



Mercuria Holdings Co., Ltd.

Results of Operations for the Third Quarter of the Fiscal Year Ending December 31, 2021

Mercuria Investment Group

Stock code: 7347

November 11, 2021

Notes:

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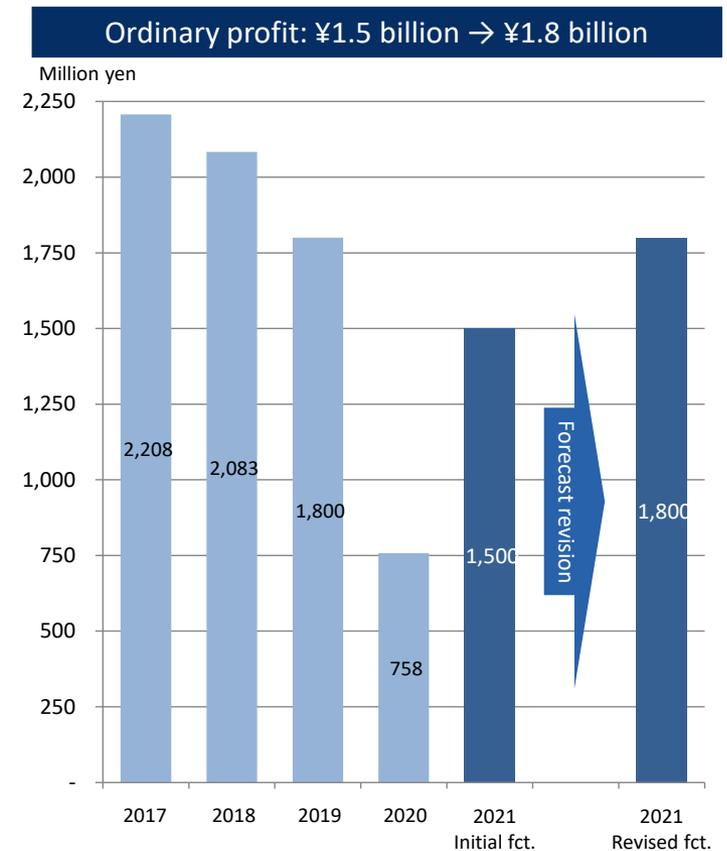
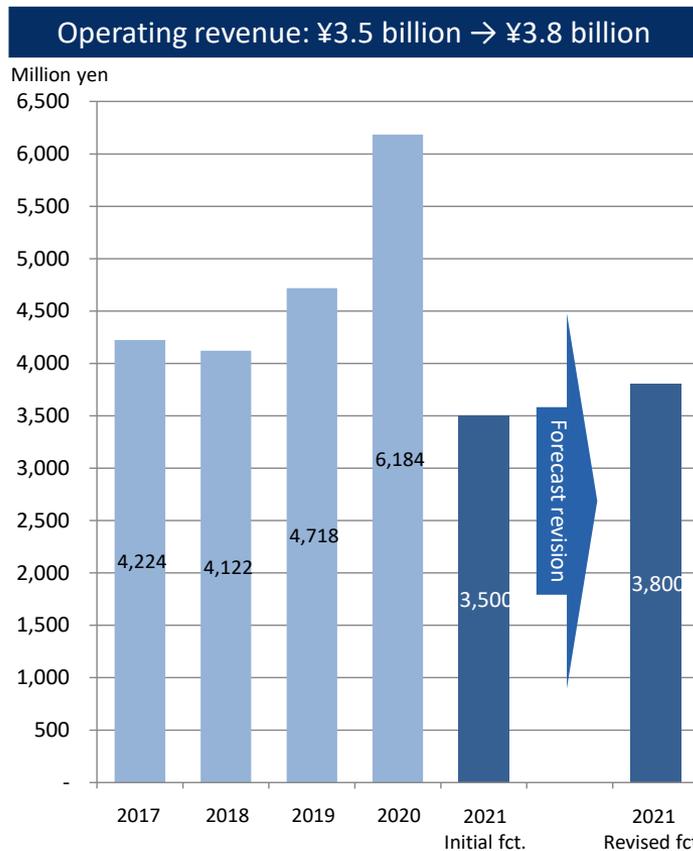
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1. 3Q 2021 Financial Highlights

Revisions to Consolidated Earnings Forecast

- The 2021 consolidated forecasts have been increased because of the high probability of the receipt of a performance fee in the fourth quarter.



3Q 2021 Highlights

1. Consolidated earnings

- **The 2021 consolidated forecasts have been increased** because of the high probability of the receipt of a performance fee in the fourth quarter.
 - **Operating revenue: ¥3.5 billion → ¥3.8 billion**
 - **Ordinary profit: ¥1.5 billion → ¥1.8 billion**
- Third quarter **operating revenue of ¥2.8 billion** and **operating profit of ¥1.5 billion** vs. the revised 2021 forecasts of ¥3.8 billion and ¥1.8 billion, respectively.

2. Business plans/ New funds

- In the **aircraft leasing business**, established a **joint venture called Airborne Capital** to specialize in the establishment and administration of aircraft leases based on the outlook for aircraft investments after the pandemic.

3. Existing fund operations

- **Management and investments** of Buyout Fund I **are as planned**. To meet expected business succession needs, **preparations have started to establish Buyout Fund II** with contributions mainly from Buyout No. 1 investors as well as from overseas investors.
- Biztech Fund has made new investments in 11 companies due to favorable market conditions backed by strong technology sector demand during the pandemic.

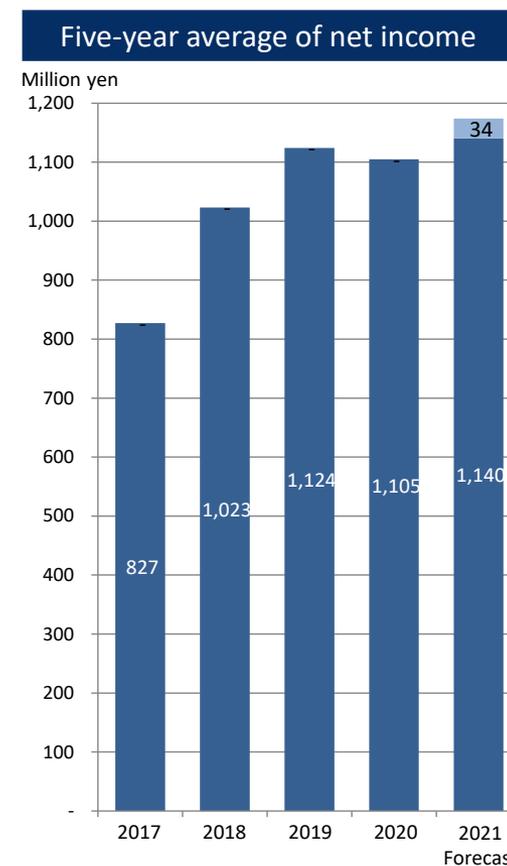
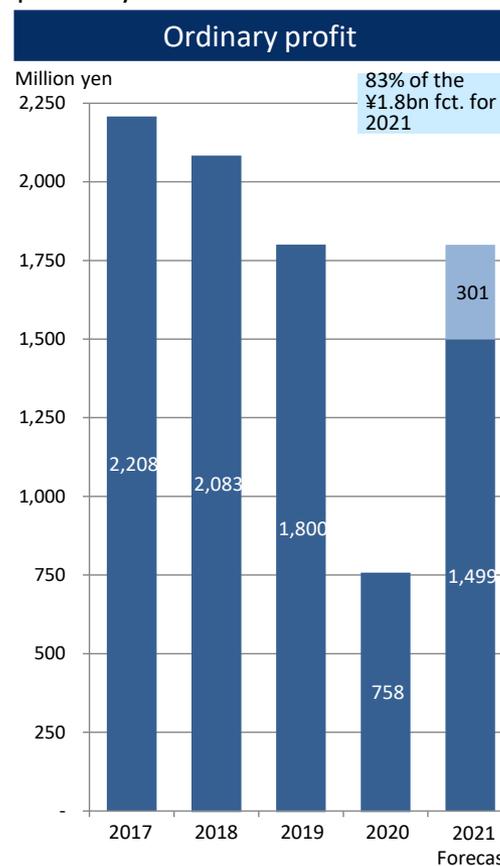
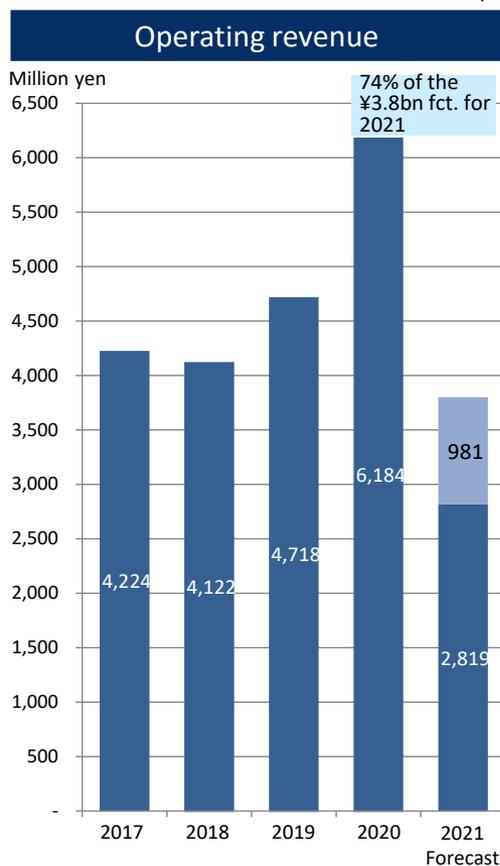
4. Corporate

- Established Mercuria Holdings to **switch to a holding company structure**.
- The goals are continuing to grow by using speed and agility to target business opportunities and establishing a stronger administrative infrastructure.

1. Consolidated Financial Results (1/3)

Summary

- The 2021 consolidated forecasts have been increased because of the high probability of the receipt of a performance fee in the fourth quarter.
- Third quarter operating revenue of ¥2.8 billion and operating profit of ¥1.5 billion vs. the revised 2021 forecasts of ¥3.8 billion and ¥1.8 billion, respectively.



1. Consolidated Financial Results (2/3) Vs. 3Q 2020, Vs. Plan

- Although performance fees are currently below the same period of 2020, the 3Q ordinary profit was ¥1.5 billion (up 44% YoY/1Q-3Q results are 83% of revised 2021 forecast). In the principal investment business, there was a gain on the sale of stock held by Buyout Fund I and revenue due to Enex Infrastructure Investment Corporation's investment in solar power facilities.

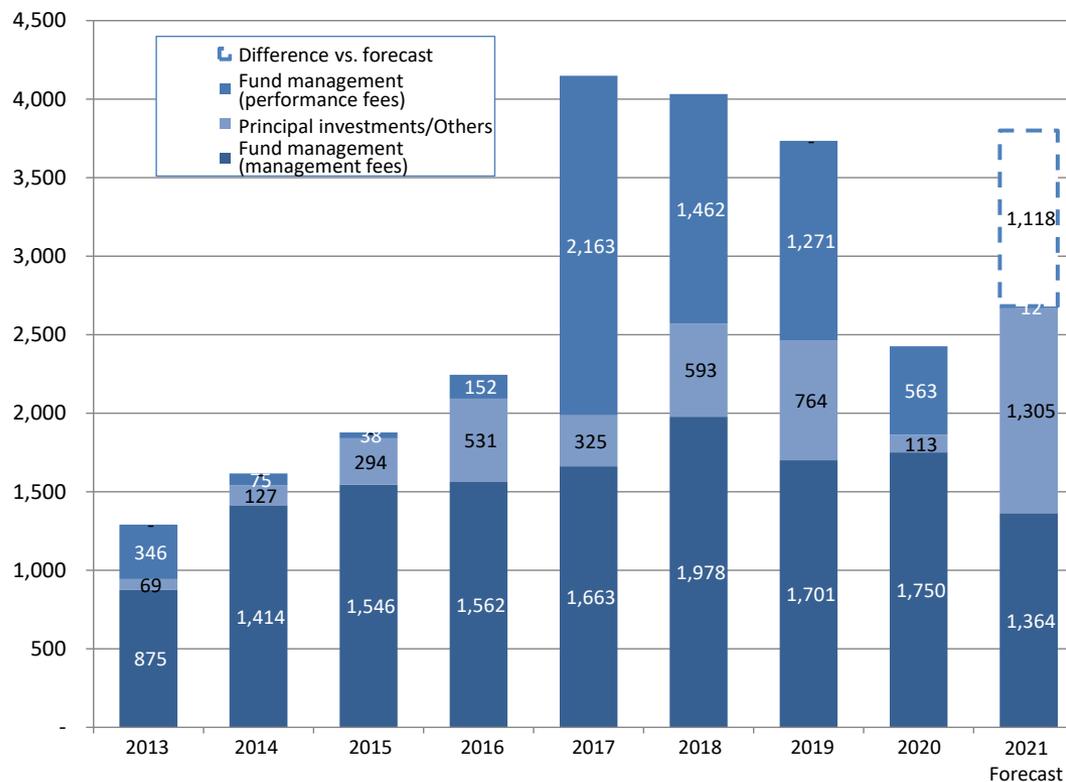
Unit: Million yen		(1) 1Q-3Q 2020 Results	(2) 1Q-3Q 2021 Results	YoY (2) / (1)	(3) 2021 Forecasts	Pct. of FY12/21 forecast (2) / (3)
Operating revenue	Fund management (management fees)	1,321	1,364	103%		
	Fund management (performance fees)	549	12	2%		
	Principal investments/ Others	1,588	1,442	91%		
	Total	3,458	2,819	82%	3,800	74%
	Operating costs	(1,128)	(137)	12%		
	Operating gross profit	2,331	2,682	115%		
	SG&A expenses	(1,299)	(1,222)	94%		
	Operating profit	1,032	1,460	141%	1,800	81%
	Ordinary profit	1,044	1,499	144%	1,800	83%
	Profit attributable to owners of parent	632	1,032	163%	1,200	86%

1. Consolidated Financial Results (3/3)

Operating Gross Profit

- Performance fees between 2017 and 2021 (forecast) are ¥5.4 billion, including ¥3.6 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.

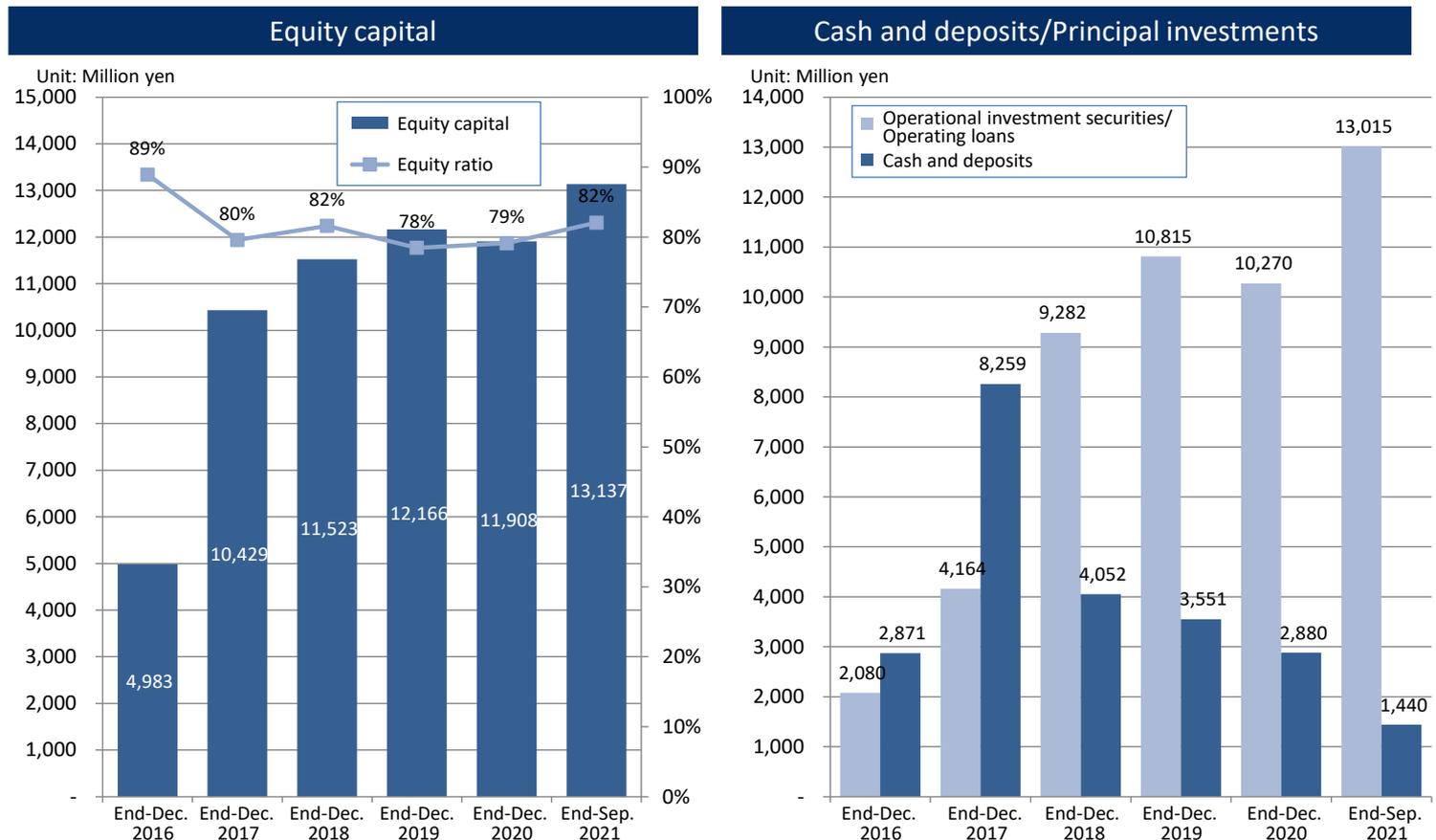
Unit: Million yen



- Fund management (performance fees)
 - ✓ Based on distributions to investors, investment returns and other factors (upside revenue)
- Principal investments/ Others
 - ✓ General partner investment gain/loss: Gain/loss corresponding to ownership interests in funds (Plus)
 - ✓ Dividends/Capital gains: Dividend income and capital gains involving direct investments
- Fund management (management fees)
 - ✓ Fees are received for the provision of fund administration and management services (Stable and recurring source of revenue)

1. Consolidated Financial Position (1/2)

- Equity capital is increasing due to the consistent growth of retained earnings.
- Securities were higher than at the end of 2020 because of the temporary acquisition of a vehicle owning solar power facilities for the purpose of liquidating this vehicle.



1. Consolidated Financial Position (2/2)

- Equity capital increased ¥1.2 billion mainly because of earnings and foreign currency translation/valuation gains on operational investment securities.
- Borrowings of about ¥900 million for same-boat investments in Spring REIT

Unit: Million yen

		End-Dec. 2020	End-Sep. 2021			End-Dec. 2020	End-Sep. 2021
Current assets	Cash and deposits	2,880 (19%)	1,440 (9%)	Current liabilities	Borrowings	423 (3%)	130 (1%)
	Trade accounts receivable	374 (2%)	373 (2%)		Other current liabilities	574 (4%)	602 (4%)
	Operational investment securities/ Operating loans	10,270 (68%)	13,015 (81%)	Non-current liabilities	Long-term borrowings	874 (6%)	776 (5%)
	Other current assets	463 (3%)	302 (2%)		Other non-current liabilities	713 (5%)	681 (4%)
	Non-current assets	Investment securities	305 (2%)	315 (2%)	Net assets	Equity capital	11,908 (79%)
Other non-current assets		760 (5%)	563 (4%)	<i>(Breakdown)</i>		<i>(Breakdown)</i>	<i>(Breakdown)</i>
				Shareholders' equity		12,492	13,190
				Valuation difference on available-for-sale securities		(383)	48
				Foreign currency translation adjustment		(201)	(101)
				Other net assets		561 (4%)	681 (4%)

2. Dividends

- In accordance with the dividend policy, Mercuria Holdings plans to pay a dividend of ¥20 for 2021, which will result in an average payout ratio of 30.1% 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. • Profit attributable to owners of parent is used as earnings for the five-year average. However, years up to 2013 are not included in this average because these financial statements were not audited. • 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	2017 Results	2018 Results	2019 Results	2020 Results	2021 Forecasts
(1) Profit attributable to owners of parent	1,490	1,411	1,245	525	1,200
(2) Five-year average of net income	926	1,023	1,124	1,105	1,174
(3) Dividend per share	¥17	¥18	¥19	¥20	¥20
(4) Total number of outstanding shares	17,234,500 shares	17,466,100 shares	17,606,500 shares	17,644,900 shares	17,670,100 shares
(5) Total dividends (3) × (4)	293	314	335	353	353
(6) Dividend payout ratio (5) / (2)	31.6%	30.7%	29.8%	31.9%	30.1%

Note

Note: The number of shares in the 2021 forecast is as of September 30, 2021.

3. Medium-term Goals (Revised) (Updated in Information Announced on Aug. 13, 2020)

Positioning of the Period for Accomplishing the Goals

Management philosophy

Increase the total happiness of all stakeholders —Growth of Happiness

1st stage

- (1) A new approach centered on cross-border transactions for growth funds
- (2) Establish a sound base for earnings by listing the stock of Spring REIT

2nd stage

- (1) Strengthen fund procurement capabilities by using a TSE listing to reinforce our reputation as a trusted company
- (2) Become a multi-strategy fund management company to build a framework for steady growth that is not vulnerable to changes in the business climate

Next stage

Use the expansion of all investment strategies to become one of the world's leading investment groups

Accomplishments of the first half of the 2nd stage

- ❑ Listed on the TSE First Section in 2017 and issued stock to procure funds for principal investments
- ❑ Used these funds for a new buyout succession investment strategy and cash flow investment strategy by 2018; established funds that use these strategies to create the base for becoming a multi-strategy fund management company
- ❑ Switched to a holding company structure in July 2021 to establish a platform that can support the expansion of all investment strategies

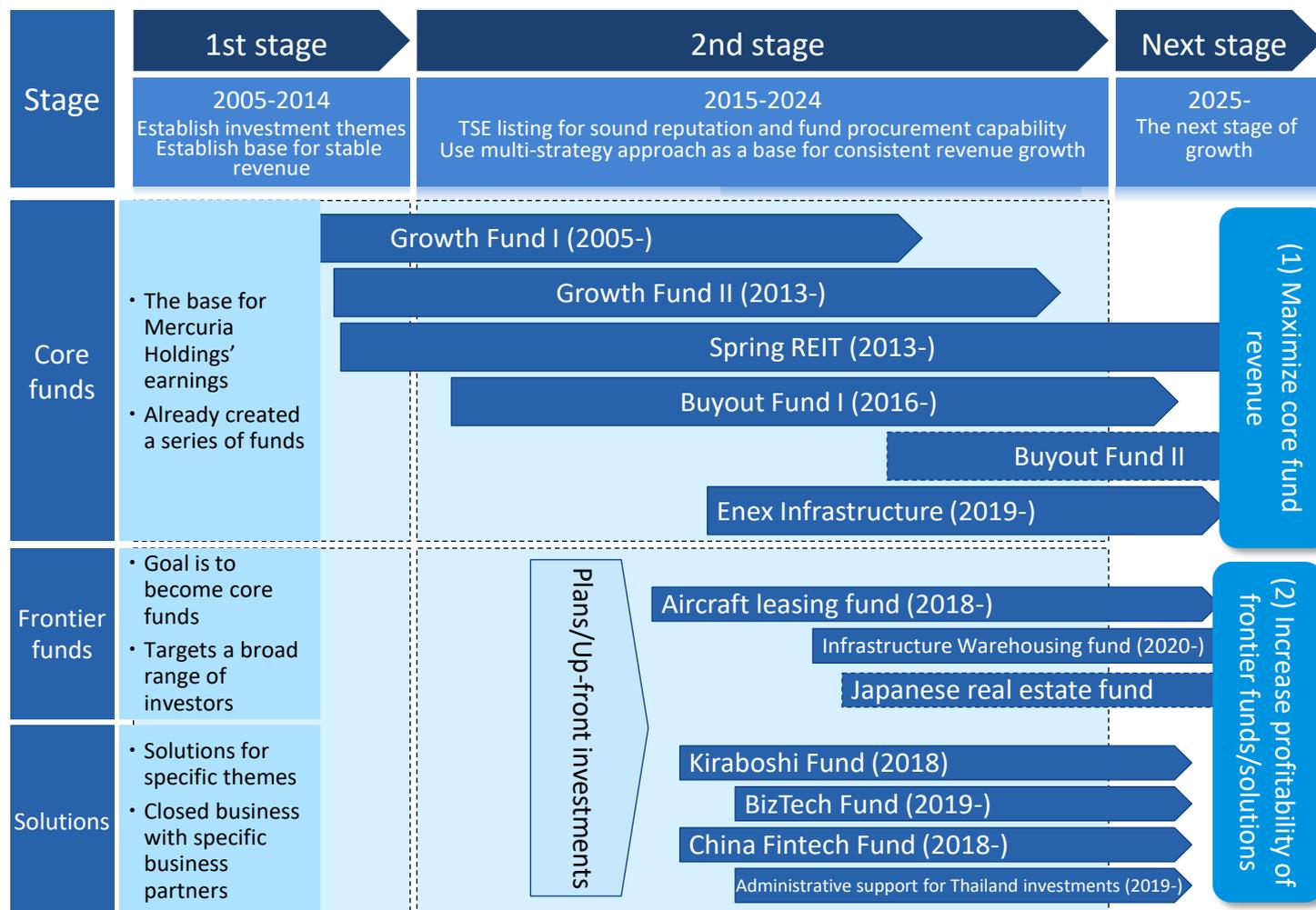


Positioning of the period for accomplishing goals (to 2025)

- ❑ The 2019-2025 phase has the goals of (1) maximizing earnings from core funds (performance fees) and (2) making frontier funds and the solutions business more profitable (fund management fees).

3. Medium-term Goals (Revised) (Updated in Information Announced on Aug. 13, 2020)

Status of Funds



3. Medium-term Goals (Revised) (Updated in Information Announced on Aug. 13, 2020)

Investment Strategies and Goals of Funds

Fund category		Investment strategies	Goals
Business investments	Buyout Fund I (buyout investments)	<ul style="list-style-type: none"> - Make win-win investments by investing in companies able to make contributions from a cross-border standpoint - Target investment opportunities involving a shift in a company's control structure (sale of privately owned business, privatization of listed companies, spin-off/curve-outs, etc. of non-core businesses) - Buyout Fund II targets companies and businesses where revitalization expertise can be used as the pandemic's economic impact raises the number of businesses requiring revitalization 	<ul style="list-style-type: none"> - Maximize performance fees by using sound fund management (new investments-increase value-exit) to aim for doubling investments (15% IRR x 5 years) - Establish track record with Fund I/ establish new funds of about ¥40-¥50 billion with contributions from foreign investors
	Buyout Fund II (buyout investments)		
	BizTech Fund (growth investing)	<ul style="list-style-type: none"> - A joint fund with ITOCHU to support growing companies that have real estate and logistics technologies - A joint fund with Kiraboshi Bank to support the efficient transfers of Japanese midsize and small companies to new owners - Establish mutually beneficial relationships with Zhongkejin (Chinese fintech company) and Aozora Bank 	<ul style="list-style-type: none"> - Maximize performance fees by using sound fund management emphasizing activities with business partners to aim for doubling investments (15% IRR x 5 years) - Establish new funds with activities in China as added value
	Kiraboshi Fund (buyout investments)		
	China Fintech Fund (growth investing)		

3. Medium-term Goals (Revised) (Updated in Information Announced on Aug. 13, 2020)

Investment Strategies and Goals of Funds

Fund category		Investment Strategies	Goals	
Asset Investments	Growth Fund I/ Growth Fund II (growth investing)	Core funds	<ul style="list-style-type: none"> - Use exits from existing investments to maximize performance fees - Purchase assets to earn acquisition fees/Increase fund management fees 	
	Spring REIT (real estate investments)			<ul style="list-style-type: none"> - Use the cross-border theme for investments spanning many categories for investments backed by Japan's strengths with the goal of targeting growing sectors and sectors with growth potential worldwide - Beijing's office leasing market is growing as China's consumer market expands; this REIT targets large, grade A properties in the central business district - Mercuria Investment Group manages Spring REIT, which is listed in Hong Kong's stock exchange
	Enex Infrastructure REIT (cash flow investments)			<ul style="list-style-type: none"> - Investments in renewable energy power facilities and other infrastructure (Listed on TSE)
	Aircraft leasing fund (cash flow investments)	Frontier funds	<ul style="list-style-type: none"> - Purchase assets to earn acquisition fees/Increase fund management fees - Goal is to procure about ¥100 billion for cash flow strategy funds (funds for the purpose of giving investors consistent cash flows) 	
	Infrastructure/renewable energy/warehousing funds (cash flow investments)			<ul style="list-style-type: none"> - Investments in aircraft (physical assets), with little price volatility risk, as the long-term growth of air travel demand continues - Use the Enex Infrastructure REIT (a listed REIT) to establish renewable energy (solar) and warehousing funds
	Real estate fund (cash flow investments)			<ul style="list-style-type: none"> - Uses funds from overseas investors to target investment opportunities involving Japanese real estate (commercial properties)

3. Medium-term Goals (Revised) (Updated in Information Announced on Aug. 13, 2020)

Quantitative Targets

	Growth prospects	Stability
2025 Targets	<p>Five-year average of net income</p> <p>¥2.0 billion or more</p>	<p>Equity capital</p> <p>Up 50%</p> <p>(¥17.3 billion)</p>
2020	¥1.10 billion	Up 3% (¥11.9 billion)
2019	¥1.12 billion	Up 6% (¥12.2 billion)
2018 Results (benchmark)	<p>Five-year average of net income</p> <p>¥1.0 billion</p>	<p>Equity capital</p> <p>¥11.5 billion</p>

2. The Infrastructure that Supports Mercuria Holdings' Growth

The Infrastructure that Supports Mercuria Holdings' Growth (1/2)

1. Investments in human resources and intellectual property

(1) Basic stance

To accomplish the mission of Mercuria Holdings, we make large investments for people who can bring about change for the next generation of progress and for intellectual property, while reflecting changes in the business climate.

(2) Actions

- Enable everyone at Mercuria Holdings to fully utilize their professional skills and, to create the next generation of leaders, use self-reliant career development backed by OJT as the base for training and education programs that utilize strategic assignments for people and the use of external resources. To upgrade the skills of managers, use executive coaching, one-on-one meetings with subordinates, and other measures.
- To improve efficiency, use new software and applications and establish an internal portal site. For the convenience of investors, hold online seminars and conferences, cloud platforms that investors too can access, and other measures for the incorporation of the DX and IT in business activities.

2. Activities for diversity

(1) Basic stance

- Mercuria Holdings has always recruited people mainly by seeking individuals who already have experience and assign people to jobs based on skills and accomplishments, irrespective of gender and nationality. Respect for a variety of viewpoints and values is essential for the sustained growth of businesses and corporate value. We use people with many backgrounds (experience, skills, career paths) and provide workplace environments where they can realize their full potential.

(2) Goals and accomplishments

- Mercuria Holdings has non-Japanese personnel in executive officer positions and, at major group companies where Mercuria Holdings has a significant level of control, goals of 30% are established for the percentages of female and foreign employees. Currently, the group's workforce is 47% women and 40% non-Japanese (as of September 2021), which are well above the goals. Activities will continue to ensure that these percentages remain above the goals.

(3) Actions

- We will continue to recruit people irrespective of nationality, gender and other characteristics and evaluate their performance without bias due to personal characteristics or values. At overseas subsidiaries, in principle, we hire non-Japanese people, including for management positions, so that operations are firmly rooted in local markets.
- To enable people to do their jobs in a flexible manner, there are systems for working at home a certain number of days every week, using flex-time and other types of flexibility. Time off for child care, elderly parent care and other needs allow people to remain at Mercuria Holdings while meeting family and other personal obligations.

The Infrastructure that Supports Mercuria Holdings' Growth (2/2)

3. Sustainability activities

- The Mercuria Holdings Code of Conduct includes activities that incorporate ESG and the SDGs. Helping to create a sustainable society is a core principle of all business activities.
- In accordance with the Mercuria Holdings ESG and Sustainability Policy, ESG and sustainability considerations are incorporated in decisions about new investments and the monitoring of current investments for the Mercuria Investment Group's principal investments and the investments of funds managed by the group.
- Information about sustainability activities is provided by using the Mercuria Holdings website and other channels.

[ESG & SDGs: Cross-border investment Mercuria Holdings \(mercuria-hd.jp/en/\)](https://mercuria-hd.jp/en/)

4. Activities for effective governance

- Mercuria Holdings has a Board of Directors and Audit & Supervisory Board and has voluntarily established a Nominations Committee, Remuneration Committee and Governance Committee. These committees examine significant matters involving nominations, remuneration and governance and submit recommendations and suggestions. Independent outside directors and external advisers are the majority of the members of all three committees.
- Candidates for election as directors are selected based on their knowledge and experience concerning management, business operations, finance, the law and other fields. The objective is a composition of directors with the proper balance of knowledge, experience and skills. At this time, there are no measures concerning board diversity concerning gender, nationality and certain other characteristics. From now on, the policy is to select qualified director candidates irrespective of gender, nationality, age and other characteristics.

(Reference) Skill Matrix of Current Directors

	Mr. Toyoshima	Mr. Ishino	Mr. Koyama	Mr. Kondo	Mr. Akamatsu	Mr. Okahashi	Mr. Sasaki	Mr. Ishido	Mr. Masuda	Mr. Fujimura
Business operations	○	○	○			○	○	○	○	○
Investment and management	○	○	○	○	○			○		○
Sales				○	○	○	○			○
Internationality	○	○	○		○	○			○	
Finance and accounting				○			○	○		
Legal affairs									○	

3. The Holding Company Structure

Outline of the Mercuria Investment Group

Company Profile (As of July 1, 2021)

- 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:
¥3.0 billion
- Business:
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:
62 (consolidated)
- Listing:
Tokyo Stock Exchange, First Section (stock code 7347)
- Major shareholders:
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, an infrastructure fund, an aircraft leasing fund, 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.
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)
 - ❑ Business Market Co., Ltd. (Tokyo)
Business succession assistance using the internet

Our Mission and Three Management Philosophies

■ Mission

“Change today’s Japan through Power of Funds”

■ Three Management Philosophies

Crossing National, Mental and Generational Boundaries —Cross Border

Our objective is to identify unique investment opportunities through our broad network of industrial and investment contacts, transcending all boundaries such as geographical, mental and generational borders and focusing on investment in growth areas and growth potential around the world based on Japan's strengths.

Becoming a World-class Investment Group —Global Reach

We aim to be a world-class investment group that seeks to earn excess returns in areas of low-liquidity investment, and that distributes those returns not only to fund investors, but also to investees, the Group's shareholders, and other stakeholders around the world through the effective use and circulation of invested capital.

Common Knowledge in 5 Years —Undiscovered Common

We believe the future of our Group can be opened up by tackling and developing fields that are not currently well known but will become commonplace in the next five years, and so we are working on it every day.

Group History

■
**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 Cross-border 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

2013

Established Cross-border 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 an aircraft leasing fund = **Full-scale start of cash flow investments, including an infrastructure fund**

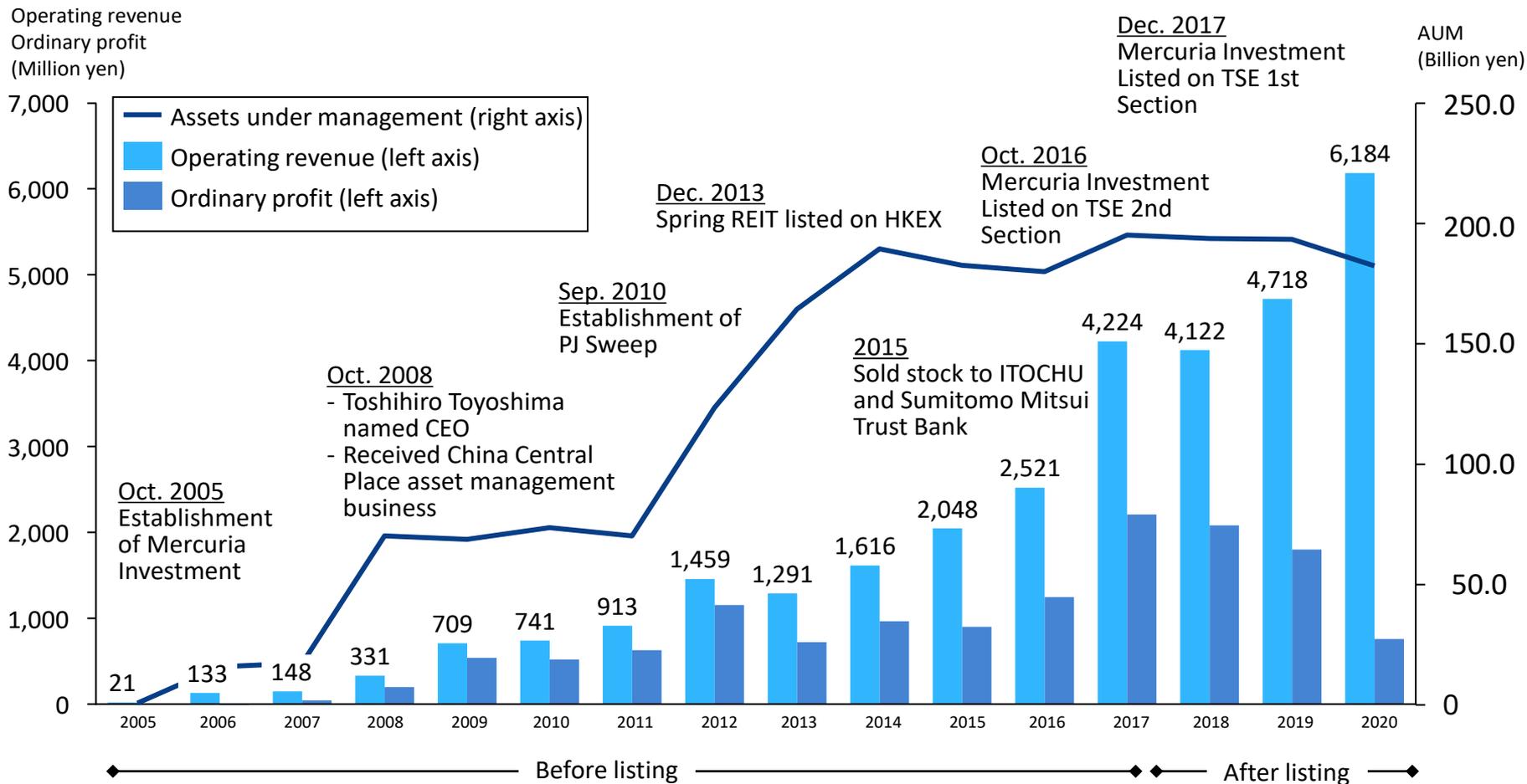
2019

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.

Main Financial Indicators



The Holding Company Platform (1/2)

Market sector	LP investors/Customers				LP investors/Customers			LP investors/Customers			LP investors/Customers	
Investment strategies	Buyout				Growth			Cash flows			Real estate	
Business units (small)	<u>Business Investments</u>					<u>Asset Investments</u>			Enex AM	Mercuria Thailand	SAML	MIBJ
	<u>Buyout No. 1</u>	<u>Buyout No. 2</u>	<u>Kiraboshi</u>	<u>Biztech</u>	<u>China Fintech</u>	<u>Growth No. 2</u>	<u>Aircraft leasing</u>	<u>Infra-structure/ware-housing</u>	<u>Enex Infra-structure REIT</u>	<u>Investment consulting services in Thailand</u>	<u>Spring REIT</u>	
Leaders	Mr. Koyama				Mr. Xu	Mr. Ishino			Mr. Momota	Mr. Leung	Ms. Yan	
Business sectors (large)	<u>Business Investments</u>					<u>Asset Investments</u>					<u>Spring REIT</u>	
Companies	Mercuria Investment (MIC)								Enex AM	Mercuria Thailand	SAML	MIBJ
The holding company platform	Mercuria Holdings (MHD)											
	<p><u>Management Philosophies</u></p> <p>Crossing National, Mental and Generational Boundaries Becoming a World-class Investment Group Common Knowledge in 5 Years</p>											
Leaders	Mr. Toyoshima						Mr. Nakai	Mr. Takigawa				
Capital market	Shareholders											

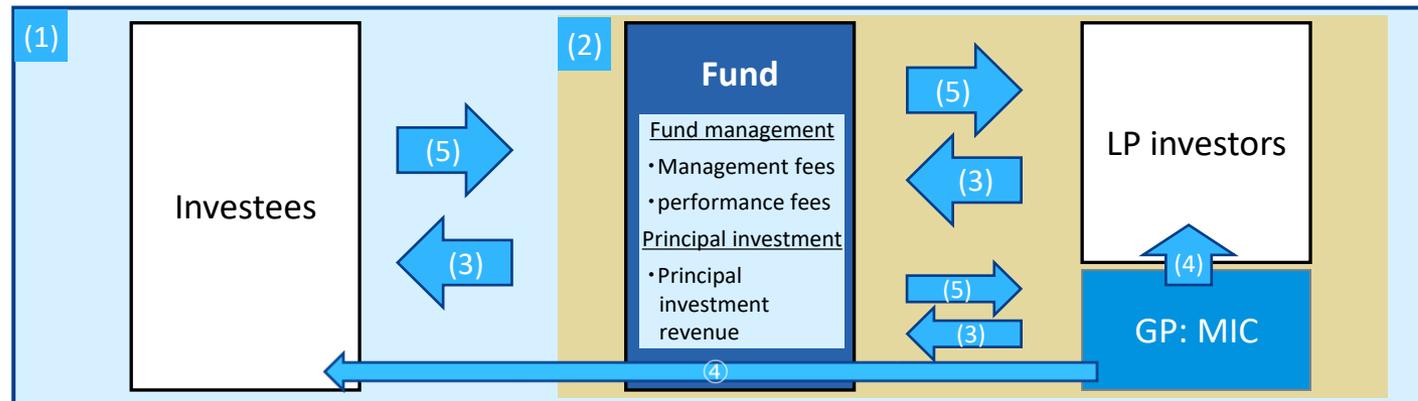
The Holding Company Platform (2/2)

Business Team	<p>Business Investment Leaders</p>  <p><u>Kiyoto Koyama</u> Director, CIO, Head of Business Investment Dept.</p>		<p>Asset Investment Leader</p>  <p><u>Hideya Ishino</u> Director, COO, Head of Asset Investment Dept.</p>		<p>Spring REIT Business Leaders</p>  <p><u>Leung Kwok Hoe, Kevin</u> Spring Asset Management Limited</p>				
	<p>Fund overseen</p> <ul style="list-style-type: none"> • Buyout Fund I • Buyout Fund II • Kiraboshi Fund • Biztech Fund • China Fintech Fund <p>Career</p> <ul style="list-style-type: none"> • Development Bank of Japan 	 <p><u>Xiaolin Xu</u> Executive Officer, China Business Leader</p>	<p>Fund overseen</p> <ul style="list-style-type: none"> • Growth Fund I • Growth Fund II • Infrastructure Warehousing fund • Aircraft leasing fund <p>Career</p> <ul style="list-style-type: none"> • Salomon Brothers 	 <p><u>Yan Judy</u> MIBJ Consulting (Beijing) Co., Ltd.</p>	<p>Thai Business Leader</p>  <p><u>Minoru Momota</u> Mercuria (Thailand) Co., Ltd.</p>				
The holding company platform	<p>Mercuria Investment Group Leaders</p>  <p><u>Toshihiro Toyoshima</u> CEO</p> <p>CEO of Mercuria Holdings</p> <p>Career</p> <ul style="list-style-type: none"> • Development Bank of Japan • World Bank 					<p>Business Planning Leader</p>  <p><u>Ryoma Nakai</u> Executive Officer, Head of Business Planning Dept.</p>		<p>Finance & Control Leader</p>  <p><u>Yusuke Takigawa</u> Executive Officer, Head of Finance & Control Dept.</p>	

4. Profit Structure and Business Unit Earnings

Business Summary

- Mercuria Holdings 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

Composition of Earnings (1/3)

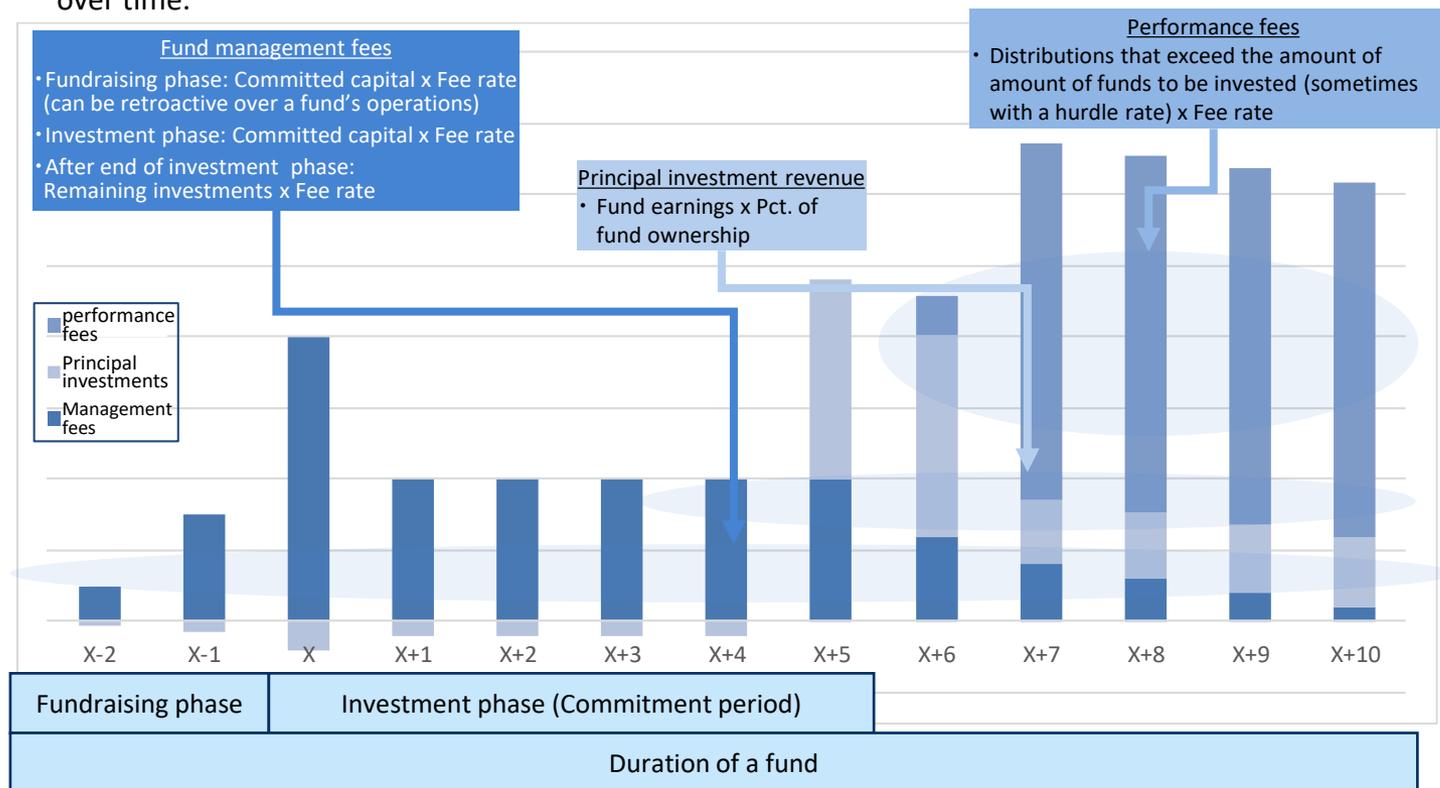
Revenue Categories

- Operating revenue consists of fund 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
Fund management fees	- 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 end of investment phase.	- Received during the life of the fund
Principal investment revenue	- This revenue is the gain of a fund multiplied by the percentage of Mercuria Holdings' holding of the fund	- 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
Performance fees	- This fee is a fixed percentage of fund distributions (sometimes with a hurdle rate) that exceed the amount of called capital.	- During a fund's second half, performance fees are received based on the overall performance of the fund's holdings

Composition of Earnings (2/3) Sources and Timing of Operating Revenue

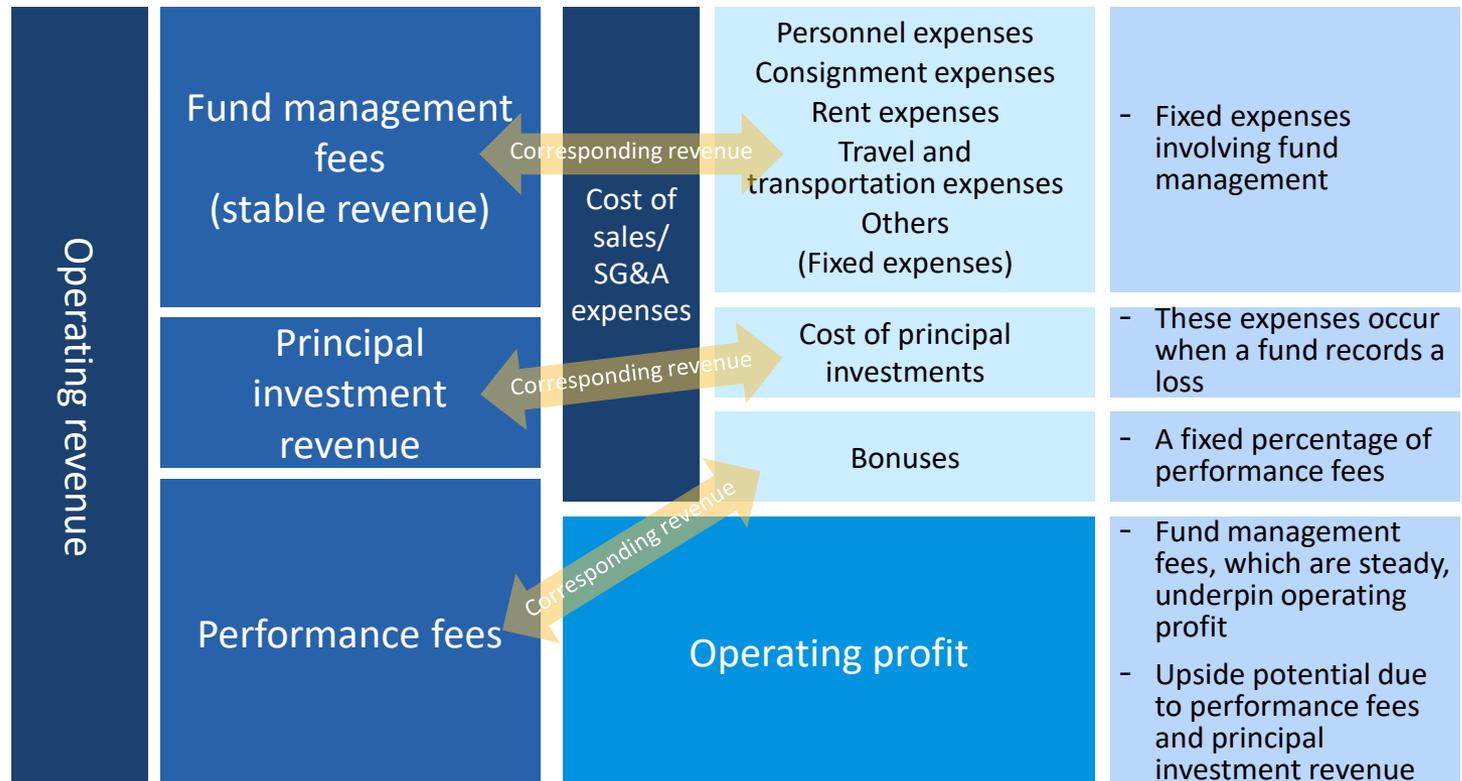
- This graph shows the receipt of fund management fees, principal investment revenue and performance fees during the life of a typical fund.
- Our multi-strategy of managing many funds at once tends to keep these sources of revenue relatively even over time.



Composition of Earnings (3/3)

Operating Revenue and Cost of Sales/SG&A Expenses

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



Revenue, Expenses and Earnings

■ Five-year summary of revenue, expenses and earnings

Unit: Million yen

<u>Revenue, expenses and earnings</u>	2016	2017	2018	2019	2020	1Q-3Q 2021
Operating revenue	2,521	4,224	4,122	4,718	6,184	2,819
Operating gross profit	2,245	4,150	4,034	3,735	2,426	2,682
<i>Fund management fees</i>	1,562	1,663	1,978	1,701	1,750	1,364
<i>Performance fees</i>	152	2,163	1,462	1,271	563	12
<i>Principal investments/ Others</i>	531	325	593	764	113	1,305
SG&A expenses	(965)	(1,920)	(1,917)	(1,879)	(1,654)	(1,222)
Operating profit	1,280	2,230	2,117	1,856	772	1,460
Ordinary profit	1,248	2,208	2,083	1,800	758	1,499

Operating Gross Profit (Fund Management Fees)

- Operating gross profit from fund management fees during the past five years

Unit: Million yen

<u>Operating gross profit (fund management fees)</u>	2016	2017	2018	2019	2020	1Q-3Q 2021
Business investments	296	498	821	675	710	549
Spring REIT	974	942	1,065	946	929	698
Asset investments	293	223	92	79	111	117
Operating gross profit (fund management fees)	1,562	1,663	1,978	1,701	1,750	1,364

- Business investments have increased mainly because of the increasing volume of assets in funds established since Mercuria Investment's 2016 IPO. These funds are still operating and will continue to be a major source of steady revenue. (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.
- Regarding asset investments, exits of funds in prior years are largely completed and funds procured at the IPO are being used to fund the establishment of new funds.

Operating Gross Profit (Performance Fees)

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

Unit: Million yen

<u>Operating gross profit (Performance fees)</u>	2016	2017	2018	2019	2020	1Q-3Q 2021
Business investments	110	-	-	25	-	-
Spring REIT	-	108	-	-	-	-
Asset investments	41	2,055	1,462	1,246	563	12
Operating gross profit (performance fees)	152	2,163	1,462	1,271	563	12

- For business investments, 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).
- 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.

Operating Gross Profit (Principal Investments/Others)

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

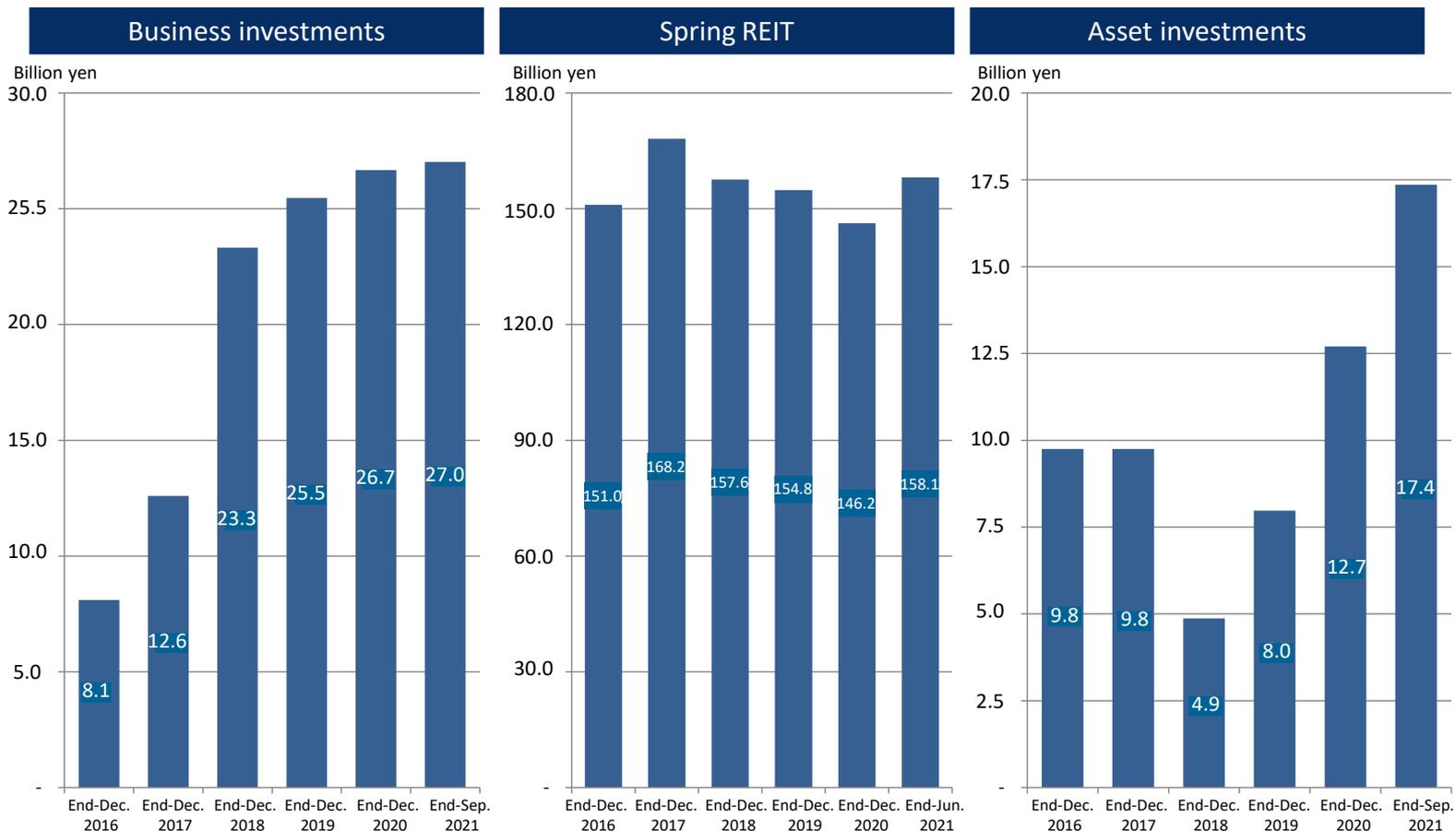
Unit: Million yen

<u>Operating gross profit (principal investments/others)</u>	2016	2017	2018	2019	2020	1Q-3Q 2021
Business investments	0	-1	288	142	-7	396
Spring REIT (of which, dividends)	76 (77)	92 (93)	308 (282)	136 (233)	-106 (364)	491 (491)
Asset investments	455	234	-2	485	227	419
Operating gross profit (principal investments)	531	325	593	764	113	1,305

- For business investments, 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 income.
- 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 income.

Reference: Fund Management Fees Assets Used as Basis for Fund Management Fees

- Assets in the three business segments used as the basis to calculate fund management fees are as follows.



Reference: Performance Fees

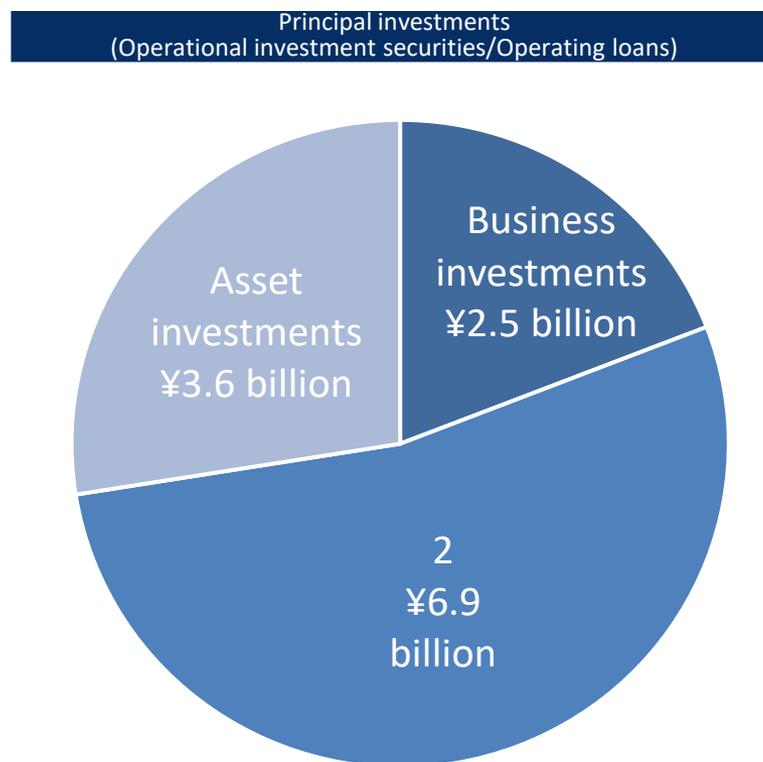
Cumulative Performance Fees of Prior-year Funds and Current Fund Performance Fees

	Fund category	Investment strategies	Major Partners	Total funds	Duration	Total performance fees
Prior-year funds	Growth Fund I	Growth	DBJ, etc.	¥7.0bn	2005-	¥3.67bn
	Project Sweep	Value	Overseas investors	¥9.8bn	2010-2017	¥1.60bn
	Project CS	Value	Overseas investors	¥2.6bn	2012-2020	¥0.22bn
	Project Sonoko	Buyout	Domestic investors	¥1.5bn	2013-2019	¥0.33bn
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	Planning stage	Target: ¥40.0bn-¥50.0bn	Planning stage	-
Spring REIT	Spring REIT	Real estate	Listed in HKEX	Approx. ¥56.0bn	2013-	¥0.11bn (Open-end)
Asset investments	Growth Fund II	Growth	DBJ and others	¥3.1bn	2013-	(Investment period)
	Aircraft leasing fund	CF	Pension funds, Shinkin banks, regional banks, etc.	Approx. ¥12.0bn	2018-	(Investment period)
	Infrastructure Warehousing fund	CF	ITOCHU ENEX, SMTB, etc.	¥7.5bn	2020-	(Investment period)

Reference: Principal Investments Assets, Liabilities and Principal Investments

- This page shows the composition of assets and liabilities at the ends of 2020 and September 2021 and of principal investments at the end of September 2021.

Assets and liabilities		
Billion yen	End-Dec. 2020	End-Sep. 2021
Business investments	1.7	2.5
Spring REIT	5.6	6.9
Asset investments	2.9	3.6
Operational investment securities/Operating loans	10.3	13.0
Cash and deposits	2.9	1.4
Trade accounts receivable	0.4	0.4
Other current assets	0.5	0.3
Investment securities	0.3	0.3
Other non-current assets	0.8	0.6
(1) Total assets	15.1	16.0
Business investments	-	-
Spring REIT	1.0	0.9
Asset investments	0.3	-
Borrowings	1.3	0.9
Other current liabilities	0.6	0.6
Other non-current liabilities	0.7	0.7
(2) Total liabilities	2.6	2.2
(3) Net assets (1) - (2)	12.5	13.8





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://mercuria-hd.jp>). If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.