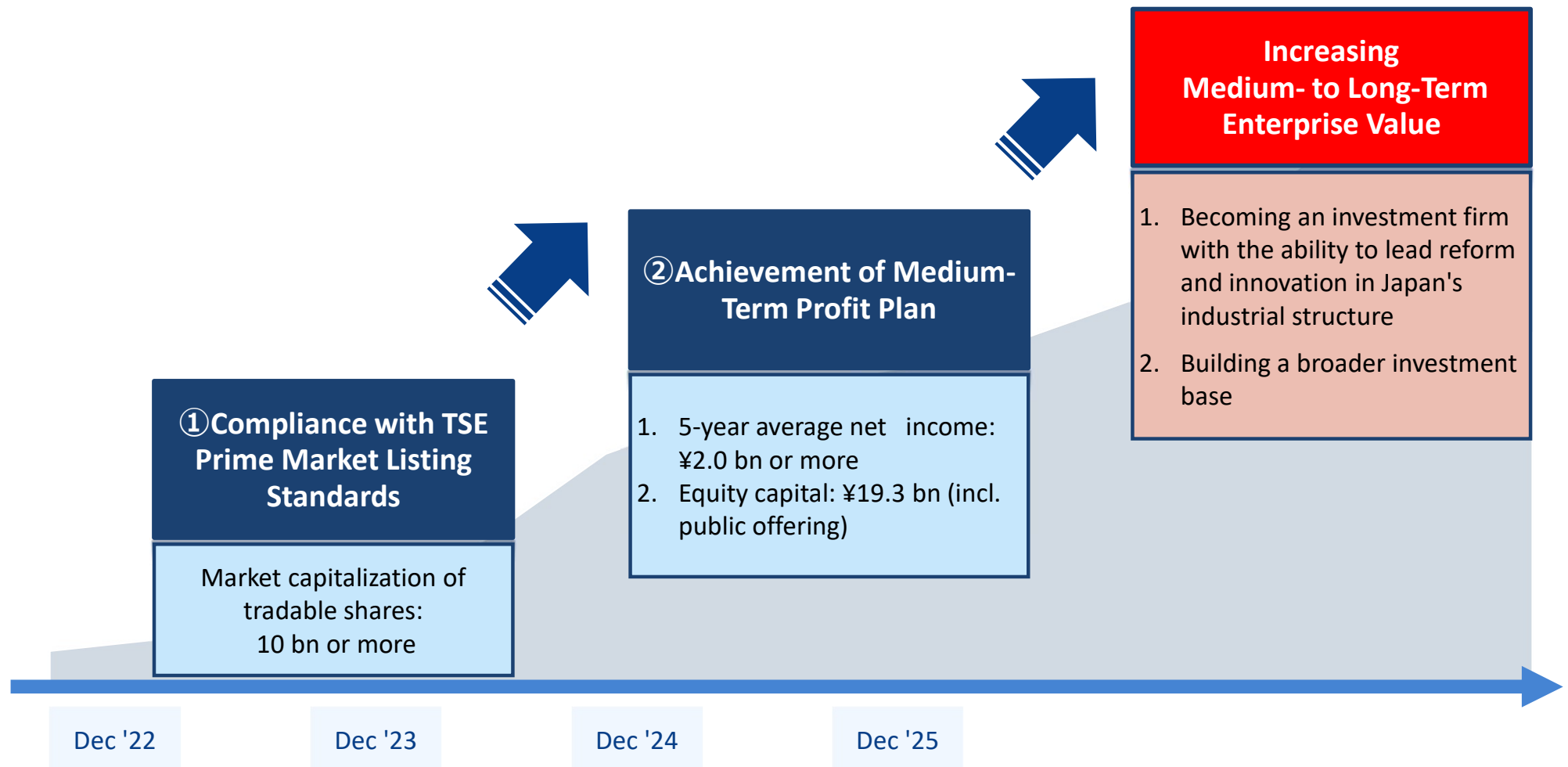
Since the launch of our consulting business in Thailand in 2018, we have established a business model and achieved profitability in the field of JV support for Japanese companies expanding overseas and our overseas partners. In order to expand this business model, we established a new subsidiary in Vietnam. In addition, we established a new subsidiary in Singapore to develop a new business.



Medium-Term Profit Plan / 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

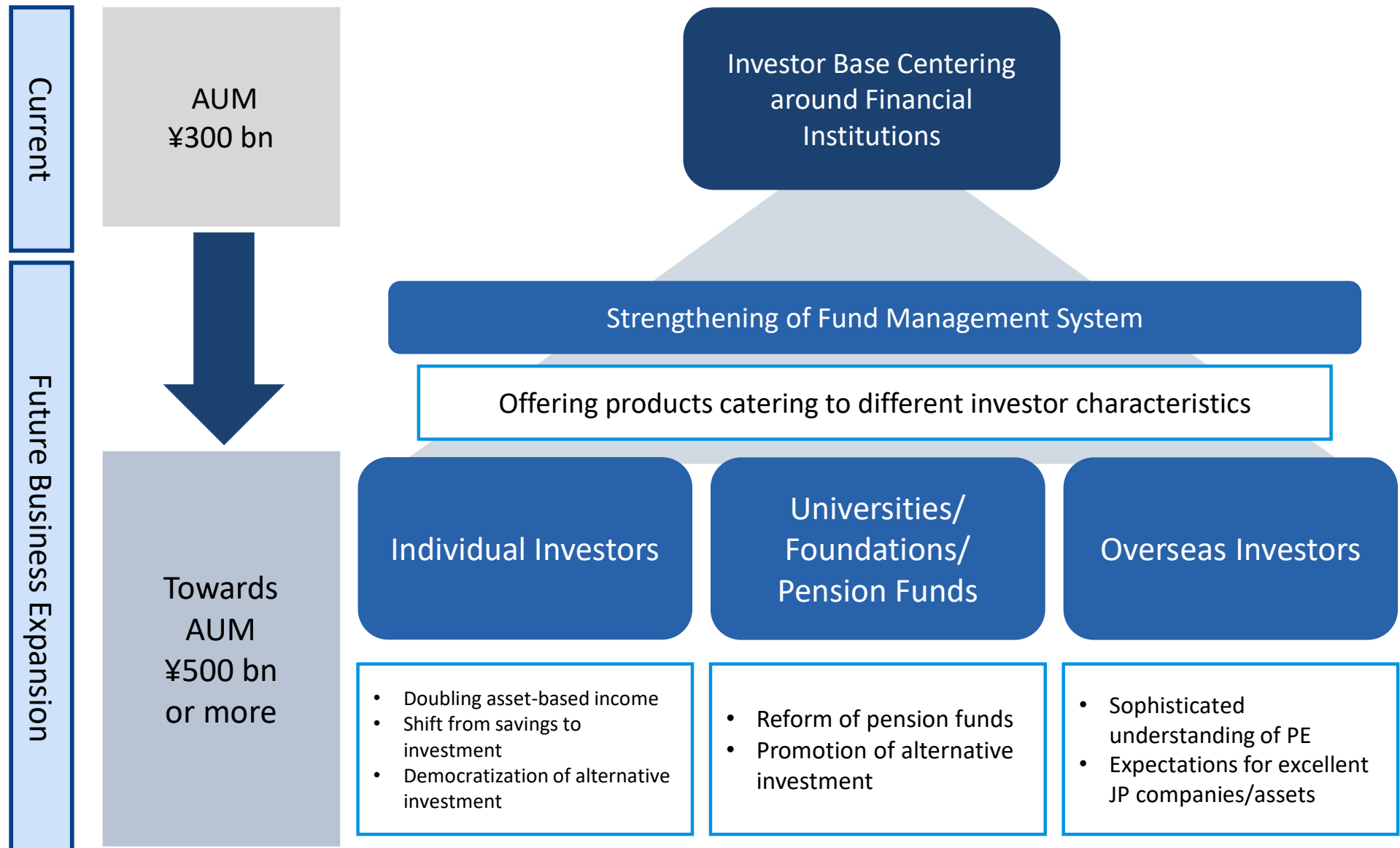
Roadmap for Increasing Medium- to Long-Term Corporate Value



Future Business Expansion

(Transcend Market Border/Dialogue with a wide range of investors)

- As a fund management company, to further strengthen the fund management system and expand the investor base by offering products that meet the characteristics of each investor category, such as different risk/return perspectives and investment periods.



2. Financial Highlights

2Q 2023 Highlights

Steady Growth in AUM, Expecting performance fees in 2nd half of the fiscal year

Business Progress of fiscal year of 2023

- ❑ **Financial Statement** : The management fees have been steady; YoY decrease is due to the absence of principal investment income from the fund exits, as well as appraisal loss from restructuring of Spring REIT.
- ❑ **Management fees have increased steadily** : AUM has been increasing steadily from ¥297.1 billion at the end of FY2022 mainly due to the fundraising for Buyout Fund II (total funding target: ¥40-50 billion). The management fees will contribute to the annual revenue.
- ❑ **Expecting the performance fees in the 2nd half of the fiscal year** : The partial realization of performance fees from Buyout Fund I is expected in the 2nd half of the fiscal year, reflecting the steady operation of the fund.
- ❑ **Year Forecasts** : Aiming for a record high of ¥5.1 billion in operating gross profit and ¥2.45 billion in ordinary profit, with no revisions.
- ❑ **Shareholder Returns** : In addition to the distribution of dividends, the stock repurchase was conducted, and the total return ratio was 52.4% as of June 30, 2023.

Compliance with TSE Prime Market Listing Standards

- ❑ **Medium-term Profit Plan** : Targeting 5-year average net income of ¥2.0 billion in 2025
- ❑ **ROE** : Aiming for a 10%-15% level in ROE from 2023 to 2025
- ❑ **Compliance with TSE Prime Market Listing Standards** : Total market capitalization of tradable shares is approximately ¥8.70 billion based on the closing price: ¥754 on August 23, 2023 (PBR 0.89x level); continuing to aim to meet the TSE Prime Market Listing Standards (¥10 billion in total market capitalization of tradable shares).

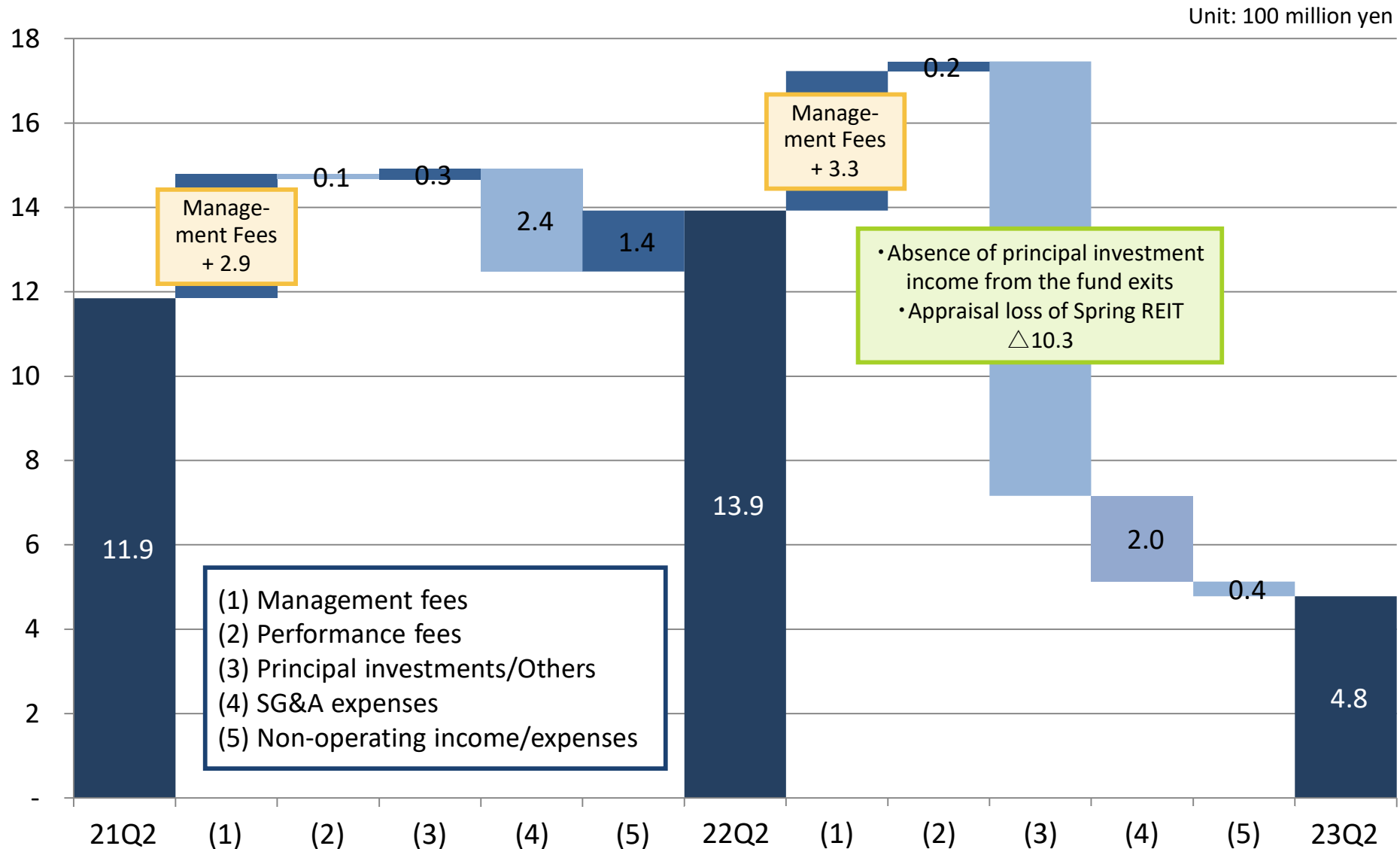
Consolidated Financial Results (vs. forecast / YoY)

- The management fees have been steadily increasing; YoY decrease is due to the absence of principal investment income from the fund exits, as well as appraisal loss from restructuring of Spring REIT.
- Reflecting steady fund management, partial realization of performance fees from Buyout Fund I is expected in the second half of the year.

Unit: Million yen		(1) 2021 Results	(2) 2022 Results	(3) 2023 Q2 Results	(4) 2023 Forecast	(5) YoY
Operating revenue		41.7	46.0	33.9	67.0	22.9
Operating costs		△5.3	△2.0	△18.3	△16.0	△0.5
Operating gross profit	Fund management (management fees)	18.9	24.4	15.1	51.0	11.8
	Fund management (performance fees)	7.3	3.1	0.2		-
	Principal investments/ Others	10.1	16.5	0.3		10.6
	Total	36.4	43.9	15.6		22.4
SG&A expenses		△18.8	△23.4	△12.4	△26.5	△10.4
Operating profit		17.6	20.5	3.2	24.5	12.0
Ordinary profit		18.2	22.1	4.8	24.5	13.9
Profit attributable to owners of parent		13.0	15.6	3.2	17.0	9.6

Consolidated Financial Results (YoY change in ordinary profit)

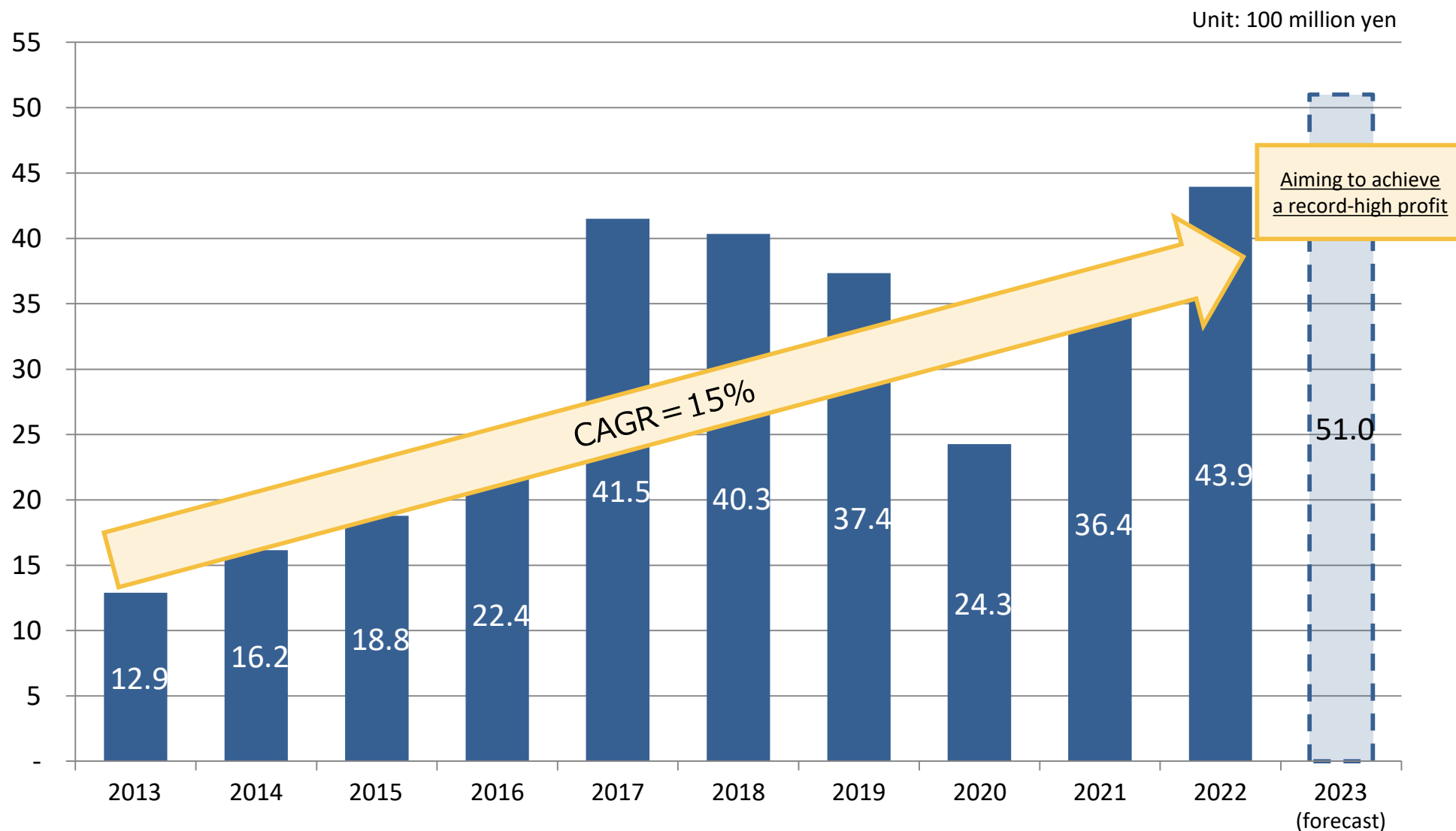
- Management fees (1) : increased ¥620 million from steady fundraising centered Buyout Fund II.
- The principal investment income (3) : decreased ¥10.3 million due to the absence of principal investment income from the fund exits, as well as appraisal loss from restructuring of Spring REIT.



Consolidated Financial Results

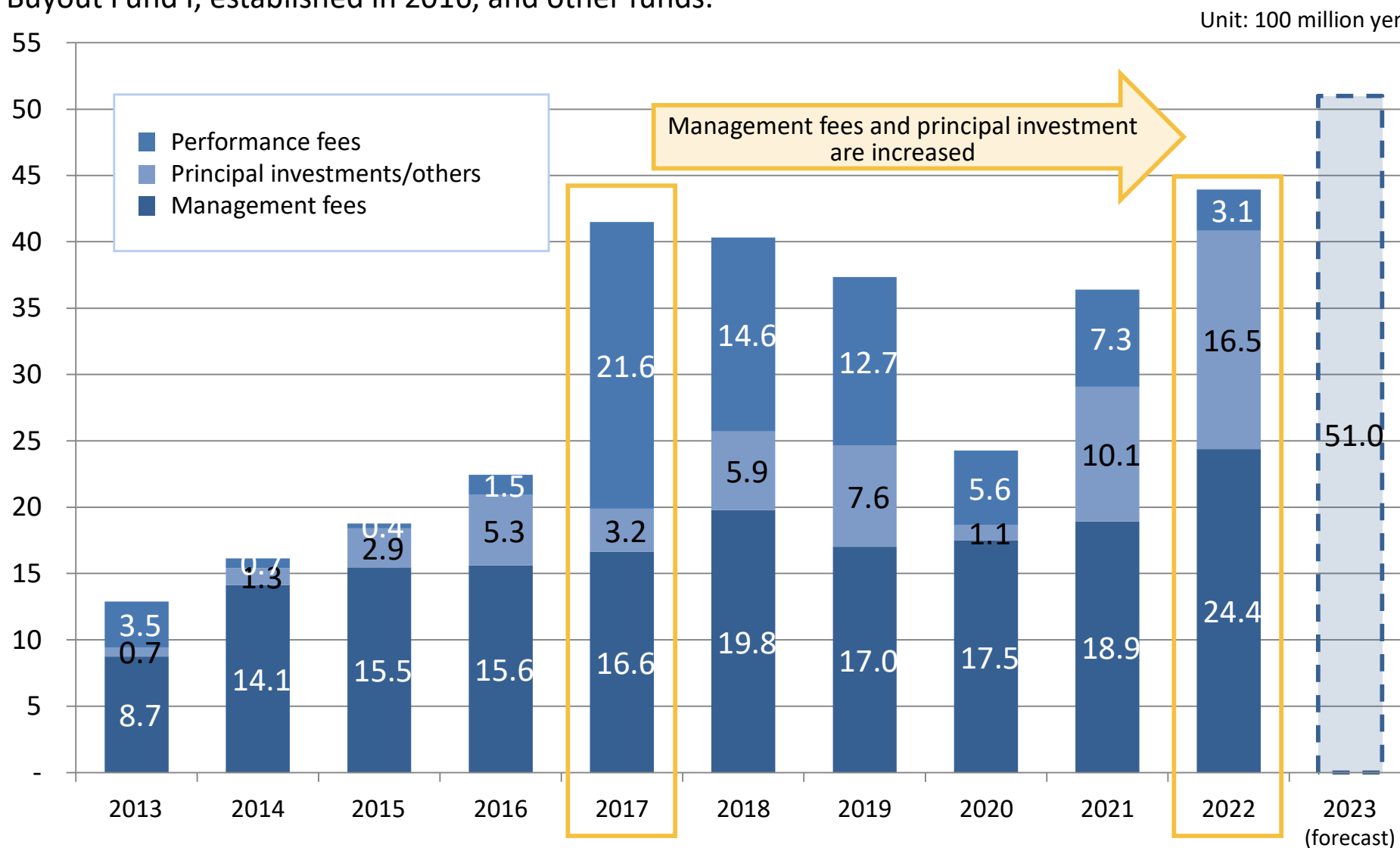
(Operating gross profit from a long-term perspective)

- 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 billion.
- Aiming to achieve a record-high profit in FY2023.



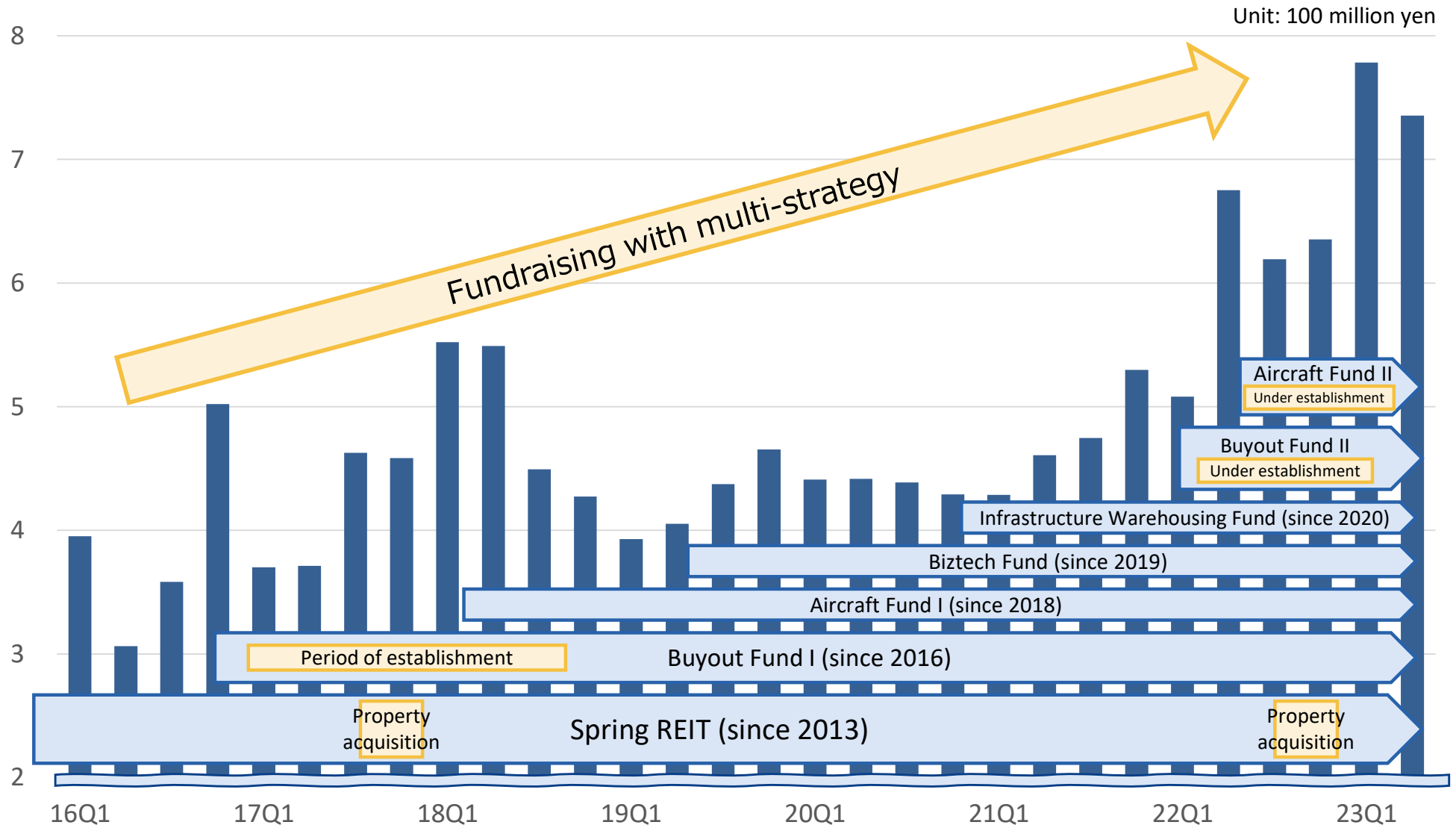
Consolidated Financial Results (Operating gross profit by revenue categories)

- Performance fees : ¥6.5 billion for the period from FY2017 to FY2022. (¥3.7 billion from the Growth Fund I, ¥1.7 billion from the value investment fund which was established during the global financial crisis)
- Principal investments: Becoming 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.



Consolidated Financial Results (Quarterly management fees)

- Since listing in 2016, management fees have increased significantly with the establishment of funds based multi-strategy.
- Aiming to increase management fees with Buyout Fund II and Aircraft Fund II which are under establishment.

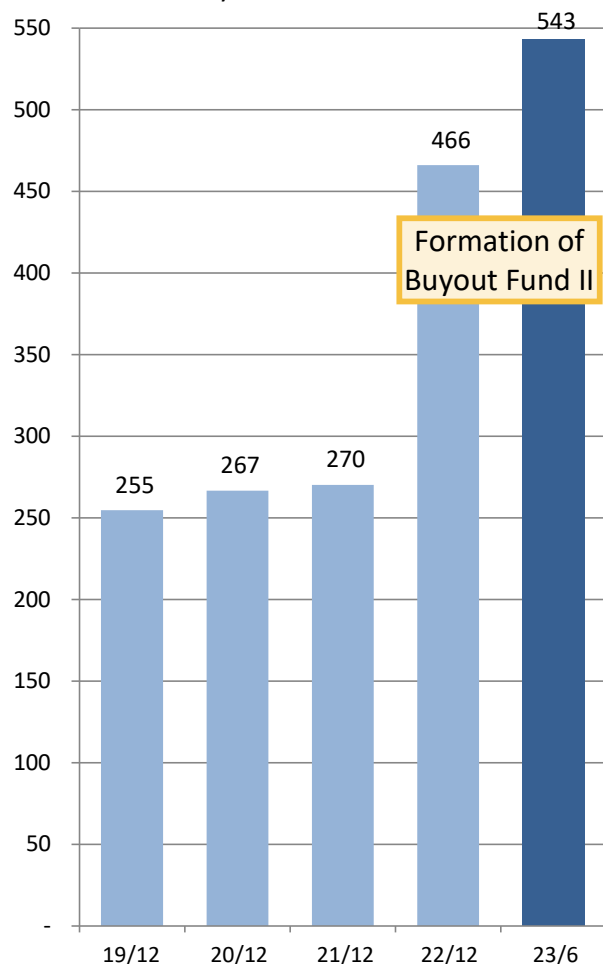


Consolidated Financial Results (Trend of AUM as a basis for management fees)

- Stable fundraising for Buyout Fund II (Business Investments), as well as the inclusion of new assets in Spring REIT in 2022, resulted in a marked increase in the AUM as a basis for management fees.
- Although Aircraft Fund II is under fundraising, as the investment period for the Renewable Energy Fund (Asset Investments) expired, the AUM and management fee accordingly decreased.

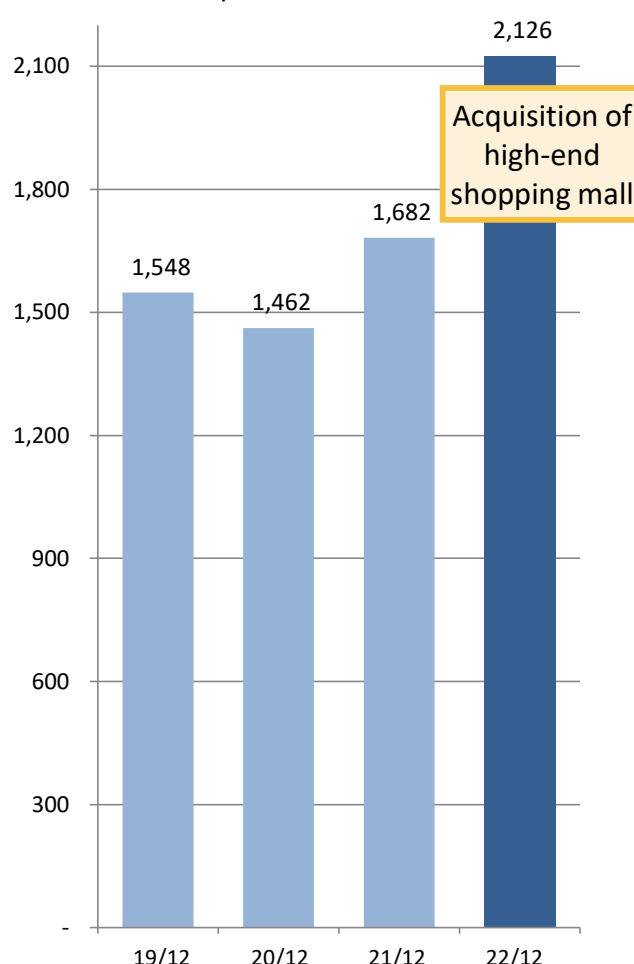
Business Investments

Unit: 100 million yen



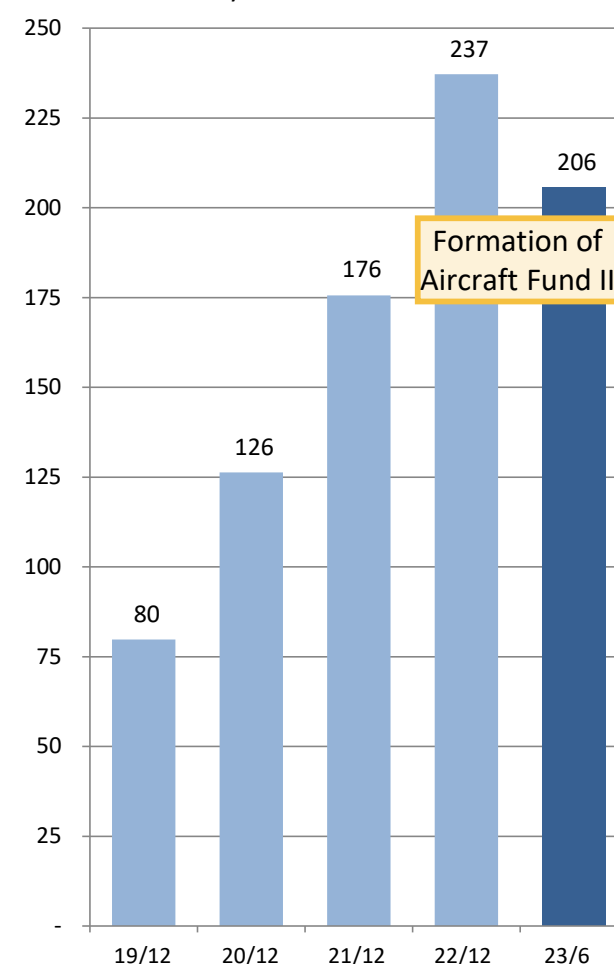
Spring REIT

Unit: 100 million yen



Asset Investments

Unit: 100 million yen



Consolidated Financial Results (Structure of balance sheet)

- Assets side consists of Operational investment securities/Operating loans (principal investment) which is ¥12.6 billion and Cash and deposits of ¥3.3 billion. ¥16.5 billion in equity capital against ¥1.3 billion in liabilities. There is no on-balance borrowings.

Unit: 100 Million yen

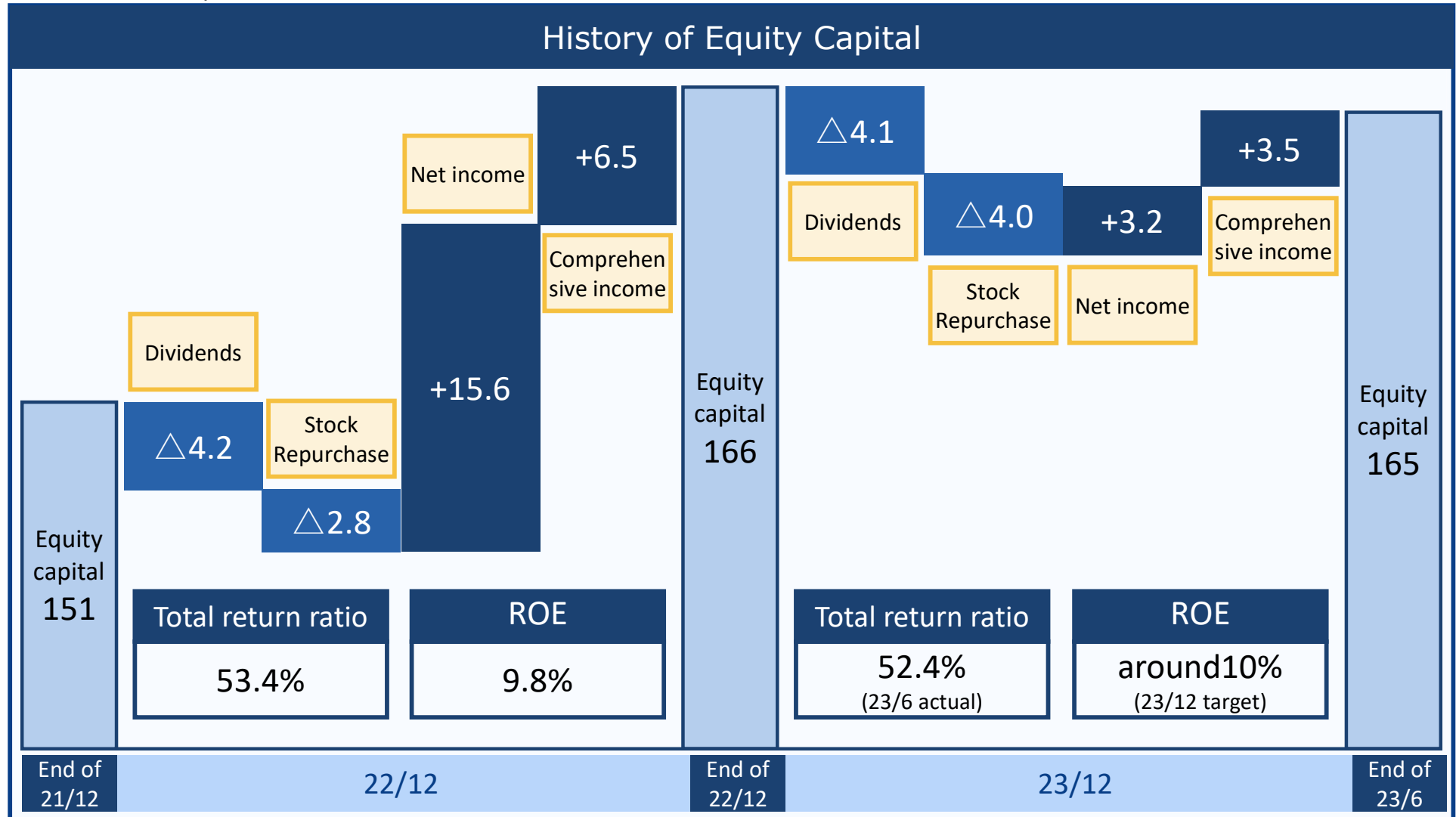
Consolidated balance sheet as of end-June 2023				Components of equity capital	
Current assets	Cash and deposits	33 18%	Liabilities	Borrowings	-
				Other current liabilities	6
	Trade accounts receivable	7		Other non-current liabilities	7
	Operational investment securities/ Operating loans	126 67%	Net assets	Equity capital	165 88%
	Other current assets	11			
Non-current assets		11		Non-controlling interests	10
Total		188	Total		188
				AUM (as of the end of December 2022)	
				Business investments	29
				Same-boat investment for buyout funds and growth funds	
				Spring REIT	58
				Same-boat investment in a fund to invest in Spring REIT Using borrowings	
				Asset investments	38
				Same-boat investment for aircraft funds and renewable energy funds	

Consolidated Financial Results

(History of equity capital (Shareholder return and ROE))

- In addition to dividend as shareholder return, stock repurchase was conducted; the total return ratio was 53.4% as of the end of December 2022, and 52.4% as of the end of June 2023.
- Aiming for around 10% of ROE by achieving ¥1.7 billion of net income forecast in the fiscal year of 2023.

Unit: 100 Million yen



Dividends

- In accordance with the dividend policy, MHD plans to pay a dividend of ¥21 for 2023, which will result in an average payout ratio of 33.0% of net income during the past five years.

Dividend policy	<ul style="list-style-type: none"> 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.
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Unit: Million yen	2019 Results	2020 Results	2021 Results	2022 Results	2023 Forecasts
(1) Profit attributable to owners of parent	1,245	525	1,304	1,563	1,700
(2) Five-year average of net income	1,124	1,105	1,195	1,210	1,267
(3) Dividend per share	¥19	¥20	¥20	¥20	¥21
(4) Total number of ^(Note) outstanding shares (after deduction of treasury shares)	17,606,389 Shares	17,113,389 Shares	20,911,579 Shares	20,500,979 Shares	19,930,179 Shares
(5) Total dividends (3) × (4)	335	342	418	410	419
(6) Dividend payout ratio (5) / (2)	29.8%	31.0%	35.0%	33.9%	33.0%

(Note) The number of shares in the 2023 forecast is as of June 30, 2023.

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 billion (average share price is ¥604.9 from October to December 2022), compared to the market cap of ¥10 billion 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, ¥870 in case of MHD.

		Reference period Ave. of Oct-Dec 2022	Current status Closing price as of Aug. 23, 2023		Prime Market Listing Maintenance Criteria
Total market capitalization of the tradable shares		¥7.39 bn	¥8.70 bn	Prime Market	¥10 bn
Stock price		¥604.9	¥754		¥870
PBR	¥845.8 (Result of FY2023 Q2)	0.73	0.89		1.03
PER	¥86.13 (FY2023 forecast)	7.3	8.8		10.1

(Note) The ratio of tradable shares is calculated considering the stock repurchase announced in May 2023.

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 ^(Note)	56.86%	35% or more	○
Daily average trading volumes	¥35 mn	¥20 mn or more	○

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 ¥14.6 billion as of August 23, 2023. We will focus on proactive investor relations activities to realize the hidden value of MHD that we believe exists.

Value of stock			Market cap
Components of assumed 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 based on long-term contract	
	Net asset value (principal investments)	Equity capital ¥16.5 bn + Unrealized capital gain asset value	¥14.6 bn (¥754/share)

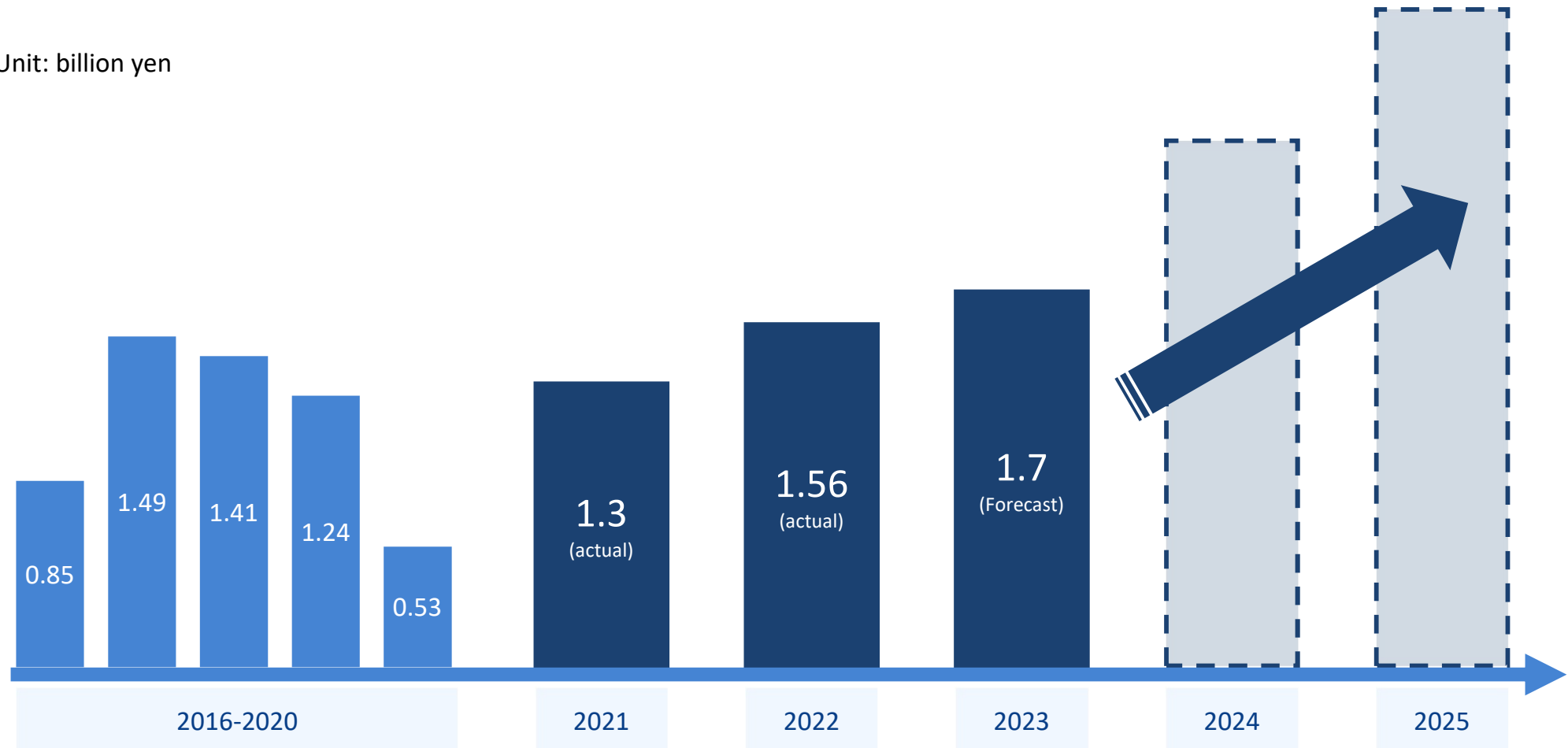
(Reference)

Progress of Medium-term profit plan (Five-year average of net income)

- Results of 2021 and 2022: Net income of ¥1.3 billion and ¥1.56 billion 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 billion in 2025 by accumulating management fees from newly established Buyout Fund II and performance fees from Buyout Fund I.

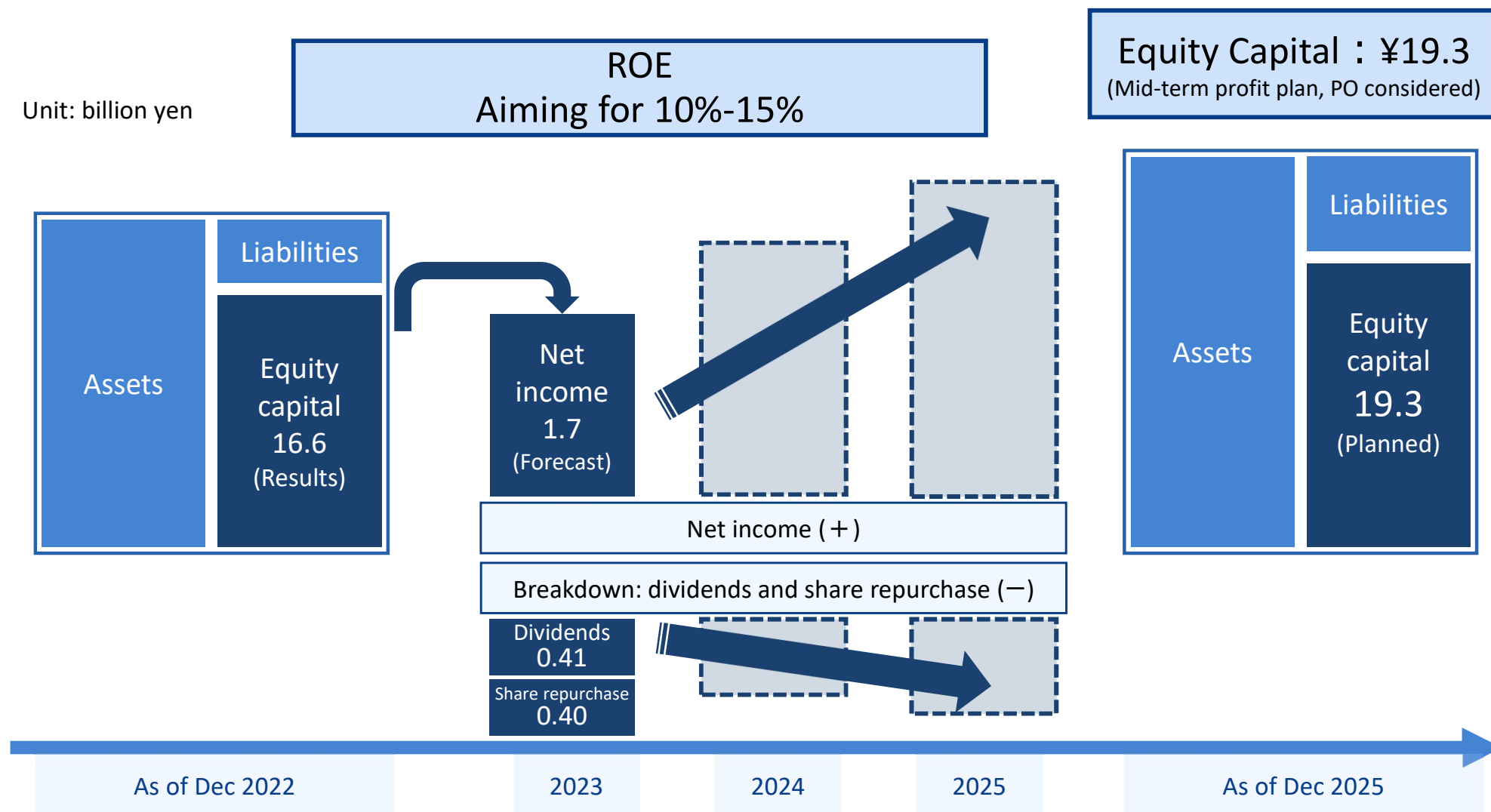
Five-year Average of Net Income : ¥2.0 bn (Mid-term goal)

Unit: billion yen



(Reference) 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 billion, ¥2 billion procured by public offering added to the initial plan of ¥17.3 billion.
- 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.



(Reference) Initiative for ESG and SDGs

- Not only conducting sustainable management and business operations as a listed company, but also supporting various ESG-related initiatives at investee companies as a qualified institutional investor.
- Build trusted relationships with a wide range of stakeholders and aim to contribute to the business growth of investee companies over the medium to long term, taking into account ESG and SDGs.

Mercuria's ESG Initiatives

E Environment

- **Clean energy**
 - ✓ Co-sponsor of the Enex Infrastructure Investment Corporation, which invests in renewable energy.
- **Waste reduction, energy efficiency, and efficient use of resources**
 - ✓ Environmental countermeasures taken at office buildings owned by Spring REIT and managed by our subsidiary SAML
 - ✓ Investment in Loft Orbital Solutions, Inc, a developer of ride-share business for satellites

S Social

- **Economic growth, employment security, industrial and technological innovation, and regional revitalization**
 - ✓ Management of funds for supporting smooth succession and growth of SMEs
 - ✓ Management of funds for supporting innovation in the real-estate and logistics industries
 - ✓ Management of the platform for solving business-related problems run by our subsidiary, Bizma
- **Financial inclusion to eliminate poverty, and improve the usability of financial services**
 - ✓ Management of funds targeted at investments in Zhongguancun Kejin Tecnnology (北京中関村科金技術有限公司)

G Governance

- **Contribution to enhancement of governance functions**
 - ✓ Management of funds for supporting smooth succession and growth of SMEs

Realization of SDGs





Mercuria Investment Group

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.