



Consolidated Financial Results for 2021

[Japanese GAAP]

February 10, 2022

Company name: Mercuria Holdings Co., Ltd.

Stock code: 7347

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Listing: Tokyo Stock Exchange, First Section

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Scheduled date of Annual General Meeting of Shareholders: March 29, 2022

Scheduled date of payment of dividend: March 30, 2022

Scheduled date of filing of Annual Securities Report: March 29, 2022

Preparation of supplementary materials for financial results: None

Holding of financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for 2021 (January 1 to December 31, 2021)

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

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2021	4,170	-	1,763	-	1,817	-	1,304	-
2020	-	-	-	-	-	-	-	-

Note: Comprehensive income (millions of yen) 2021: 1,574 (-%) 2020: - (-%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to operating revenue
	Yen	Yen	%	%	%
2021	77.12	76.74	9.7	11.0	42.3
2020	-	-	-	-	-

Reference: Equity in earnings of affiliates (millions of yen) 2021: (398) 2020: -

Note: The results of operations and year-on-year changes for 2020 are not shown above as Mercuria Holdings was established on July 1, 2021 through a transfer of stock.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2021	18,010	15,821	83.9	733.92
As of Dec. 31, 2020	-	-	-	-

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2021: 15,108 As of Dec. 31, 2020: -

Note: The financial position as of December 31, 2020 is not presented as Mercuria Holdings was established on July 1, 2021 through a transfer of stock.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
2021	179	228	1,346	4,605
2020	-	-	-	-

2. Dividends

	Dividends per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
2020	-	-	-	-	-	-	-	-
2021	-	-	-	20.00	20.00	412	25.9	2.8
2022 (forecast)	-	0.00	-	20.00	20.00	-	31.7	-

Note: Dividends for 2020 and for the ends of 1Q and 2Q of 2021 are not presented as Mercuria Holdings was established on July 1, 2021 through a transfer of stock.

3. Consolidated Forecast for 2022 (January 1 to December 31, 2022)

(Percentages represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	4,000	(4.1)	1,900	7.7	1,900	4.6	1,300	(0.3)	76.85

*** Notes**

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

Newly added: - Excluded: -

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of shares issued (common stock)

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

As of Dec. 31, 2021: 21,443,100 shares As of Dec. 31, 2020: - shares

2) Number of treasury shares at the end of the period

As of Dec. 31, 2021: 857,121 shares As of Dec. 31, 2020: - shares

3) Average number of shares during the period

2021: 16,915,161 shares 2020: - shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for 2021 (January 1 to December 31, 2021)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2021	834	-	511	-	485	-	655	-
2020	-	-	-	-	-	-	-	-

	Net income per share	Diluted net income per share
	Yen	Yen
2021	38.44	38.26
2020	-	-

Note: The results of operations and year-on-year changes for 2020 are not shown above as Mercuria Holdings was established on July 1, 2021 through a transfer of stock. Non-consolidated results of operations are shown for the period from July 1, 2021, when Mercuria Holdings was established, to December 31, 2021.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2021	16,014	14,832	92.6	709.27
As of Dec. 31, 2020	-	-	-	-

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2021: 14,832 As of Dec. 31, 2020: -

Note: The financial position as of December 31, 2020 is not presented as Mercuria Holdings was established on July 1, 2021 through a transfer of stock.

* The current financial report is not subject to audit by certified public accountants or auditing firms.

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

Mercuria Holdings plans to hold a financial results meeting for institutional investors and analysts on Friday, February 25, 2022. Materials to be distributed at this meeting will be available on the Mercuria Holdings' website immediately thereafter.

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1. Overview of Results of Operations

(1) Analysis of Results of Operations

Results of Operations

On July 1, 2021, Mercuria Holdings Co., Ltd. was established as the parent company and sole shareholder of Mercuria Investment Co., Ltd. by transferring all shares of Mercuria Investment to the new holding company. As there is no effective change in the scope of consolidation, comparisons with 2020 are comparisons of 2020 of Mercuria Investment and comparisons with the end of 2020 are comparisons with the end of 2020 for Mercuria Investment.

The consolidated financial statements for 2021 succeed those of Mercuria Investment, which became a wholly owned subsidiary through a transfer of stock.

In 2021, the pandemic continued to restrict economic activity in Japan. Although there are signs of an upturn in some sectors, the outlook for the Japanese economy remains uncertain.

With the goal of achieving medium to long-term growth, there were sales of stock of existing funds to recover investments, which resulted in the receipt of performance fees. Sales of stock include parts of the holdings of En Fund Limited Partnership, where Mercuria Holdings is the investment adviser, Asuka DBJ Investment Limited Partnership (Growth Fund I), a fund administered and managed by Mercuria Holdings, and other funds.

In addition, the Mercuria Group logged gains on the sale of shares held by Mercuria Japan Industrial Growth Fund (Buyout Fund I). This fund was established by Mercuria Investment together with Development Bank of Japan Inc. and Sumitomo Mitsui Trust Bank, Limited. Due to the above strategic exit made by Buyout Fund I, a gain on a fund investment through a “same-boat” investment was recognized. In addition, Buyout Fund I successfully made new investments in domestic operating companies.

There was also progress with business plans involving new funds based on Mercuria Group’s investment strategy that reflects current market conditions. One was the establishment of the Infrastructure Warehousing Fund, which attracted investor commitments that exceeded initial expectations. This fund was established with Itochu Enx Co., Ltd., Sumitomo Mitsui Trust and Banking Co., Ltd. and other partners and has the basic strategy of selling solar power facilities to Enx Infrastructure Investment Corporation. In the aircraft leasing business, we established Mercuria Airborne Capital Co., Ltd. with Airborne Capital Limited, a company specializing in the establishment and administration of aircraft leases. This company was formed in anticipation of the growth of investments in aircraft after the pandemic ends.

In 2021, operating revenue was 4,169 million yen. Compared with the previous year, there was revenue from performance fees in the fund management business in 2021 and there was revenue in the principal investing business that included a gain on fund investment resulting both from the sale of stock held by Buyout Fund I and from the transfer of solar power facilities to Enx Infrastructure Investment Corporation. However, operating revenue decreased 32.6% because of the substantial revenue generated in 2020 by the sale of Spring REIT units held by the Mercuria Group.

Performance fees in the fund management business and operating revenue in the principal investing business generated earnings. In addition, earnings in 2020 were held down by a loss on the sale of the Spring REIT units. As a result, ordinary profit increased 139.8% to 1,816 million yen.

Profit attributable to owners of parent increased 148.4% to 1,304 million yen.

Outlook

The business climate is expected to remain uncertain in 2022 because of the absence of signs of an end of the pandemic and concerns about the outlook for the global economy.

In this circumstance, we expect consolidated operating revenue of 4,000 million yen (down 4.1% year-on-year), operating profit of 1,900 million yen (up 7.7%), ordinary profit of 1,900 million yen (up 4.6%), and profit

attributable to owners of parent of 1,300 million yen (down 0.3%) for 2022.

The above forecasts are based on assumptions judged to be valid and information currently available to Mercuria Holdings's management. Actual results may differ from the forecasts for a number of reasons.

(2) Analysis of Financial Position

Assets, Liabilities and Net Assets

Total assets amounted to 18,010 million yen at the end of 2021, an increase of 2,957 million yen over the end of 2020. The main reasons were increases of 1,794 million yen in cash and deposits primarily resulting from fund procurement by the issue of new shares, and 983 million yen in operational investment securities mainly due to payments of capital commitments for Buyout Fund I and changes in the market values of securities.

Total liabilities amounted to 2,188 million yen, a decrease of 394 million yen over the end of 2020. The main reason was a decrease of 293 million yen in short-term borrowings through repayment.

Net assets totaled 15,821 million yen, an increase of 3,352 million yen. The main reasons were increases of 1,031 million yen in share capital, 1,207 million yen in capital surplus mainly due to fund procurement by the issue of new shares and 959 million yen in retained earnings.

(3) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

Distributing earnings to shareholders is one of our highest priorities. The basic policy is to consistently distribute earnings to shareholders in a manner that reflects results of operations while taking into consideration the current financial position, business performance and status of business operations and retaining earnings as needed.

We plan to pay a dividend of 20 yen per share for 2021 and 20 yen per share for 2022 in accordance with this basic policy.

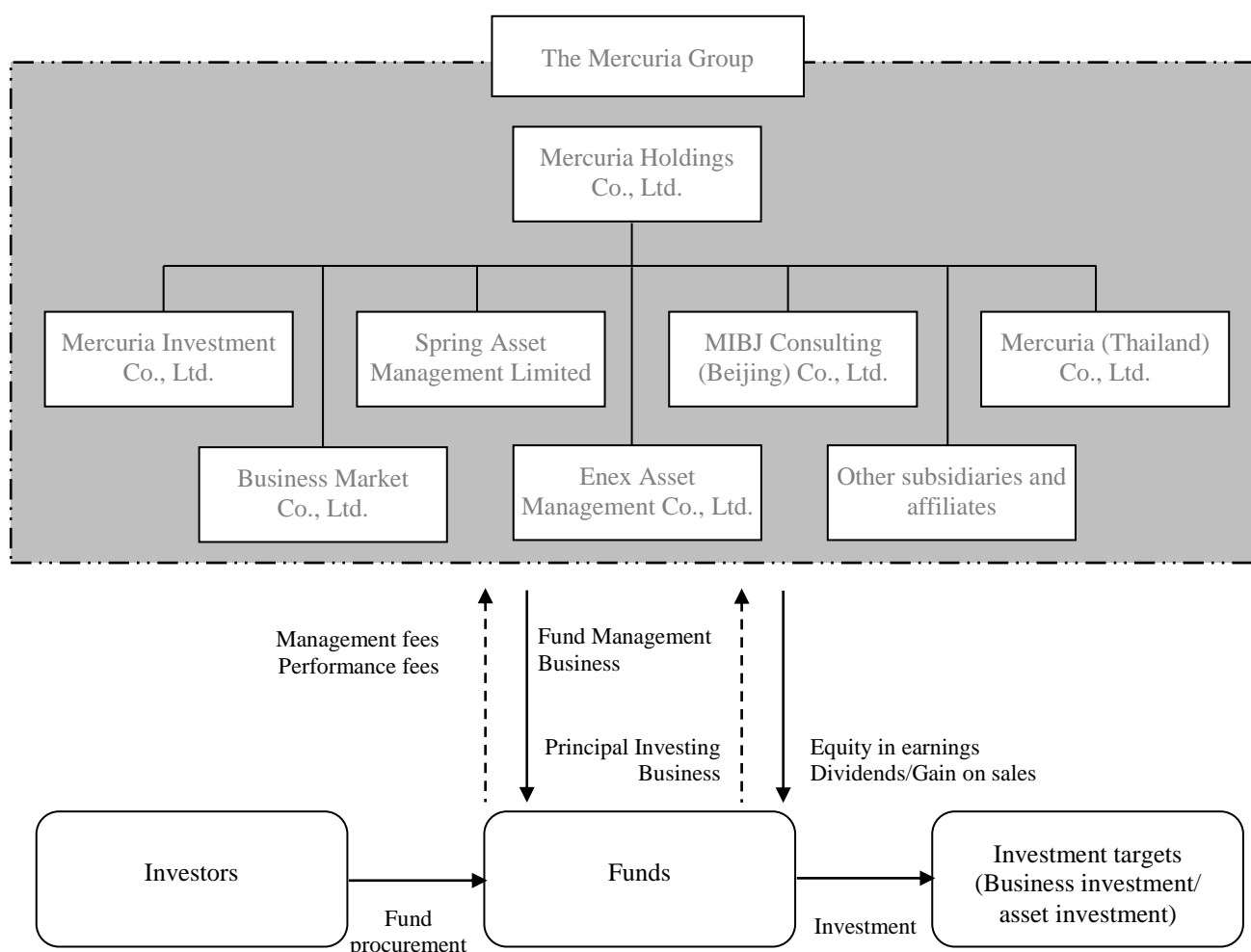
2. Corporate Group

On July 1, 2021, Mercuria Holdings Co., Ltd. was established as the parent company and sole shareholder of Mercuria Investment Co., Ltd. by transferring all shares of Mercuria Investment to the new holding company. In its role as a holding company, Mercuria Holdings performs the management and administration of group companies as well as other related functions. The business activities of the Mercuria Group are as follows.

The Mercuria Group consists of Mercuria Holdings, 12 consolidated subsidiaries, 14 non-consolidated subsidiaries, one equity-method affiliate, and seven affiliates not accounted for using the equity method.

Group companies operate a fund management business, which manages investment partnerships and other types of funds in which investors in Japan and other companies make contributions, and a principal investing business.

A flowchart of the Mercuria Group’s business operations is as follows.



3. Basic Approach for the Selection of Accounting Standards

The Mercuria Group will continue to prepare consolidated financial statements using the generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies. We will take suitable actions with regard to the application of International Financial Reporting Standards by taking into account associated factors in Japan and other countries.

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

	(Thousands of yen)
	2021
	(As of Dec. 31, 2021)
Assets	
Current assets	
Cash and deposits	4,674,764
Trade accounts receivable	541,075
Operational investment securities	10,606,504
Operating loans	536,581
Advances paid	29,340
Other	411,802
Total current assets	<u>16,800,068</u>
Non-current assets	
Property, plant and equipment	
Buildings, net	72,951
Tools, furniture and fixtures, net	12,256
Total property, plant and equipment	<u>85,206</u>
Intangible assets	
Software	282
Total intangible assets	<u>282</u>
Investments and other assets	
Investment securities	280,965
Leasehold and guarantee deposits	75,247
Deferred tax assets	753,651
Other	14,706
Total investments and other assets	<u>1,124,569</u>
Total non-current assets	<u>1,210,058</u>
Total assets	<u>18,010,126</u>
Liabilities	
Current liabilities	
Current portion of long-term borrowings	130,000
Accounts payable-other	369,198
Accrued expenses	239,642
Income taxes payable	144,956
Other	52,373
Total current liabilities	<u>936,169</u>
Non-current liabilities	
Long-term borrowings	743,500
Provision for retirement benefits for directors (and other officers)	102,000
Provision for share-based remuneration for directors (and other officers)	162,794
Provision for share-based remuneration for employees	12,500
Retirement benefit liability	127,810
Long-term accounts payable-other	84,483
Long-term deposits received	19,337
Other	86
Total non-current liabilities	<u>1,252,511</u>
Total liabilities	<u>2,188,680</u>

	(Thousands of yen)
	2021
	(As of Dec. 31, 2021)
Net assets	
Shareholders' equity	
Share capital	4,057,656
Capital surplus	4,510,925
Retained earnings	7,718,834
Treasury shares	(712,893)
Total shareholders' equity	<u>15,574,522</u>
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	(417,793)
Foreign currency translation adjustment	(48,367)
Total accumulated other comprehensive income	<u>(466,160)</u>
Share acquisition rights	83
Non-controlling interests	713,001
Total net assets	<u>15,821,445</u>
Total liabilities and net assets	<u>18,010,126</u>

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

	(Thousands of yen)
	2021
	(Jan. 1 – Dec. 31, 2021)
Operating revenue	4,169,925
Operating costs	531,554
Operating gross profit	3,638,371
Selling, general and administrative expenses	1,875,004
Operating profit	1,763,367
Non-operating income	
Interest income	7,845
Foreign exchange gains	83,897
Rent revenue	565
Other	3,927
Total non-operating income	96,234
Non-operating expenses	
Interest expenses	16,468
Share issuance costs	18,631
Financing fees	6,000
Other	1,687
Total non-operating expenses	42,786
Ordinary profit	1,816,815
Profit before income taxes	1,816,815
Income taxes-current	572,391
Income taxes-deferred	(146,847)
Total income taxes	425,544
Profit	1,391,271
Profit attributable to non-controlling interests	86,844
Profit attributable to owners of parent	1,304,427

Consolidated Statement of Comprehensive Income

	(Thousands of yen)
	2021
	(Jan. 1 – Dec. 31, 2021)
Profit	1,391,271
Other comprehensive income	
Valuation difference on available-for-sale securities	(34,877)
Foreign currency translation adjustment	214,220
Share of other comprehensive income of entities accounted for using equity method	3,623
Total other comprehensive income	<u>182,967</u>
Comprehensive income	<u>1,574,238</u>
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	1,439,109
Comprehensive income attributable to non-controlling interests	135,128

(3) Consolidated Statement of Changes in Equity

2021 (Jan. 1 – Dec. 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,026,174	3,303,411	6,759,762	(597,190)	12,492,156
Changes during period					
Increase and decrease by share transfers	(30,168)	145,863		(115,695)	-
Issuance of new shares	1,061,651	1,061,651			2,123,301
Dividends of surplus			(342,268)		(342,268)
Profit attributable to owners of parent			1,304,427		1,304,427
Purchase of treasury shares				(7)	(7)
Change in scope of consolidation			(3,087)		(3,087)
Net changes in items other than shareholders' equity					-
Total changes during period	1,031,483	1,207,514	959,072	(115,703)	3,082,366
Balance at end of period	4,057,656	4,510,925	7,718,834	(712,893)	15,574,522

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	(382,916)	(200,808)	(583,725)	472	560,053	12,468,956
Changes during period						
Increase and decrease by share transfers						-
Issuance of new shares						2,123,301
Dividends of surplus						(342,268)
Profit attributable to owners of parent						1,304,427
Purchase of treasury shares						(7)
Change in scope of consolidation						(3,087)
Net changes in items other than shareholders' equity	(34,877)	152,441	117,564	(389)	152,948	270,123
Total changes during period	(34,877)	152,441	117,564	(389)	152,948	3,352,489
Balance at end of period	(417,793)	(48,367)	(466,160)	83	713,001	15,821,445

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)
	2021
	(Jan. 1 – Dec. 31, 2021)
Cash flows from operating activities	
Profit before income taxes	1,816,815
Depreciation	51,602
Amortization of goodwill	1,868
Financing fees	6,000
Share issuance costs	18,631
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(1,400)
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	25,597
Increase (decrease) in provision for share-based remuneration for employees	1,250
Increase (decrease) in retirement benefit liability	10,600
Interest and dividend income	(7,845)
Interest expenses	16,468
Foreign exchange losses (gains)	(10,847)
Decrease (increase) in trade receivables	(143,625)
Decrease (increase) in investment securities for sale	(847,303)
Decrease (increase) in operating loans receivable	110,361
Decrease (increase) in other current assets	(102,654)
Increase (decrease) in other current liabilities	254,117
Increase (decrease) in other non-current liabilities	(199,697)
Subtotal	999,938
Interest and dividends received	7,845
Interest paid	(18,267)
Income taxes paid	(810,913)
Net cash provided by (used in) operating activities	178,603
Cash flows from investing activities	
Purchase of property, plant and equipment	(33,268)
Payments of leasehold and guarantee deposits	(36,181)
Proceeds from refund of leasehold and guarantee deposits	14,611
Purchase of investment securities	(10,000)
Collection of loans receivable from subsidiaries and associates	292,400
Net cash provided by (used in) investing activities	227,561
Cash flows from financing activities	
Proceeds from short-term borrowings	1,100,000
Repayments of short-term borrowings	(1,386,450)
Repayments of long-term borrowings	(130,000)
Proceeds from issuance of shares	2,104,281
Dividends paid	(342,268)
Purchase of treasury shares	(7)
Net cash provided by (used in) financing activities	1,345,556
Effect of exchange rate change on cash and cash equivalents	30,195
Net increase (decrease) in cash and cash equivalents	1,781,915
Cash and cash equivalents at beginning of period	2,810,262
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	12,588
Cash and cash equivalents at end of period	4,604,764

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Segment and Other Information

Segment Information

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

Per-share Information

(Yen)

	2021 (Jan. 1 – Dec. 31, 2021)
Net assets per share	733.92
Net income per share	77.12
Diluted net income per share	76.74

Notes: 1. Basis for the calculation of net income per share and diluted net income per share is as follows:

2. Mercuria Holdings' stock remaining in the trust (325,600 shares in 2021) is included in treasury shares in shareholders' equity and deducted from the number of shares outstanding at the end of the period that is used to calculate net assets per share.

Moreover, the shares (325,600 shares in 2021) are included in treasury shares deducted from the number of shares used to calculate the average number of shares outstanding during the period that is used to calculate net income per share and diluted net income per share.

	2021 (Jan. 1 – Dec. 31, 2021)
Net income per share	
Profit attributable to owners of parent (Thousands of yen)	1,304,427
Amount not attributable to common shareholders (Thousands of yen)	-
Profit attributable to owners of parent applicable to common stock (Thousands of yen)	1,304,427
Average number of common stock outstanding during the period (Shares)	16,915,161
Diluted net income per share	
Adjustment to profit attributable to owners of parent (Thousands of yen)	-
Increase in number of common stock (Shares)	82,509
[of which share acquisition rights (Shares)]	[82,509]
Summary of potentially dilutive shares not included in the calculation of diluted net income per share due to their anti-dilutive effect	-

Subsequent Events

Not applicable.

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.