



# Mercuria Holdings Co., Ltd.

## Financial Highlights for the Fiscal Year Ended December 31, 2021

Mercuria Investment Group

**Stock code: 7347**

February 10, 2022

**Notes:**

The information in this presentation is based on the judgments of Mercuria Holdings as of the time this presentation was prepared. Mercuria Holdings does not guarantee the accuracy of this information, which may be revised at any time without prior notice. Opinions, forecasts, and other information not based on facts may differ significantly from actual results of operations and other outcomes for a variety of reasons.

The provision of information is the sole purpose of this presentation. This is not a solicitation to invest in securities issued by Mercuria Holdings or in a fund operated by the group. This presentation is copyrighted material of Mercuria Holdings. The contents of this presentation cannot be disclosed or leaked to a third party without the consent of Mercuria Holdings. All figures in this presentation are on a consolidated basis.

## **Contents**

---

1. 2021 Financial Highlights

2. The Holding Company Structure

3. Profit Structure and Business Unit Earnings

Reference: Plan for Compliance with New Market Listing Standards  
(Submitted on December 6, 2021)

# 1. 2021 Financial Highlights

## 2021 Highlights

### 1. Consolidated earnings

- 2021 consolidated results: **operating revenue of ¥4.2 billion** and **ordinary profit of ¥1.8 billion**
- **Profit was ¥1.3 billion** and **five-year average of net income stood at ¥1.19 billion**

### 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
- Preparations for participation in the **Taiwan Mega-solar Development Project with Maiora, the strategic partner for Enex Infrastructure REIT**

### 3. Existing fund operations

- **Management and investments** of Buyout Fund I **are as planned (9 cumulative investments/3 cumulative exits)**. To meet expected business succession needs, **preparations have started to establish Buyout Fund II** with contributions mainly from Buyout Fund I investors as well as from overseas investors.

### 4. Corporate

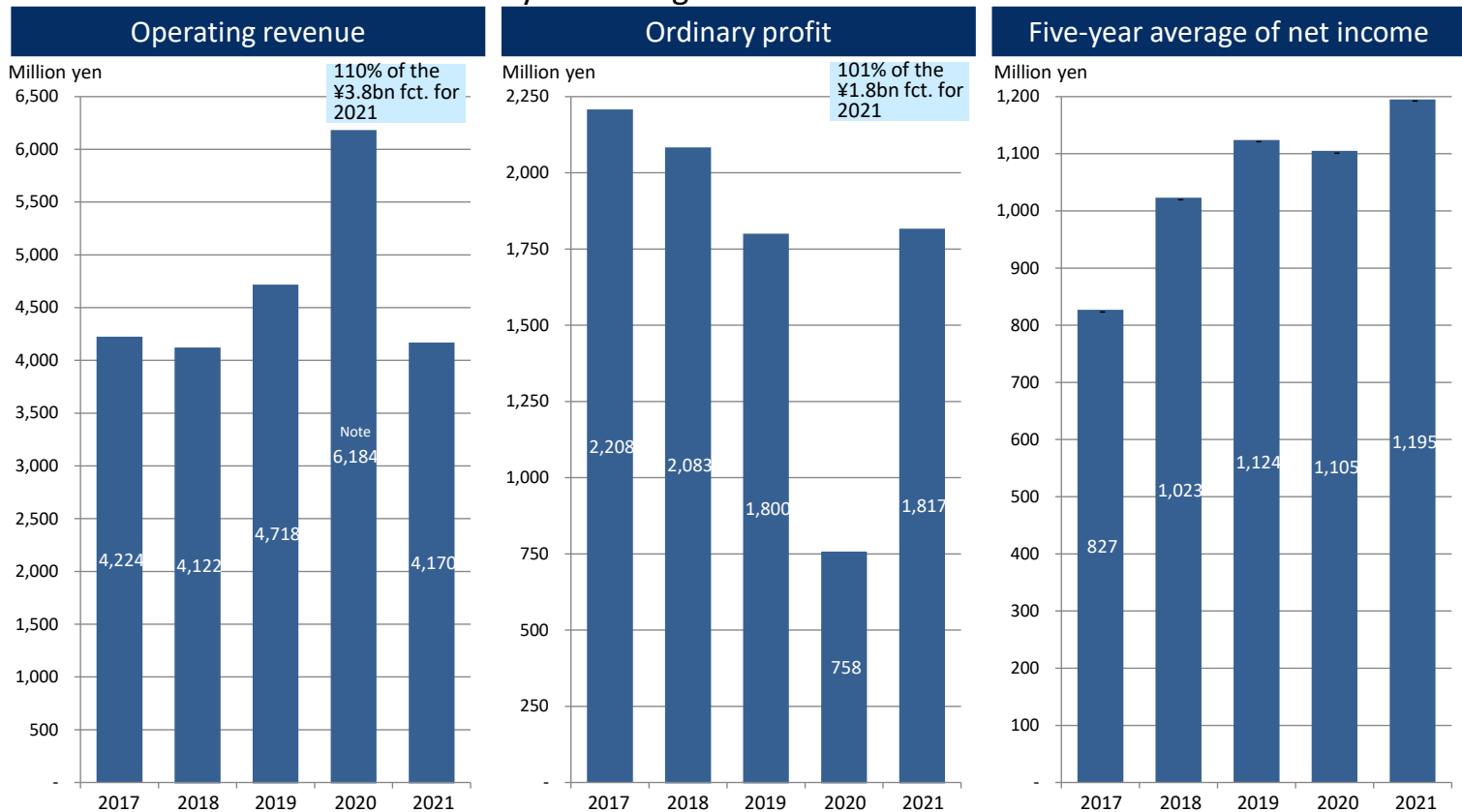
- Established Mercuria Holdings to **switch to a holding company structure**
- Used equity financing to **procure about ¥2 billion to fund investments in the buyout business and the Taiwan mega-solar business**
- Selection of **Prime Market** for the listing with the new TSE market segments

# 1. Consolidated Financial Results (1/4)

## Summary

Note: There is no consolidated financial information for 2020 and prior years because Mercuria Holdings was established on July 1, 2021. For reference, comparisons are provided with the consolidated financial data of the former organization where Mercuria Investment was the parent company. (Same hereafter in this presentation)

- Operating revenue of ¥4.2 billion and ordinary profit of ¥1.8 billion vs. the 2021 forecasts of ¥3.8 billion and ¥1.8 billion, respectively.
- Profit was ¥1.3 billion and five-year average of net income stood at ¥1.19 billion



Note: 2020 operating revenue includes one-time revenue of ¥2.8 billion associated with the restructuring of Spring REIT.

## 1. Consolidated Financial Results (2/4) Vs. 2020, Vs. Plan

- Operating revenue decreased following the effect in 2020 of the change to gross revenue recognition, but the operating gross profit increased.
- Ordinary profit was ¥1.8 billion, up 240% YoY and 101% of revised 2021 forecast.

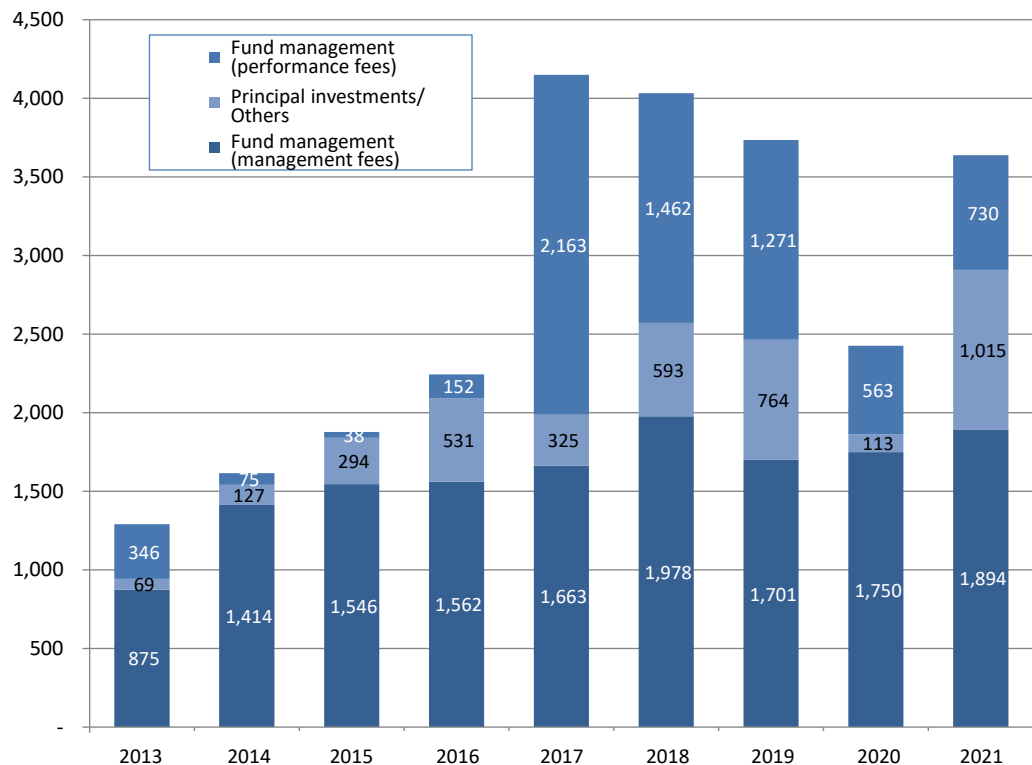
Unit: Million yen		(1) 2020 Results	(2) 2021 Results	YoY (2) / (1)	(3) 2021 Forecasts	Pct. of 2021 forecast (2) / (3)
Operating revenue	Fund management (management fees)	1,750	1,894	108%		
	Fund management (performance fees)	563	730	130%		
	Principal investments/ Others	3,871	1,546	40%		
	Total	6,184	4,170	67%	3,800	110%
Operating costs		(3,758)	(531)	14%		
Operating gross profit		2,426	3,638	150%		
SG&A expenses		(1,654)	(1,875)	113%		
Operating profit		772	1,763	228%	1,800	98%
Ordinary profit		758	1,817	240%	1,800	101%
Profit attributable to owners of parent		525	1,304	248%	1,200	109%

# 1. Consolidated Financial Results (3/4)

## Operating Gross Profit

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

Unit: Million yen



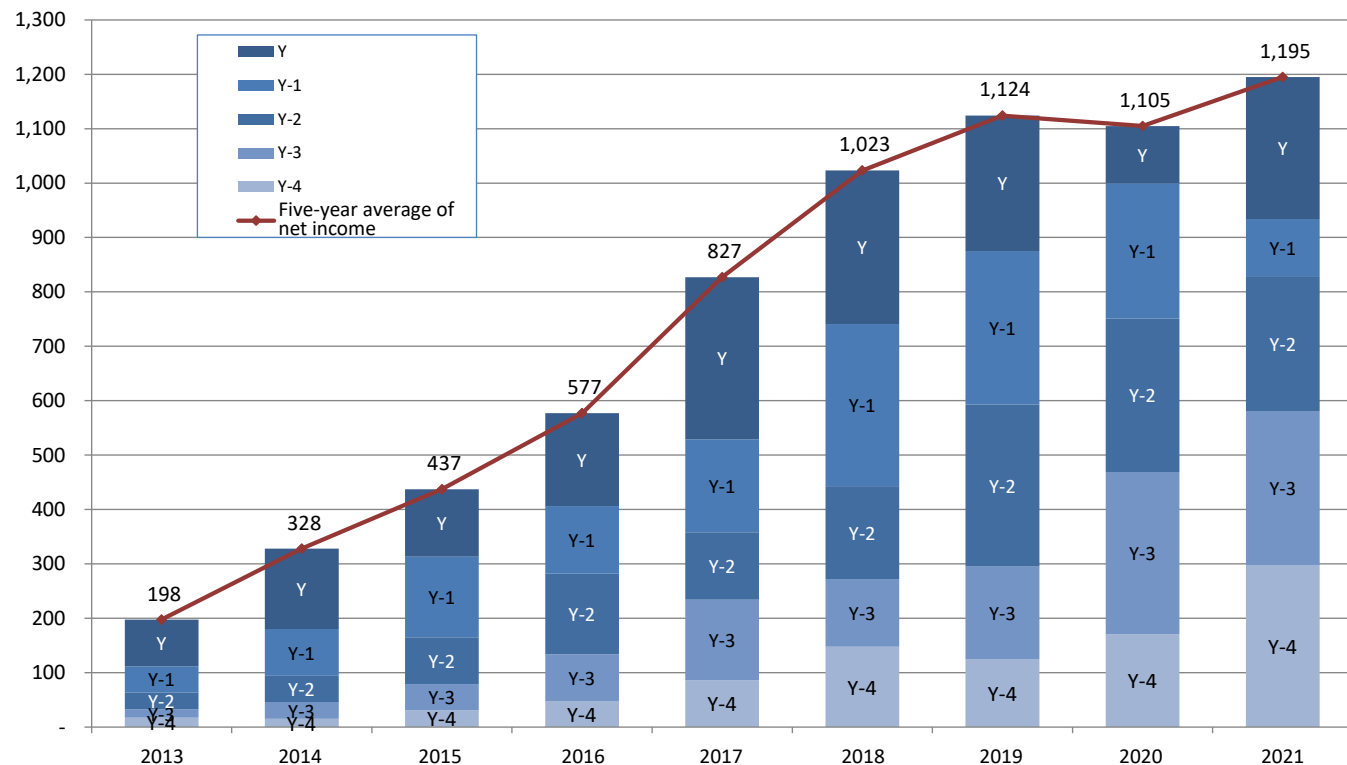
- Fund management (performance fees)
  - ✓ Based on distributions to investors, investment returns and other factors (upside revenue)
- Principal investments/ Others
  - ✓ General partner investment gain/loss: Gain/loss corresponding to ownership interests in funds (Plus)
  - ✓ Dividends/Capital gains: 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 Results (4/4)

## Five-year Average of Net Income

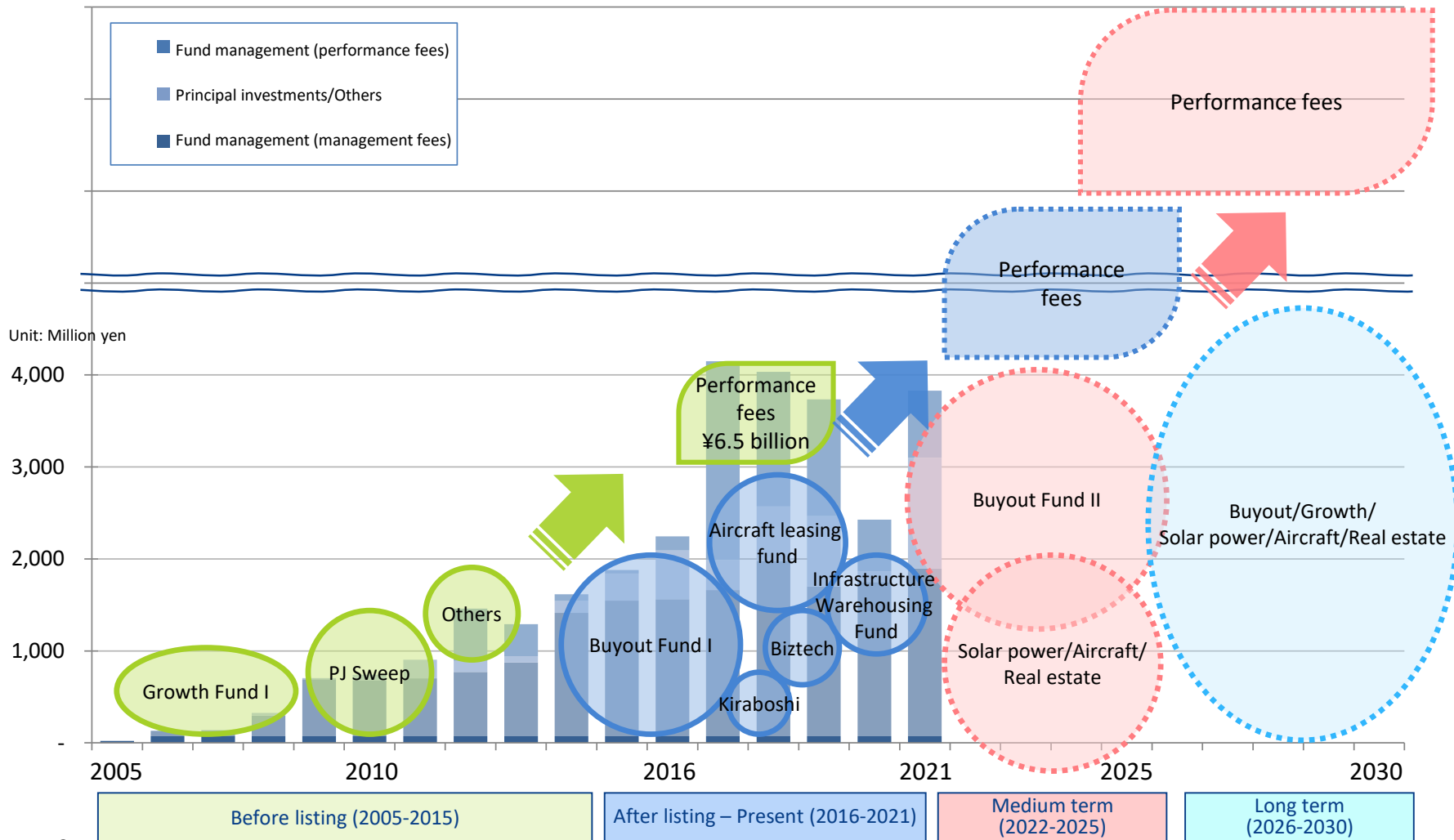
- The normal business cycle for Mercuria Holdings is five to 10 years. In addition, performance fees and other one-time revenue have a big effect on annual earnings. As a result, the five-year average of net income is used as a key performance indicator.
- The five-year average of net income has generally been climbing steadily and was ¥1.19 billion in 2021.

Unit: Million yen





Reference: Approximate Goal for Business Operations and Contributions to Earnings  
There is a time lag between fund establishment and the receipt of performance fees



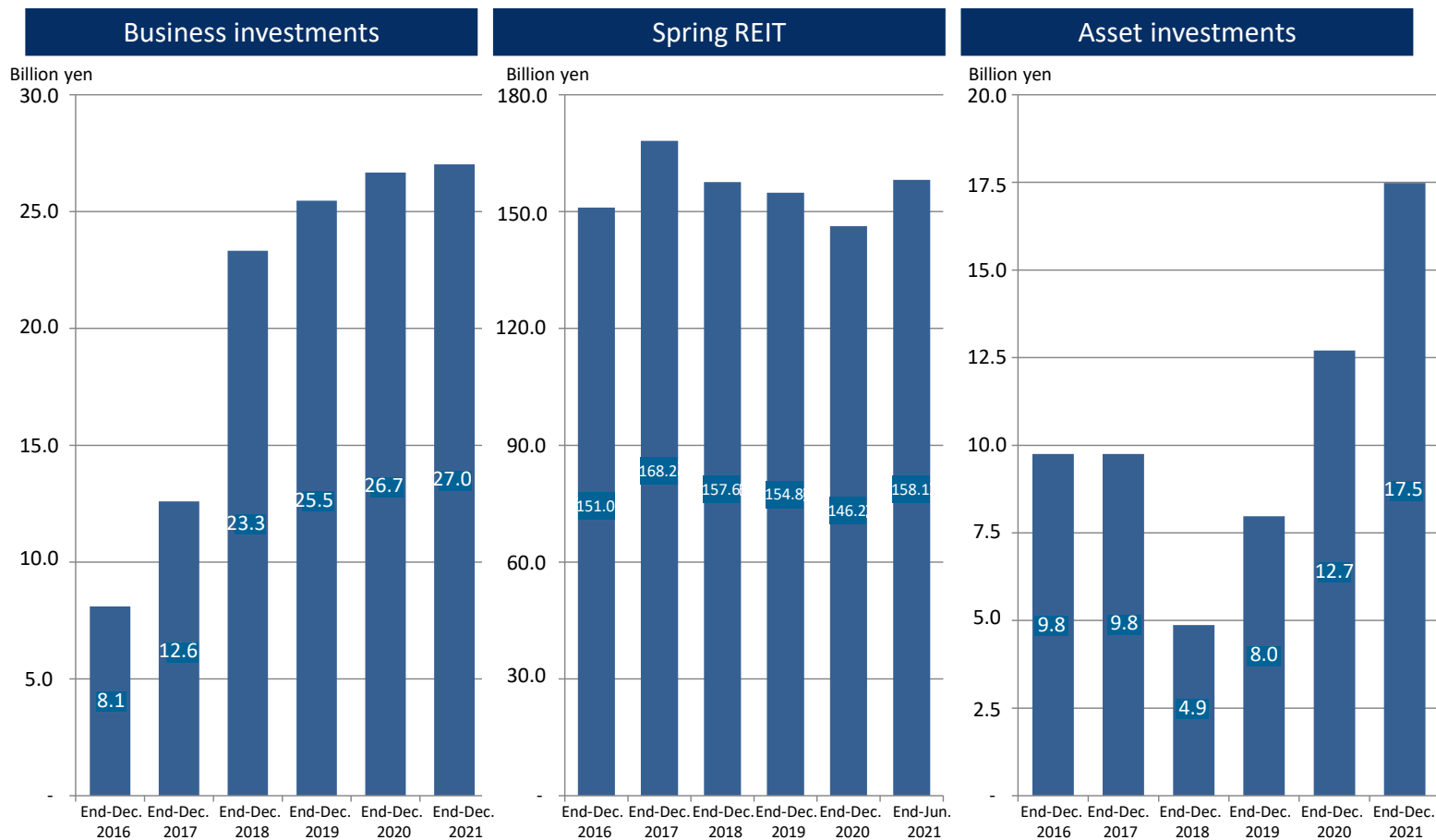
## Reference: Performance Fees

### 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-	¥3.73bn
	Project Sweep	Value	Overseas investors	¥9.8bn	2010-2017	¥1.60bn
	Other funds	Growth/Value	Domestic/overseas investors	-	2012-	¥1.20bn
Business investments	Buyout Fund I	Buyout	DBJ, SMTB, etc.	¥21.3bn	2016-	(Investment period)
	Kiraboshi Fund	Buyout	Kiraboshi Bank, Japan Post Bank, etc.	¥2.6bn	2018-	(Investment period)
	Biztech Fund	Growth	ITOCHU, SMTB, etc.	¥3.1bn	2019-	(Investment period)
	Buyout Fund II	Buyout	Planning stage	Target: ¥40.0bn-¥50.0bn	Planning stage	-
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)
	Taiwan Solar Power Fund	CF	Planning stage	Planning stage	Planning stage	-

## Reference: Trend of AUM as Basis for Fund Management Fees

- Plan to establish Buyout Fund II (business investment), the Taiwan Solar Power Fund (asset investment) and to add the assets to Spring REIT, so that we can increase the total management fees.



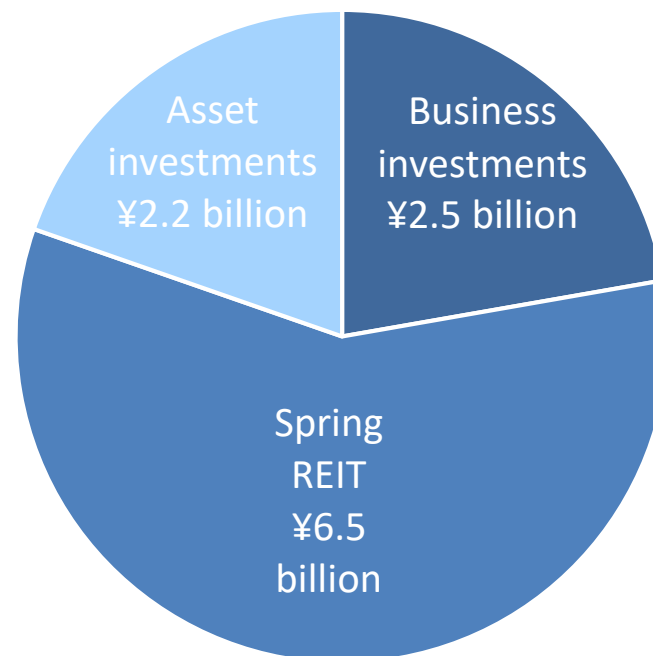
## Reference: Principal Investments

### Amount of Assets, Liabilities and Principal Investments

- At the end of 2021, principal investments were ¥11.1 billion and loans were ¥900 million. Considering the use of loans and financial leverage too.

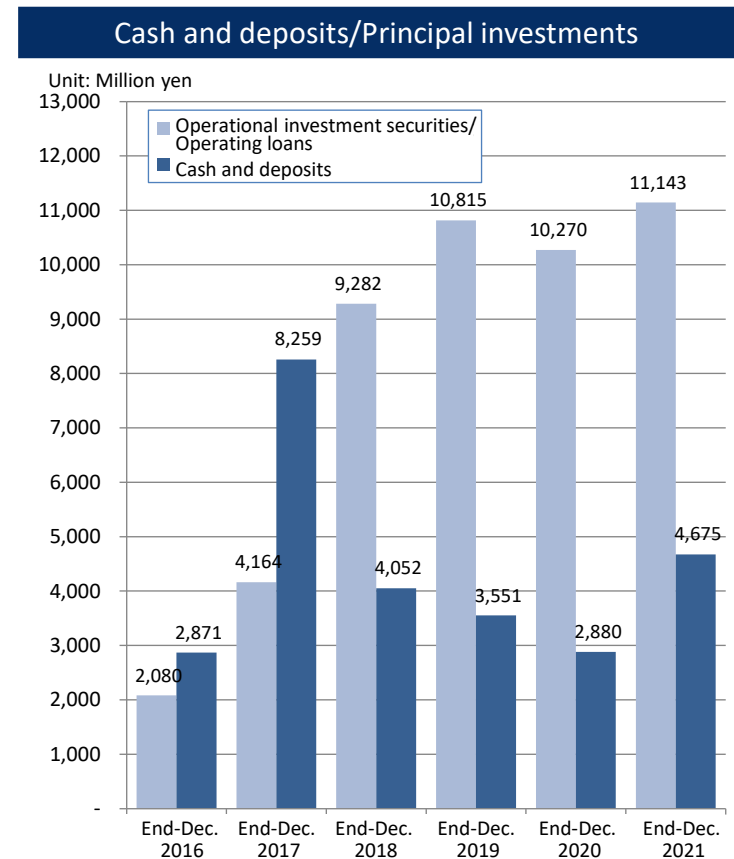
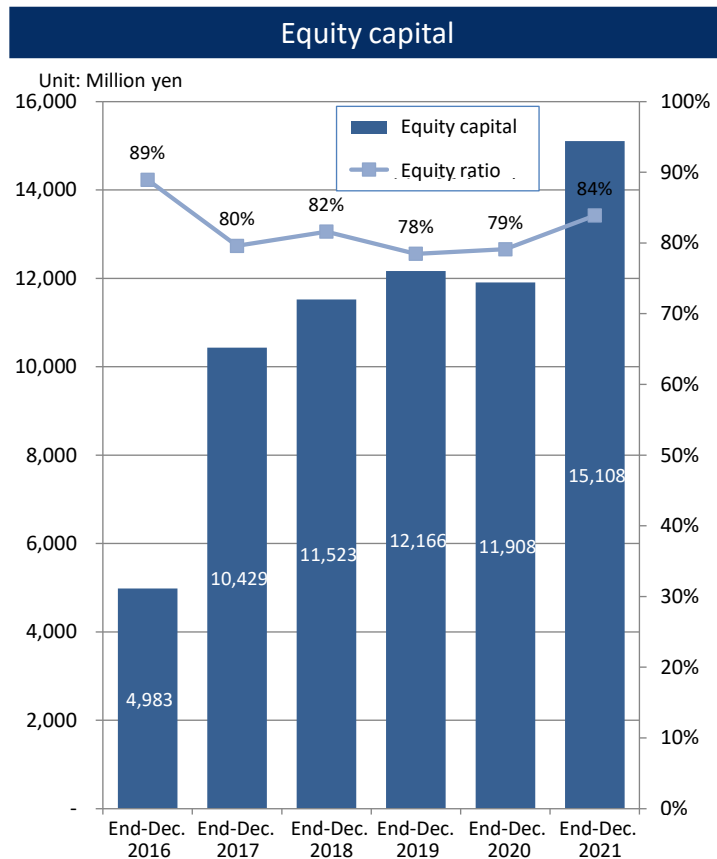
Assets and liabilities		
Billion yen	End-Dec. 2020	End-Dec. 2021
Business investments	1.7	2.5
Spring REIT	5.6	6.5
Asset investments	2.9	2.2
Operational investment securities/Operating loans	10.3	11.1
Cash and deposits	2.9	4.7
Trade accounts receivable	0.4	0.5
Other current assets	0.5	0.4
Investment securities	0.3	0.3
Other non-current assets	0.8	0.9
(1) Total assets	15.1	18.0
Business investments	-	-
Spring REIT	1.0	0.9
Asset investments	0.3	-
Borrowings	1.3	0.9
Other current liabilities	0.6	0.8
Other non-current liabilities	0.7	0.5
(2) Total liabilities	2.6	2.2
(3) Net assets (1) - (2)	12.5	15.8

### Principal investments (Operational investment securities/Operating loans)



# 1. Consolidated Financial Position (1/2)

- Equity capital increased because of consistent profitability and stock offerings.
- Cash and deposits are to be used for the establishment of Buyout Fund II and the investment in the Taiwan Solar Power Fund.



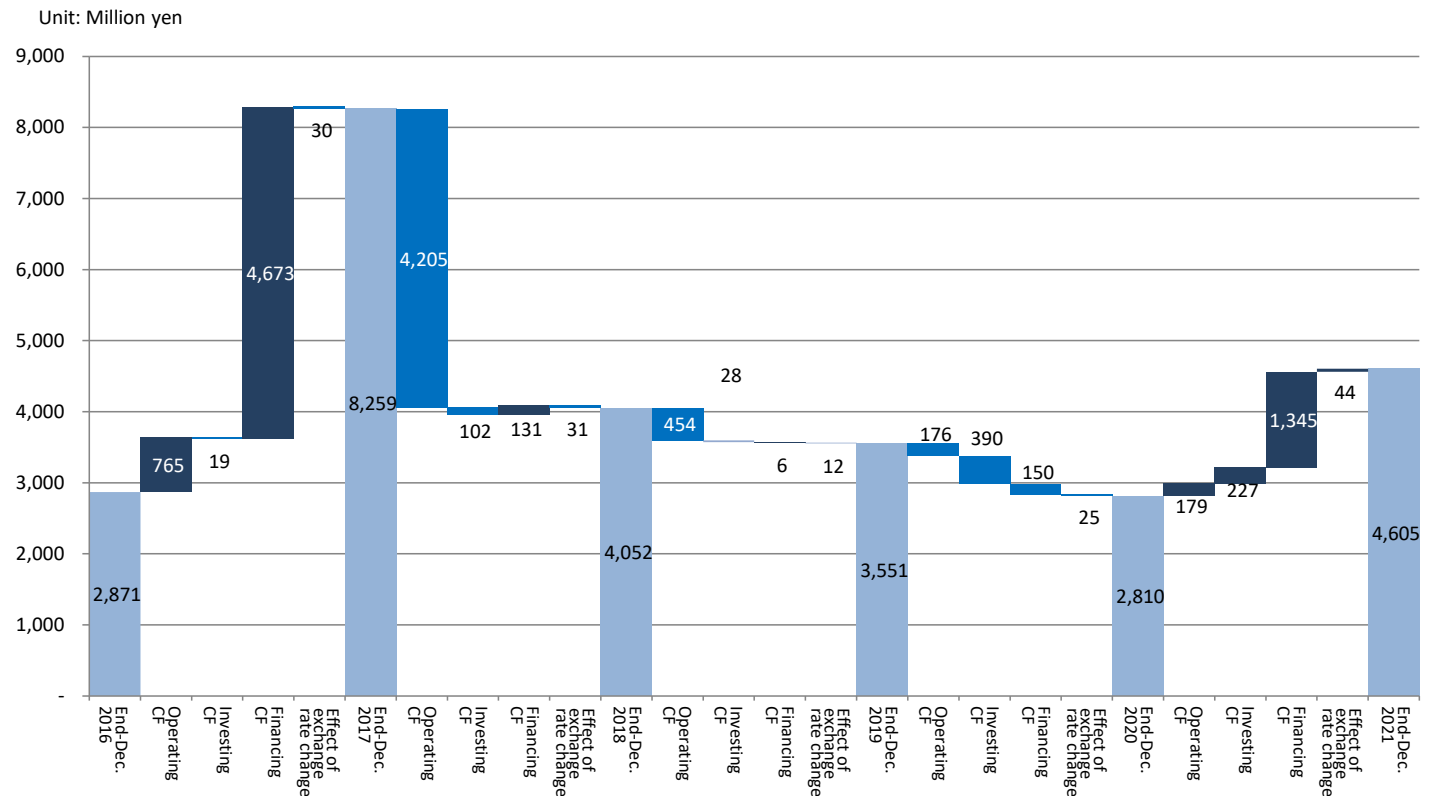
## 1. Consolidated Financial Position (2/2)

- Equity capital increased ¥3.2 billion to ¥15.8 billion mainly because of ¥1.3 billion from earnings and ¥2.1 billion through stock offerings.
- Borrowings of ¥900 million for same-boat investments in Spring REIT.

Unit: Million yen		End-Dec. 2020	End-Dec. 2021			End-Dec. 2020	End-Dec. 2021
Current assets	Cash and deposits	2,880 (19%)	4,675 (26%)	Current liabilities	Borrowings	423 (3%)	130 (1%)
	Trade accounts receivable	374 (2%)	541 (3%)		Other current liabilities	574 (4%)	806 (4%)
	Operational investment securities/ Operating loans	10,270 (68%)	11,143 (62%)	Non-current liabilities	Long-term borrowings	874 (6%)	744 (4%)
	Other current assets	463 (3%)	441 (2%)		Other non-current liabilities	713 (5%)	509 (3%)
	Non-current assets	Investment securities	305 (2%)	281 (2%)	Net assets	Equity capital	11,908 (79%)
Other non-current assets	760 (5%)	929 (5%)	<i>(Breakdown)</i>	<i>(Breakdown)</i>		<i>(Breakdown)</i>	
			Shareholders' equity	12,492		15,575	
			Valuation difference on available-for-sale securities	(383)		(418)	
			Foreign currency translation adjustment	(201)		(48)	
			Other net assets	561 (4%)	713 (4%)		

# 1. Consolidated Cash Flows

- Funds from the stock offering with the 2017 TSE First Section listing were used beginning in 2018 for same-boat investments in Mercuria-managed funds and for timing bridge investments (operating cash flows) for the establishment of funds in the future.
- In 2021, used a stock offering (financing cash flows) for the purpose of same-boat investments in Buyout Fund II and the Taiwan Solar Power Fund.



## 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 35.9% of net income during the past five years.

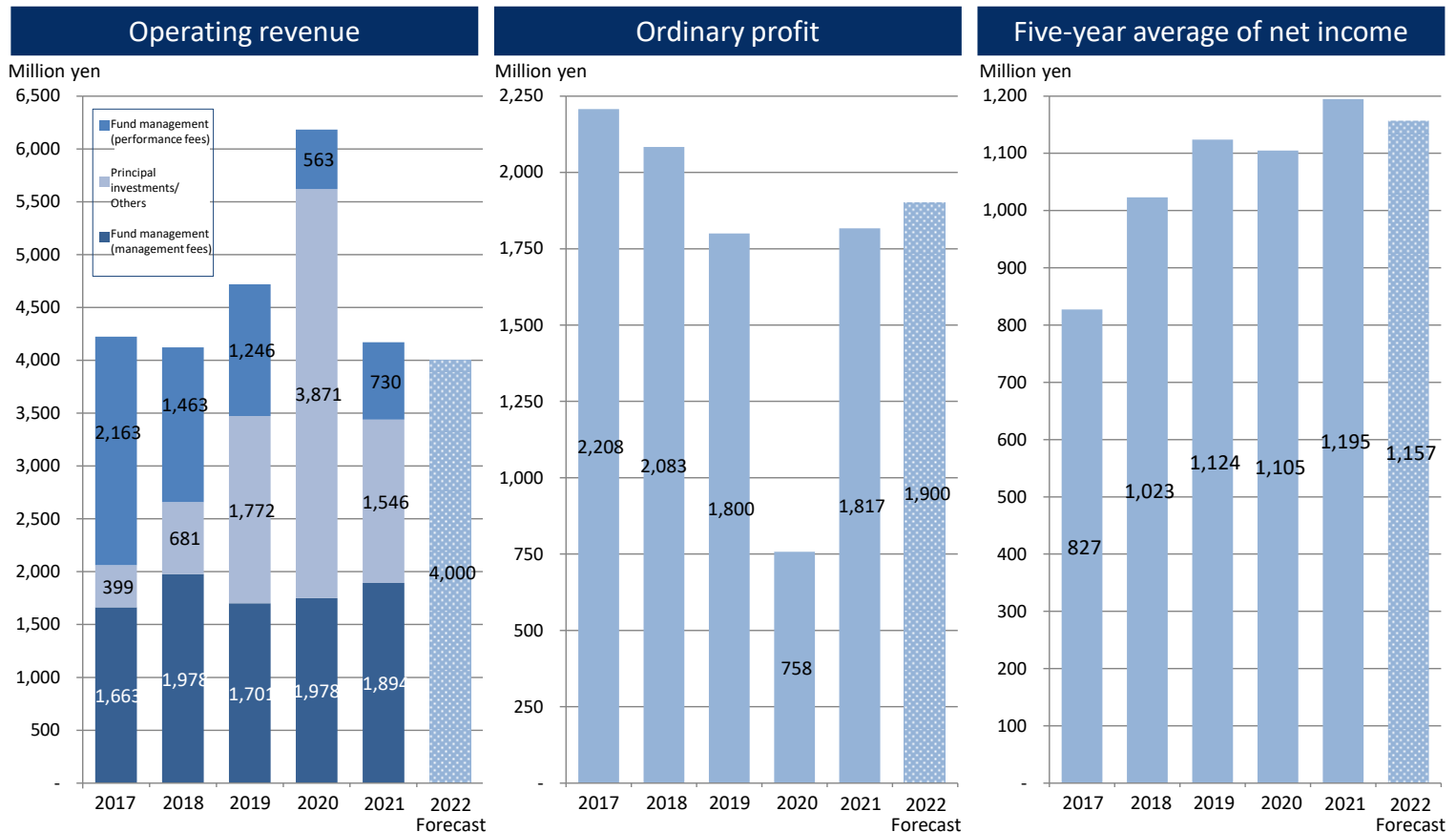
Dividend policy	<ul style="list-style-type: none"> <li>• Dividends are the primary way to distribute earnings to shareholders and the priority is dividend stability.</li> <li>• The current payout ratio guideline is about 30%. As performance fees and other one-time revenue has a big effect on earnings, 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.</li> <li>• 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.</li> <li>• The goal is to raise the dividend along with growth of the five-year average of net income.</li> </ul>
-----------------	--

Unit: Million yen	2017 Results	2018 Results	2019 Results	2020 Results	2021 Results
(1) Profit attributable to owners of parent	1,490	1,411	1,245	525	1,304
(2) Five-year average of net income	926	1,023	1,124	1,105	1,195
(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	21,443,100 shares
(5) Total dividends (3) × (4)	293	314	335	353	429
(6) Dividend payout ratio (5) / (2)	31.6%	30.7%	29.8%	31.9%	35.9%



### 3. 2022 Consolidated Earnings Forecast

- Due partly to the large volume of revenue from principal investments in 2020, forecast operating revenue of ¥4.0 billion and ordinary profit of ¥1.9 billion.
- Forecast a five-year average of net income of ¥1.16 billion and a dividend per share of ¥20.



## **2. The Holding Company Structure**

## Outline of the Mercuria Investment Group

### Company Profile (As of January 1, 2022)

- 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:  
¥4,057,656,380
- 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:  
83 (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)
  - ❑ Mercuria Airborne Capital Co., Ltd. (Tokyo)  
Aircraft leasing fund and aircraft financing businesses
  - ❑ 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

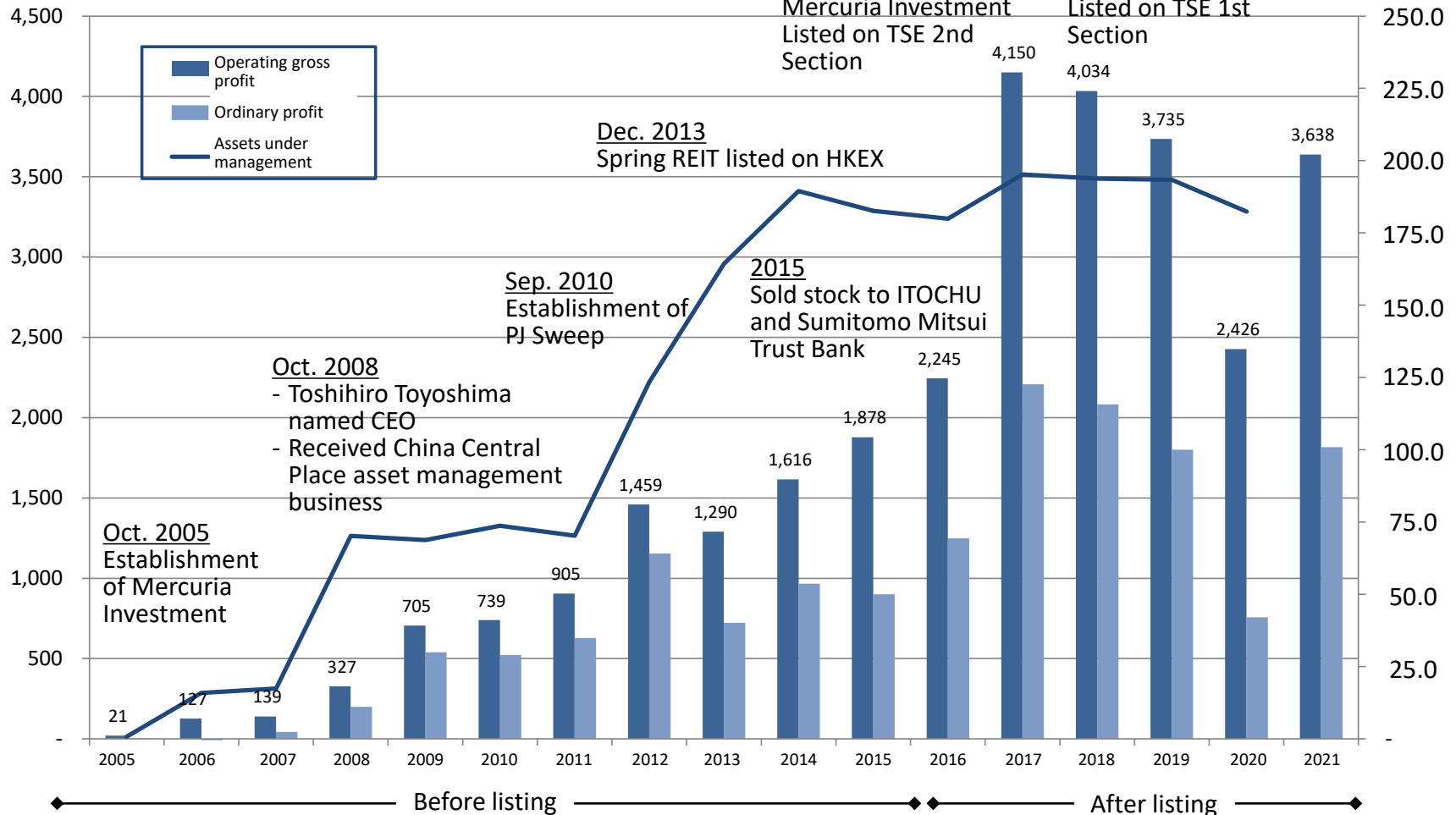
Enex Infrastructure Investment Corporation was listed on the Tokyo Stock Exchange Infrastructure Fund Market  
Established BizTech Fund

2021

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

## Main Financial Indicators

Operating gross profit  
Ordinary profit  
(Million yen)



## 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>Buyout No. 1</u>	<u>Buyout No. 2</u>	<u>Kiraboshi</u>	<u>Biztech</u>	<u>China Fintech</u>	<u>Growth No. 1/ No. 2</u>	<u>Aircraft leasing</u>	<u>Infra-structure Warehousing</u>	<u>Enex Infra-structure REIT (listed REIT)</u>	<u>Investment consulting services in Thailand</u>	<u>Spring REIT (listed REIT)</u>	
	Leaders			Mr. Koyama			Mr. Xu	Mr. Ishino			Mr. Momota	Mr. Leung
Business sectors (large)	Business Investments						Asset Investments			Spring REIT		
Companies	Mercuria Investment (MIC)						Enex AM	Mercuria Thailand	SAML	MIBJ		
The holding company platform	Mercuria Holdings (MHD) (listed on TSE)											
	<p><b>Management Philosophies</b></p> <p>Crossing National, Mental and Generational Boundaries          Becoming a World-class Investment Group          Common Knowledge in 5 Years</p>											
Leaders	Mr. Toyoshima						Mr. Takigawa					
Capital market	Shareholders											

## The Holding Company Platform (2/2)

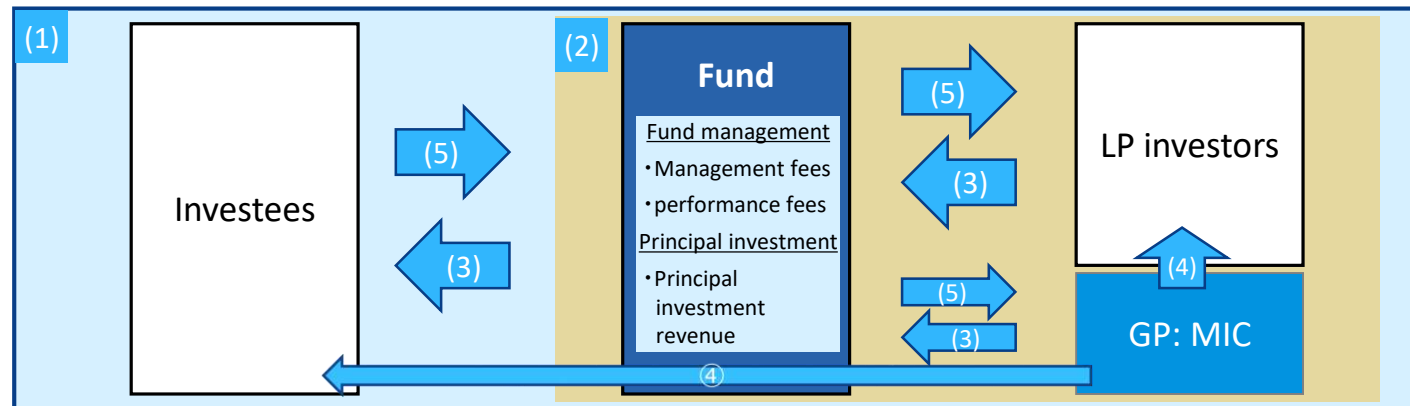
Business team	<p><b>Business Investment Leaders</b></p>  <p><u>Kiyoto Koyama</u> Director, CIO, Head of Business Investment Dept.</p> <p>Fund overseen</p> <ul style="list-style-type: none"> <li>• Buyout Fund I</li> <li>• Buyout Fund II</li> <li>• Kiraboshi Fund</li> <li>• Biztech Fund</li> <li>• China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



## **3. Profit Structure and Business Unit Earnings**

## Business Summary

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



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

## Composition of Earnings (1/3)

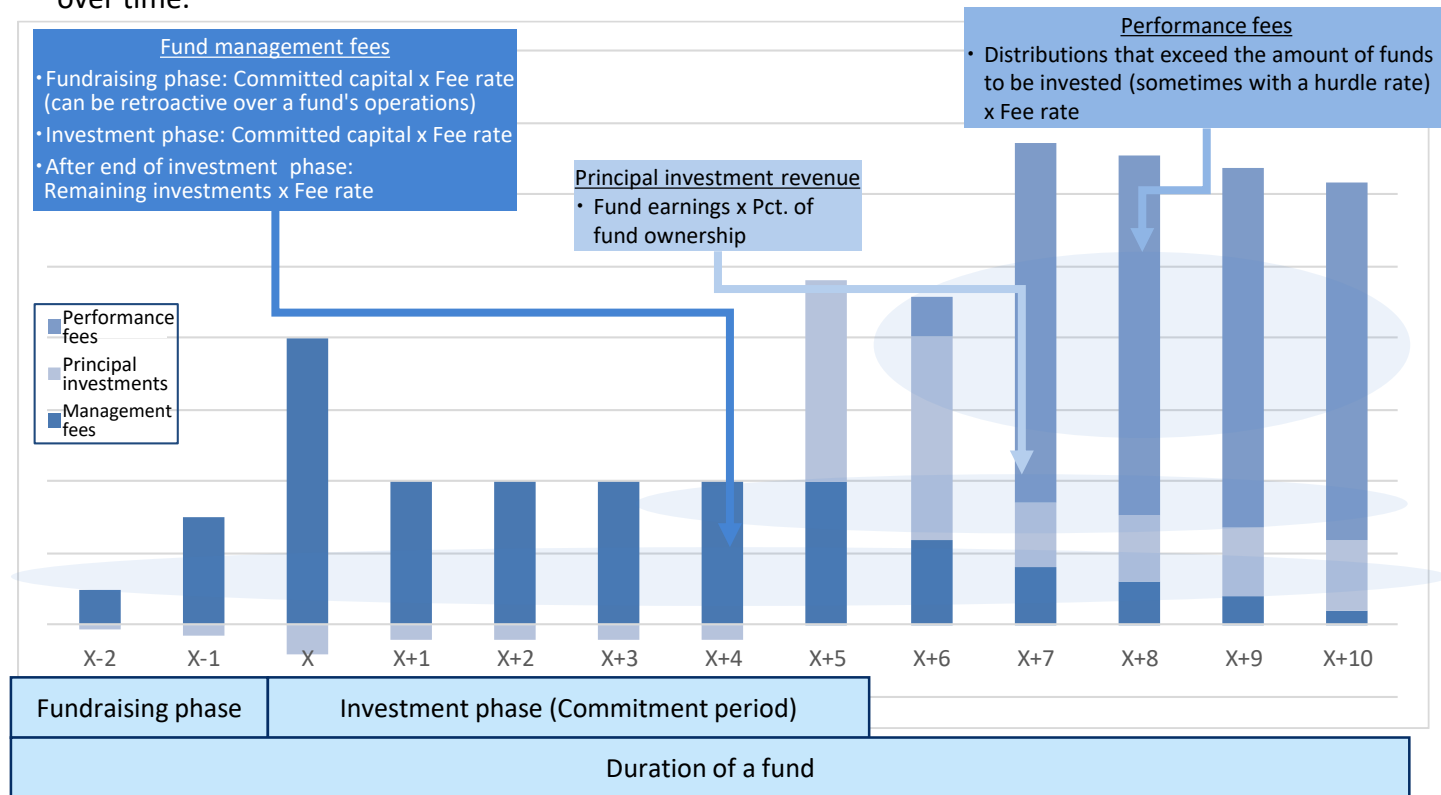
### Revenue Categories

- 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 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

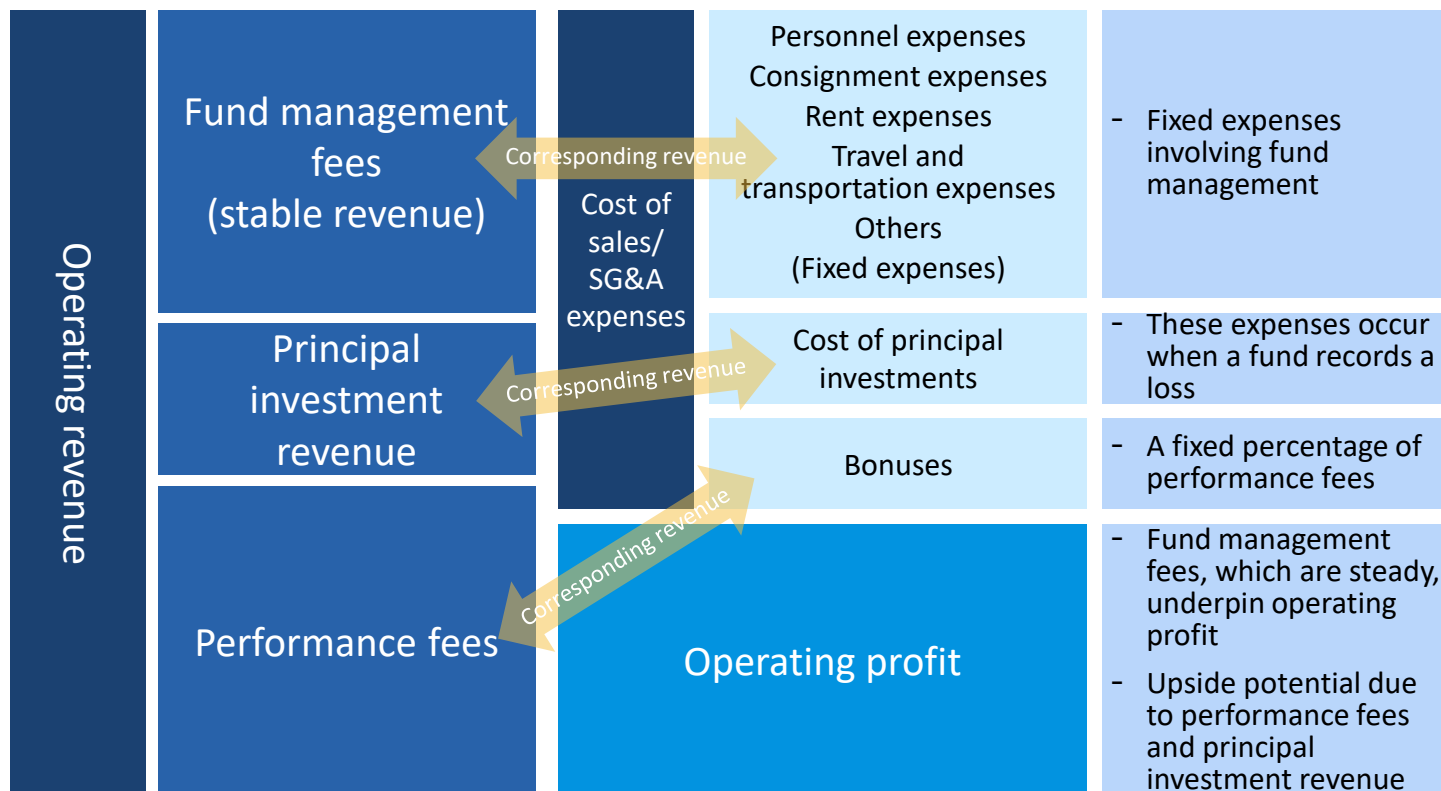
## Composition of Earnings (2/3) Sources and Timing of Operating Revenue

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

## 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	2021
Business investments	296	498	821	675	710	729
Spring REIT	974	942	1,065	946	929	1,003
Asset investments	293	223	92	79	111	162
Operating gross profit (fund management fees)	1,562	1,663	1,978	1,701	1,750	1,894

- 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	2021
Business investments	110	-	-	25	-	644
Spring REIT	-	108	-	-	-	-
Asset investments	41	2,055	1,462	1,246	563	86
Operating gross profit (performance fees)	152	2,163	1,462	1,271	563	730

- For business investments, 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	2021
Business investments	0	-1	288	142	-7	398
Spring REIT (of which, dividends)	76 (77)	92 (93)	308 (282)	136 (233)	-106 (364)	433 (486)
Asset investments	455	234	-2	485	227	184
Operating gross profit (principal investments)	531	325	593	764	113	1,015

- For business investments, 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:**  
**Plan for Compliance with New Market  
Listing Standards** (Submitted on December 6, 2021)

# 1. Actions for Medium/Long-term Growth of Corporate Value (1/2) A Roadmap for Value Growth as a Publicly Owned Company

## The Mercuria investment roadmap for medium/long-term growth of corporate value

### (1) Compliance with Prime Market listing requirements

1. Free float market cap of at least ¥10 billion

2022-2023

### (2) Accomplishment of the medium-term earnings plan goal

1. Five-year average of net income of at least ¥2.0 billion
2. Equity capital: Up 50% (excluding capital increase through stock offerings)

2025

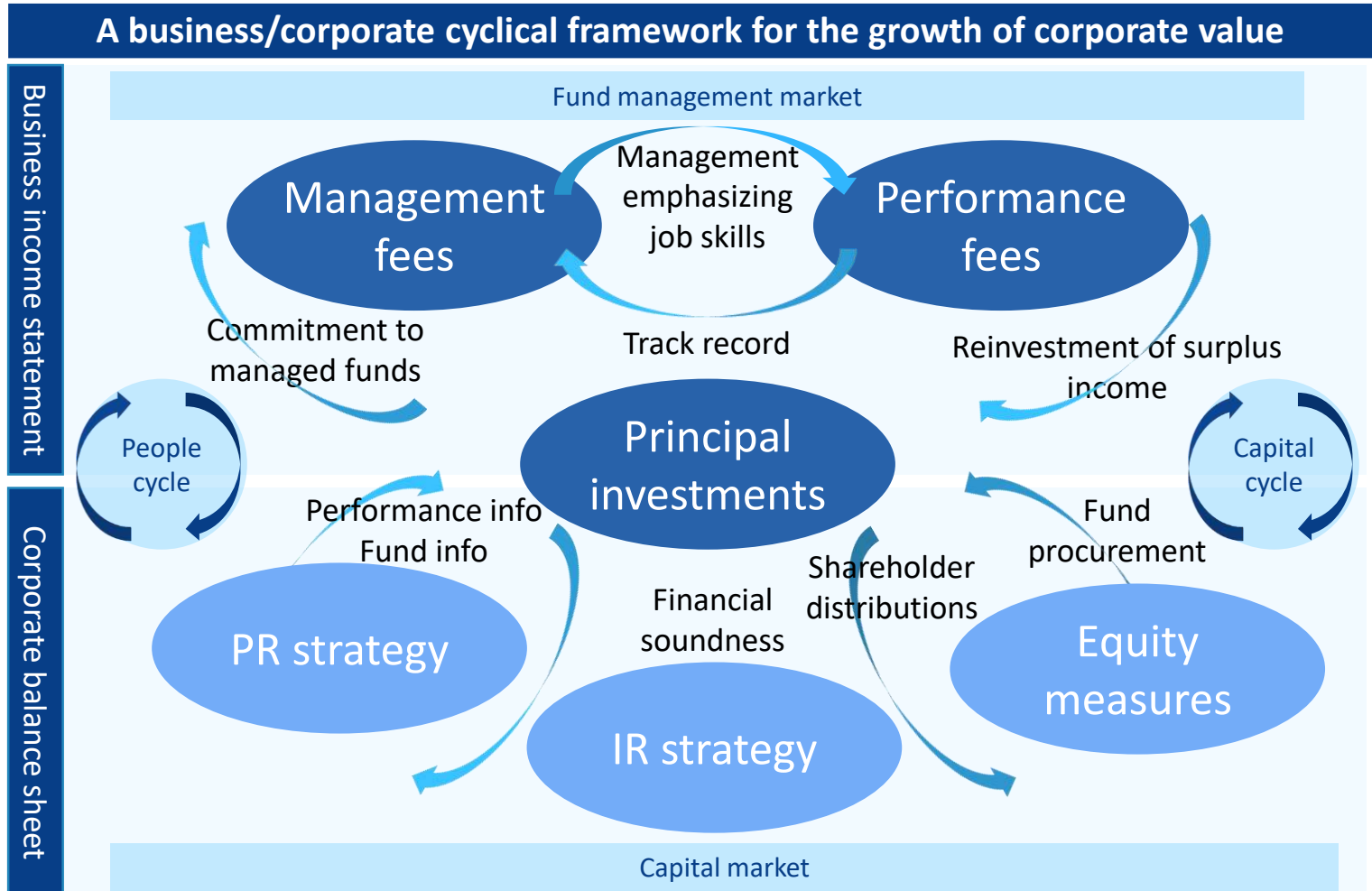
### (3) Medium/long-term growth of corporate value

1. Become a leading investment company involving reforms and innovations for the structure of industry in Japan
2. Become an investment company supported by a broad investor base

- Goals as a publicly owned company: (1) Compliance with Prime Market listing requirements (2022-2023); (2) Use accomplishment of the medium-term earnings plan goal (in 2025) as a milestone for (3) the medium/long-term growth of corporate value.
- Use existing businesses (buyout fund, Spring REIT, and asset investment fund businesses) and new businesses for the maximization of performance fees, increasing management fees and the growth of principal investments.
- Use the holding company structure to strengthen IR and equity activities and establish a cyclical framework for businesses and corporate activities.
- From a medium/long-term perspective, (1) become a leading investment company involving reforms and innovations for the structure of industry in Japan and (2) become an investment company supported by a broad investor base.

# 1. Actions for Medium/Long-term Growth of Corporate Value (2/2)

## As a Listed Company, Create a Capital/People Cycle Driven by the Fund Business



## 2. Plan for Compliance with Prime Market Listing Standards (1/2) Current Status of Compliance with Prime Market Requirements

Current status of Prime Market listing requirement compliance (as of listing change reference date, June 30, 2021)

- ❑ A Prime Market listing requires a free float market capitalization of at least ¥10 billion. Based on the Tokyo Stock Exchange preliminary examination as of the June 30, 2021 reference date, this figure was ¥6.5 billion, which is below the requirement.

	Mercuria Holdings	Prime Market requirements	Compliance
Number of shareholders	3,466	At least 800	○
Free float	81,767 units	At least 20,000 units	○
Free float market cap	¥6.5 billion	At least ¥10 billion	×
Free float ratio	46.3%	At least 35%	○

## 2. Plan for Compliance with Prime Market Listing Standards (2/2) Actions for Issues Regarding Listing Requirement Compliance

### Actions regarding issues for achieving compliance with Prime Market listing requirements

- ❑ There are three main reasons for the insufficient free float market cap: (1) Profit indicators, (2) Expectations of investors and (3) Number of shares of the free float. Improvements are needed for a Prime Market listing.
- ❑ Targets will be established and the following actions used to achieve compliance: (1) Improve sales and earnings to reach medium-term goals; (2) Earn a strong and accurate assessment by investors by strengthening IR/PR activities; and (3) Use equity measures to build a foundation for growth.
- ❑ Use these actions to achieve the following growth from 2022 to 2023: (1) Raise net income from ¥1.5 billion to ¥1.8 billion; (2) A PER of about 15; and (3) Raise the free float ratio to about 50%, which will raise the free float market cap to more than ¥10 billion.



Achieve medium-term goals (performance)	Proper recognition by investors (IR/PR)	A strong foundation for growth (equity measures)
<ol style="list-style-type: none"> <li>1. Maximize performance fees</li> <li>2. Increase management fees</li> <li>3. Increase principal investment revenue</li> </ol>	<ol style="list-style-type: none"> <li>1. Redefine the mission and management philosophy</li> <li>2. Increase comprehension of corporate value by upgrading IR/PR</li> </ol>	<ol style="list-style-type: none"> <li>1. Use the holding company platform for the speedy execution of every strategy</li> <li>2. Numerous equity measures that use loans and equity financing</li> </ol>

### 3. Accomplish Medium-term Goals (1/7)

#### Summary

#### 1. Medium-term goals

- Achieve the quantitative targets for 2025, the last year of the medium-term goals by using the buyout fund, Spring REIT and asset investment fund businesses and new businesses that use ties with external partners under the holding company structure.
  - ◆ Five-year average of net income: At least ¥2.0 billion
  - ◆ Equity capital: Up 50% (¥17.3 billion)

#### 2. Maximize performance fees

- Maximize performance fees from funds newly established following the stock market listing.
- Good prospects for substantial performance fees from Buyout Fund I.
- Expect to receive performance fees involving the acquisition of assets for infrastructure and real estate investment funds.

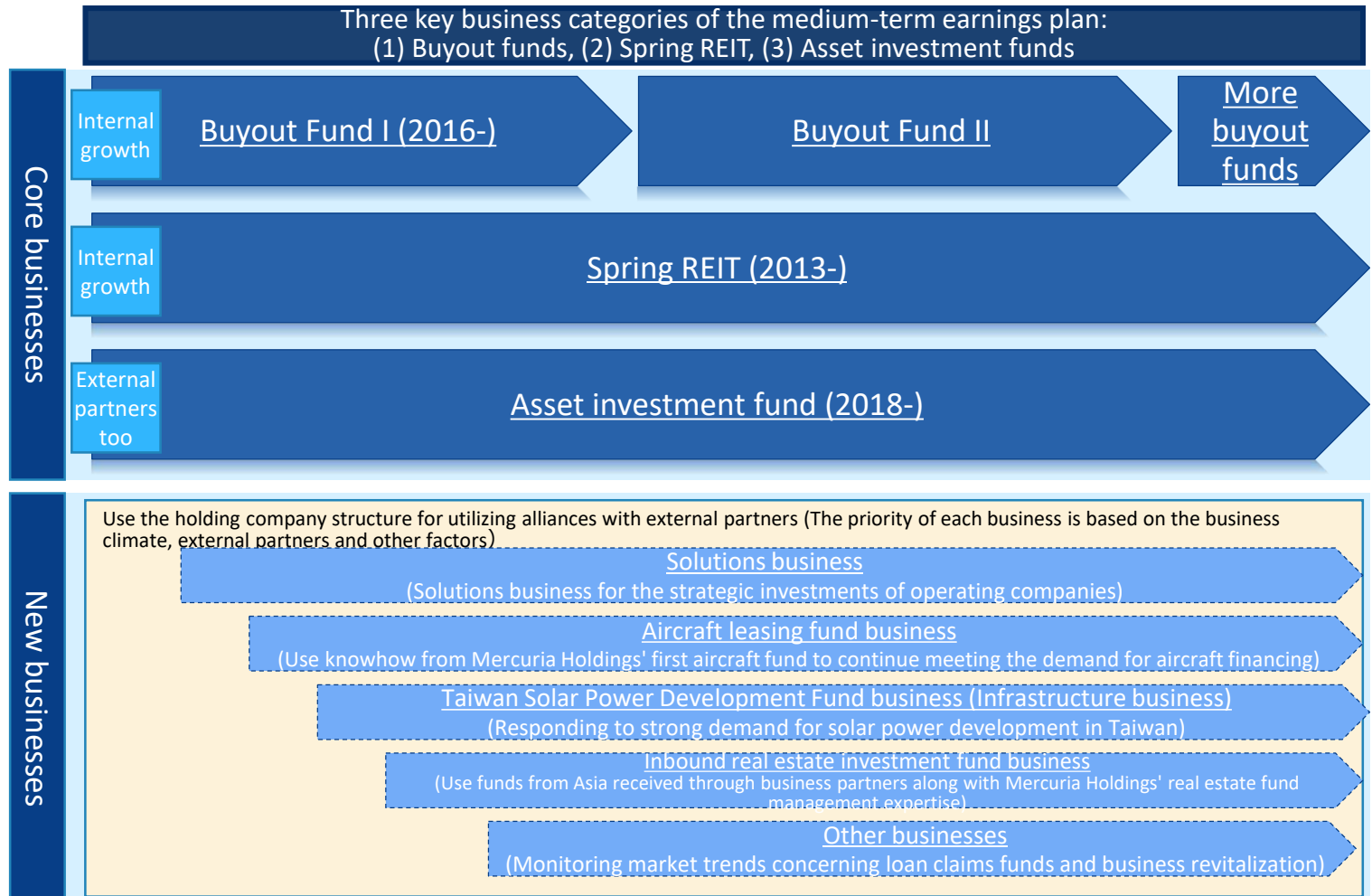
#### 3. Increase management fees

- Planning on establishing Buyout Fund II, which assets of ¥40-¥50 billion, as the successor to Buyout Fund I.
- In the asset investment sector, the goal is growth of ¥100 billion in fund assets under management during the business plan by making investments in aircraft, infrastructure, real estate and other categories.

#### 4. Increase principal investment revenue

- All funds are performing well, resulting in the outlook for substantial income from same-boat principal investments.
- Activities are progressing for more growth of principal investment revenue by using retained earnings, loans and equity financing.

### 3. Accomplish Medium-term Goals (2/7) Core Businesses and New Businesses





### 3. Accomplish Medium-term Goals (3/7) Current Status and Goals of Core Businesses

Existing businesses	Current operations and goals
Buyout fund business	<ul style="list-style-type: none"> <li>- Established Buyout Fund I (¥21.3 billion) in 2016 to meet demand for business succession at small and medium-sized enterprise companies as the baby boom generation ages.</li> <li>- Buyout Fund I has been performing well and the goal is to earn substantial performance fees.</li> <li>- Buyout Fund I has largely finished investments and preparations have started for Buyout Fund II.</li> <li>- Interest is high among current investors as well as foreign investors; planning on assets of ¥40-¥50 billion in Buyout Fund II.</li> </ul>
Spring REIT business	<ul style="list-style-type: none"> <li>- Participated in the development of a high-quality office building in Beijing; Spring REIT has been listed in Hong Kong's stock exchange since 2013.</li> <li>- Acquired store real estate (84 locations) in the UK in 2017. (About ¥160 billion in assets under management as of June 30, 2021)</li> <li>- Increase acquisition and management fees by purchasing properties (annual avg. of about ¥10 billion).</li> </ul>
Asset investment fund business	<ul style="list-style-type: none"> <li>- Established the Enex Infrastructure REIT with ITOCHU ENEX, SMTB and Maiora; this REIT is listed on the Tokyo Stock Exchange (assets under management of about ¥56 billion on May 31, 2021).</li> <li>- Established an Infrastructure Warehousing Fund in 2020 with the main exit strategy of the sale of properties to Enex Infrastructure REIT.</li> <li>- Use the holding company structure for the use of external partners to operate an overseas infrastructure business.</li> <li>- The goal is increasing assets under management in asset investment funds by ¥100 billion, including other asset classes. (excluding infrastructure REIT)</li> </ul>

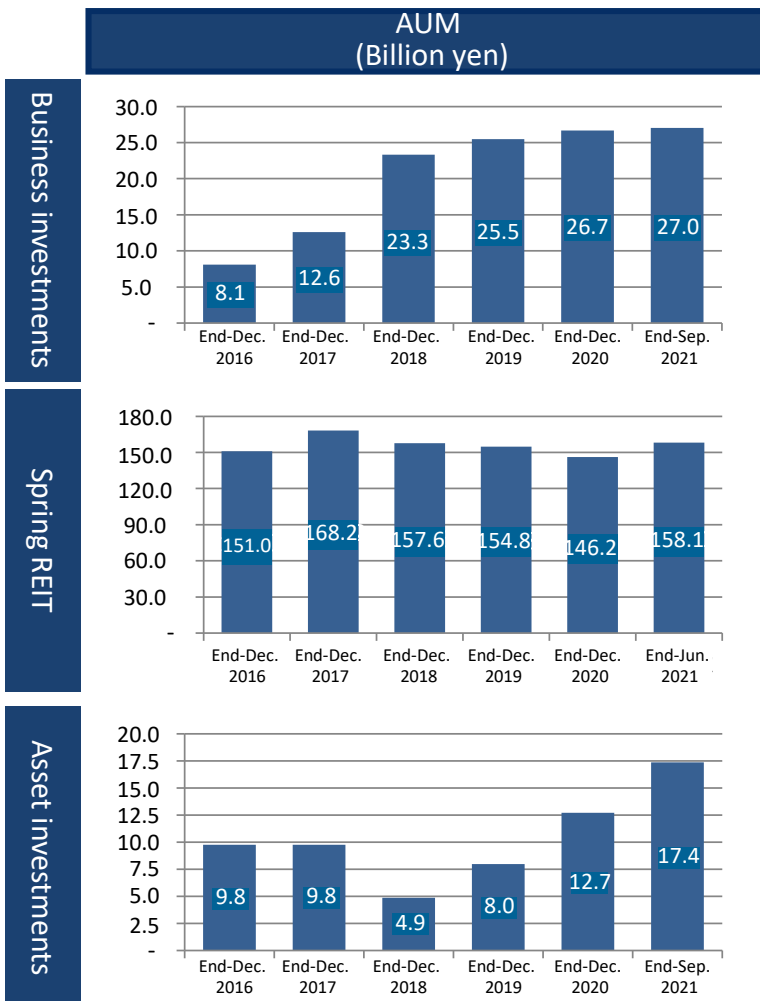
### 3. Accomplish Medium-term Goals (4/7) Current Status and Goals of New Businesses

New businesses	Current operations and goals
Solutions business	<ul style="list-style-type: none"> <li>- Provide services such as project sourcing and outsourced management for the strategic investments of operating companies.</li> <li>- Biztech Fund for investments in technology companies in the real estate and logistics sectors and merger management support for the operations of Japanese companies in Thailand.</li> </ul>
Aircraft leasing fund business	<ul style="list-style-type: none"> <li>- Established joint venture Mercuria Airborne Capital Co., Ltd., which specialize in aircraft leasing and management, with Airborne Capital in anticipate of a recovery in aircraft demand after the pandemic.</li> <li>- Established the second aircraft leasing fund to provide operating companies with an opportunity to invest in aircraft.</li> </ul>
Taiwan Solar Power Development Fund business	<ul style="list-style-type: none"> <li>- Preparing for the establishment of the Taiwan Solar Energy Development Fund with a business partner that operates Enex Infrastructure REIT jointly with Mercuria.</li> <li>- Taiwan is an attractive market because Taiwan and Japan have similar solar power systems with a stable legal framework for solar power based on the feed-in tariff (FIT) system.</li> </ul>
Inbound real estate investment fund business	<ul style="list-style-type: none"> <li>- Investors in China are very interested in Japanese real estate because this asset class produces higher investment yield than in many other areas of the world.</li> <li>- Plan to establish with a Spring REIT business partner an inbound real estate investment fund for the collection of investments from China, targeting demand created by operations of Chinese companies in Japan and foreign tourists in Japan.</li> </ul>
Other businesses	<ul style="list-style-type: none"> <li>- Monitoring business revitalization market trends for opportunities for loan claims funds, value investment funds and other activities.</li> </ul>

### 3. Accomplish Medium-term Goals (5/7) Maximize Performance Fees

	Fund category	Total funds	Duration	Accumulated Performance fees	Maximize performance fees
Prior-year funds	Growth Fund I	¥7.0bn	2005-	¥3.67bn	<ul style="list-style-type: none"> <li>❑ Funds established between Mercuria Investment's 2005 establishment and after the global financial crisis</li> <li>❑ Big contributions to performance fees through 2020</li> <li>❑ Performance fees total ¥5.4 billion during the past five years</li> </ul>
	Project Sweep	¥9.8bn	2010-2017	¥1.60bn	
	Project CS	¥2.6bn	2012-2020	¥0.22bn	
	Project Sonoko	¥1.5bn	2013-2019	¥0.33bn	
Business investments	Buyout Fund I	¥21.3bn	2016-	(Investment period)	<ul style="list-style-type: none"> <li>❑ Funds established since Mercuria Investment's 2016 listing</li> <li>❑ Many funds will reach the exit stage during the next five years and are expected to contribute to performance fees up to the target year of 2025.</li> <li>❑ The strong performance of Buyout Fund I, which is larger than funds in prior years, is expected to make a substantial contribution to performance fees.</li> <li>❑ Anticipate acquisition fees when Spring REIT acquires properties.</li> </ul>
	Kiraboshi Fund	¥2.6bn	2018-	(Investment period)	
	Biztech Fund	¥3.1bn	2019-	(Investment period)	
	China Fintech Fund	¥1.35bn	2018-	(Investment period)	
Spring REIT	Spring REIT	Approx. ¥56.0bn	2013-	¥0.11bn (Open-end)	
Asset investments	Growth Fund II	¥3.1bn	2013-	(Investment period)	
	Aircraft leasing fund	Approx. ¥12.0bn	2018-	(Investment period)	
	Infrastructure Warehousing Fund	¥7.5bn	2020-	(Investment period)	

### 3. Accomplish Medium-term Goals (6/7) Increase Management Fees

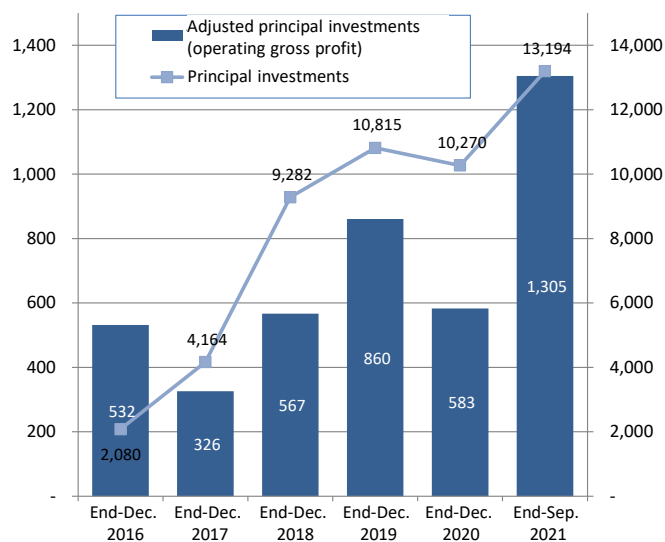


#### Increase management fees

- Buyout Fund II, which assets of ¥40-¥50 billion, as the successor to Buyout Fund I, is expected to increase management fees.
  - The first close is planned to be in 2022. Due to the solid performance of the previous buyout fund, current investors are expected to make investments and funds from overseas investors are expected.
- 
- In 2017, assets under management increased due to additional purchases of properties by Spring REIT. (The effect of foreign exchange rate movements on asset valuations is another major cause of changes in AUM.)
  - By using tie-ups with partners in China, Mercuria Holdings expects average annual additional investments of ¥10-¥20 billion, which will raise management fees, for the next five years.
- 
- For asset investments, exits from investments of prior-year funds are largely completed. Funds procured at the IPO used to establish aircraft leasing, infrastructure warehousing and other new funds.
  - During the next five years, use ties with external partners and plan to increase management fees by increasing fund assets under management by ¥100 billion, including aircraft, infrastructure, real estate and other asset classes.

### 3. Accomplish Medium-term Goals (7/7) Increase Principal Investment Revenue

Principal investment revenue (operating revenue)		
Gain/loss	Dec. 2016– Sep. 2021 average	Comp.
Operating gross profit	¥3.37bn	100%
Breakdown	Fund management fees	¥1.74bn 52%
	Performance fees	¥0.98bn 29%
	Principal investments/ Others	¥0.63bn 19%
Profit	¥1.14bn	



#### Increase principal investment revenue

- Principal investment revenue has become a major component of Mercuria Holdings' revenue due to stable dividends from Spring REIT and management and performance fees resulting from the strong performance of current funds, primarily Buyout Fund I. Substantial revenue from principal investments is expected to continue.
- In addition to these sources of income, Buyout Fund II and a Taiwan solar power mezzanine fund are under consideration. Large same-boat investments are planned due to the expected high return (about 30%) of these funds in order to further increase principal investment revenue.

[Buyout Fund II]

- To continue meeting needs involving business succession, plan to establish a fund of about ¥50 billion with primarily Buyout Fund I investors as well as overseas investors.

[Taiwan Solar Power Development Fund]

- As the global shift to green energy continues, currently considering the establishment with Maiora, a partner for the joint management of a listed infrastructure fund in Japan, of a fund for the development of solar power projects in Taiwan.
- The solar power market in Taiwan is in an early stage of growth, creating the potential for earning surplus income. Also, Taiwan has a high credit rating among Asian countries and a sound legal system. As a result, there are attractive investment opportunities.

Note: Adjusted principal investments (operating gross profit) does not include Spring REIT valuation/sales gains and losses.  
© Mercuria Holdings Co., Ltd. All rights reserved.

## 4. Proper Recognition by Investors (1/2) Redefine the Mission and Management Philosophy

### ■ 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.

## 4. Proper Recognition by Investors (2/2)

### Increase Comprehension of Corporate Value by Upgrading IR/PR

No.	Item	Investor relations activities
1	Establish a framework	Establish the Business Planning Department, supervised directly by the holding company CEO, for IR activities.
2	Upgrade IR skills	Upgrade skills of IR personnel by using training programs that include external instructors and resources.
3	More English-language information	Increase English-language financial reports and other disclosure activities to raise interest of foreign investors in Mercuria Holdings.
4	Information about investments	Supply information about Mercuria Holdings (fund management companies) as well as about the investments of funds to make investors aware of the use of alternative investments based on the macro environment, which is a key strength of Mercuria Holdings.
5	More communications with institutional investors	Strengthen lines of communication with institutions by increasing opportunities for IR meetings in every quarter in addition to the current information meetings for earnings announcements.
6	More website content for investors	More IR content on the website to provide business, financial, investment and other information in a format that is readily accessible and easy to understand.

## 5. A Foundation for Strong Growth (1/4) Use the Holding Company Platform for the Speedy Execution of Every Strategy

Holding company structure								Functions of the holding company	
Market sector	Investors/ Customers	Investors/ Customers		Investors/Customers			Investors/ Customers	<p><input type="checkbox"/> The holding company performs management oversight and corporate functions. Operating companies are responsible for conducting business operations with a proper degree of autonomy.</p> <p>[Management oversight functions]</p> <ul style="list-style-type: none"> <li>✓ Determination of management policies</li> <li>✓ Determination of earnings plans/consolidated budgets</li> <li>✓ Ideas for significant new businesses/Major M&amp;A and alliance activities</li> <li>✓ Establishment/sale of subsidiaries/affiliated companies</li> <li>✓ Allocation of capital, people and other resources</li> <li>✓ Decisions about significant matters concerning subsidiaries with business operations (mainly about capital)</li> </ul> <p>[Corporate functions]</p> <ul style="list-style-type: none"> <li>✓ Loans, stock offerings and other financial matters</li> <li>✓ Accounting, human resources, IR, administration and other corporate functions</li> </ul> <p><input type="checkbox"/> The holding company is responsible for the balance sheet and operating companies are responsible for the income statement.</p>	
Investment strategies	Buyout	Growth		Cash flows			Real estate		
Business units	Buyout Fund	Venture fund	Growth Fund	Infra-structure fund	Enex Infra-structure REIT (listed)	Aircraft leasing	Investment consulting services in Thailand		Spring REIT (listed)
Business sectors	Business Investments		Asset Investments				Spring REIT		
Companies	Mercuria Investment (MIC)			Enex AM	Aircraft JV	Mercuria Thailand	SAML		MIBJ
The holding company platform	<p>Mercuria Holdings (MHD)</p> <p><b>Management Philosophies</b></p> <p>Crossing National, Mental and Generational Boundaries Becoming a World-class Investment Group Common Knowledge in 5 Years</p>								
Capital market	Shareholders								



## 5. A Foundation for Strong Growth (2/4) Numerous Equity Measures that Use Loans and Equity Financing

Latest balance sheet (end-Sep. 2021)					Flexibility for equity measures	
Unit: Billion yen						
Current assets	Cash and deposits	1.44 (9%)	Current liabilities	Borrowings	0.13 (1%)	<ul style="list-style-type: none"> <li>▣ A sound balance sheet               <ul style="list-style-type: none"> <li>▣ Equity ratio: 82%</li> <li>▣ Net interest-bearing debt: ¥(5.3)bn</li> </ul> </li> <li>▣ The balance sheet is very strong due to the policy of holding operational investment securities/operating loans (principal investments) to no more than equity, negative net debt (cash equivalents higher than debt), and other reasons. As a result, loans and equity can be used as needed to reflect the characteristics of each need for an investment.</li> </ul>
	Trade accounts receivable	0.37 (2%)		Other current liabilities	0.60 (4%)	
	Operational investment securities/ Operating loans	13.02 (81%)	Non-current liabilities	Long-term borrowings	0.78 (5%)	
	Other current assets	0.30 (2%)		Other non-current liabilities	0.68 (4%)	
	Non-current assets	Investment securities	0.32 (2%)	Net assets	Equity capital	
Other non-current assets		0.56 (4%)	Other net assets		0.68 (4%)	

## 5. A Foundation for Strong Growth (3/4)

### Numerous Equity Measures that Use Loans and Equity Financing

Amount of investment securities/operating loans (principal investments) (September 30, 2021)

	(1) Principal investments		(2) Borrowings		(1) – (2)		(Reference)
Business investments	¥2.5bn	¥13.0bn	-	¥0.9bn	¥2.5bn	¥12.1bn	Equity capital ¥13.1bn  Cash and deposits ¥1.4bn
Spring REIT	¥6.9bn		¥0.9bn		¥6.0bn		
Asset Investments	¥3.6bn		-		¥3.6bn		

#### As of September 30, 2021

- Most of the operational investment securities/operating loans (principal investments) of ¥13.0 billion are same-boat investments in funds managed by the Mercuria Investment Group: ¥2.5 billion in business investment funds, ¥6.9 billion in Spring REIT, and ¥3.6 billion in asset investment funds.
- Loans of ¥900 million are used entirely for a same-boat investment in Spring REIT.

#### Upcoming activities

- Due to the liquidity of Spring REIT, which is listed in Hong Kong's stock exchange, the use of loans and the financial leverage will be considered.
- Most business investment funds and asset investment funds operate for period of five to 10 years. Due to this time frame, investments in these funds have the characteristic of a commitment by the fund manager. As a result, we will continue to consider the use of equity to procure funds for this purpose.

## 5. A Foundation for Strong Growth (4/4) Summary of the December 2021 Stock Offering

The goal is to use stock offerings for the following purposes that contribute to the growth of corporate value

Purposes

### **1. Use principal investments to speed up the growth of business operations**

- Currently preparing for the launch of successor funds based on the strong performance of existing funds
- Aiming to use principal investments to increase AUM in funds and to target attractive opportunities

#### Principal investment in buyout fund (Buyout Fund II)

- The buyout fund business is one part of Mercuria Holdings' fund management business (business investments). In 2016, Buyout Fund I was established to meet the business succession needs at small and medium-sized enterprise companies as Japan's population ages and the number of children declines.
- Buyout Fund I performed very well in terms of asset management and progress with investments. To meet the expected continuation of business succession needs, preparations are under way for launching Buyout Fund II, which is to be backed mainly by Buyout Fund I investors as well as by foreign investors.

#### Principal investment in infrastructure fund (Taiwan Solar Power Development Fund)

- The infrastructure fund business is one part of Mercuria Holdings' fund management business (asset investments). The demand for green energy is growing worldwide. In Japan, there are already infrastructure investment activities in Japan jointly with business partners and Enex Infrastructure Investment Corporation.
- The climate for investments is favorable in Taiwan because of its high credit rating among Asian countries and strong legal framework. The development of the solar energy sector is at an early stage in Taiwan. Preparations have started with Maiora for the establishment of the Taiwan Solar Power Development Fund.

### **2. A broader base of shareholders, including institutions**

- Activities for improving the liquidity of Mercuria Holdings stock, including measures targeting institutional investors.
- Use stock offerings to increase the free float and raise corporate value with the goal of achieving compliance with the free float market capitalization requirement for a Prime Market listing.

## 6. Measures to Strengthen Corporate Governance (1/3)

### 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 can access as well, 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.

## 6. Measures to Strengthen Corporate Governance (2/3)

### 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.

### 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									○	

## 6. Measures to Strengthen Corporate Governance (3/3)

### (1) Environment

- Clean Energy
  - Co-sponsor of Enex Infrastructure Investment Corporation, which invests in renewable energy facilities
- Activities for the reduction and reuse of waste materials and the reduction of energy use
  - Numerous environmental activities at office buildings owned by Spring REIT, which is listed in Hong Kong's stock exchange and managed by Mercuria Holdings' subsidiary SAML
  - Investment in Loft Orbital Solutions Inc., a U.S. company that aggregates customer satellite payloads, providing easier access to space for satellites, which can contribute to the protection of resources and measures to fight climate change.



### (2) Society

- Economic growth, job creation, industrial technologies, community revitalization
  - Operation of funds that support business succession and growth of small and medium-sized enterprise companies
  - Operation of funds that support innovation in the real estate and retail sectors
  - Operation of a platform by Mercuria Holdings' subsidiary Bizma (Business Marketing) that provide solutions for business issues
- Expansion of financial inclusion to reduce poverty and other social problems
  - Operation of a fund for investments in Beijing Zhongguancun Kejin Technology Co., Ltd., a fintech company in China



### (3) Governance

- Contribute to the advancement of governance functions
  - Operation of funds for business succession and subsequent growth of small and medium-sized enterprise companies

## Reference: Medium-term Goals (Revised)

(Updated in Information Announced on August 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



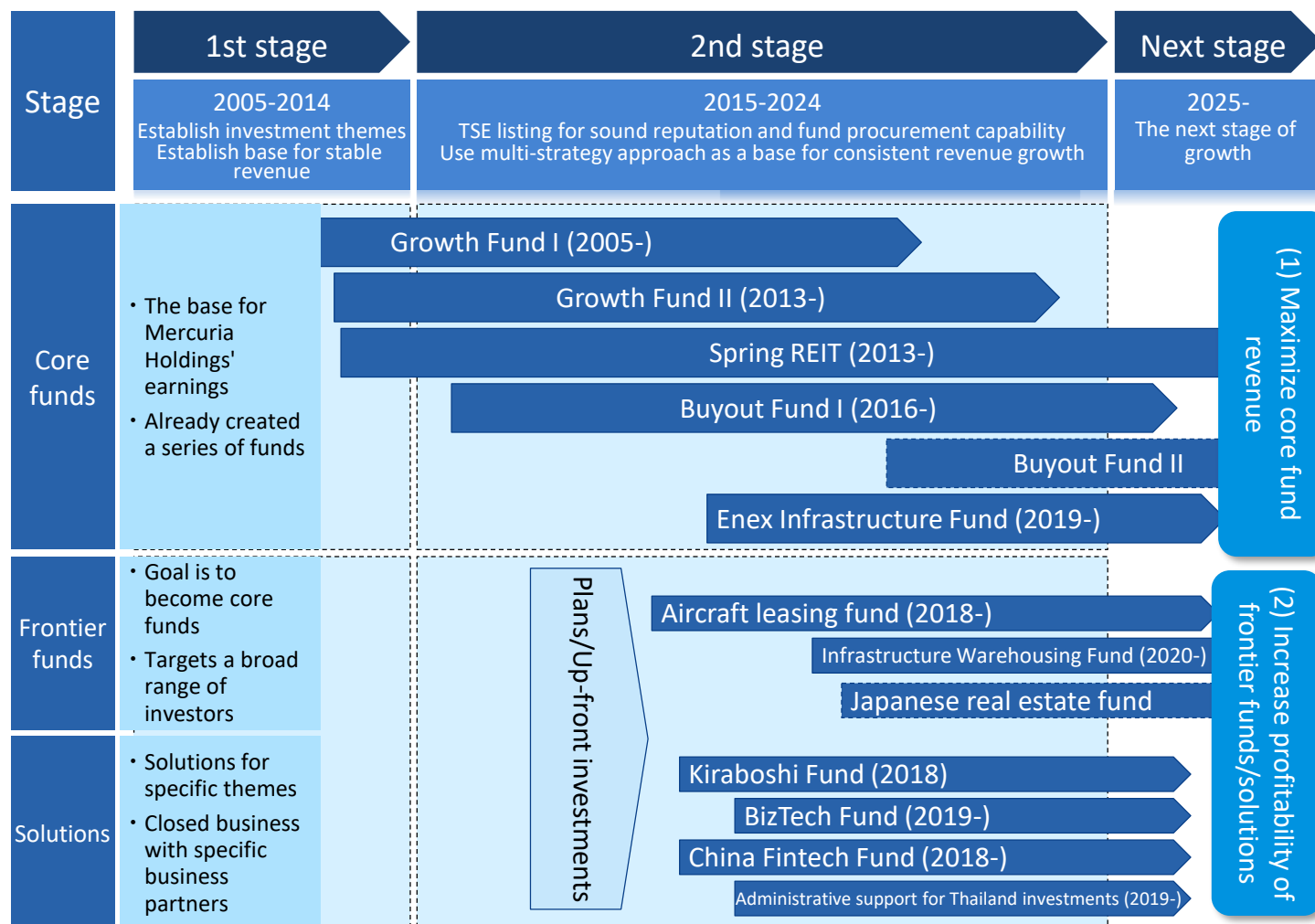
#### Positioning of the period for accomplishing goals (to 2025)

- ❑ The 2019-2025 phase has the goals of (1) maximizing earnings from core funds (performance fees) (2) making frontier funds and the solutions business more profitable (fund management fees) and (3) increase revenue in the principal investment business.

## Reference: Medium-term Goals (Revised)

(Updated in Information Announced on August 13, 2020)

### Status of Funds





## Reference: Medium-term Goals (Revised)

(Updated in Information Announced on August 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"> <li>- Make win-win investments by investing in companies able to make contributions from a cross-border standpoint</li> <li>- 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)</li> </ul>	<ul style="list-style-type: none"> <li>- Maximize performance fees by using sound fund management to aim for doubling investments (15% IRR x 5 years)</li> </ul>
	Buyout Fund II (buyout investments)		
	BizTech Fund (growth investing)	<ul style="list-style-type: none"> <li>- A joint fund with ITOCHU to support growing companies that have real estate and logistics technologies</li> <li>- A joint fund with Kiraboshi Bank to support the efficient transfers of Japanese small and medium-sized enterprise companies to new owners</li> <li>- Establish mutually beneficial relationships with Zhongkejin (Chinese fintech company) and Aozora Bank</li> </ul>	<ul style="list-style-type: none"> <li>- Maximize performance fees by using sound fund management emphasizing activities with business partners to aim for doubling investments (15% IRR x 5 years)</li> </ul>
	Kiraboshi Fund (buyout investments)		
	China Fintech Fund (growth investing)		

## Reference: Medium-term Goals (Revised)

(Updated in Information Announced on August 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	- 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
	Spring REIT (real estate investments)		- Use exits from existing investments to maximize performance fees
	Enex Infrastructure REIT (cash flow investments)		- Purchase assets to earn acquisition fees/Increase fund management fees
	Aircraft leasing fund (cash flow investments)	Frontier funds	- Investments in renewable energy power facilities and other infrastructure (Listed on TSE)
	Infrastructure/renewable energy/warehousing funds (cash flow investments)		- Investments in aircraft (physical assets), with little price volatility risk, as the long-term growth of air travel demand continues
	Real estate fund (cash flow investments)		- Use the Enex Infrastructure REIT (a listed REIT) to establish renewable energy (solar) and warehousing funds
		- Uses funds from overseas investors to target investment opportunities involving Japanese real estate (commercial properties)	- Goal is to procure about ¥100 billion for cash flow strategy funds (funds for the purpose of giving investors consistent cash flows)

## Reference: Medium-term Goals (Revised)

(Updated in Information Announced on August 13, 2020)

### Quantitative Targets

	Growth prospects	Stability
2025 Targets	<p>Five-year average of net income</p> <p>At least <b>¥2.0</b> billion</p>	<p>Equity capital</p> <p>Up <b>50%</b></p> <p>(¥17.3 billion)</p>
2020 Results	¥1.10 billion	Up 3% (¥11.9 billion)
2019 Results	¥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>



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.