



Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending December 31, 2022
(Six Months Ended June 30, 2022)

[Japanese GAAP]

August 10, 2022

Company name: Mercuria Holdings Co., Ltd. Listing: Tokyo Stock Exchange
 Stock code: 7347 URL: <https://mercuria-hd.jp/en/>
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 Scheduled date of filing of Quarterly Report: August 10, 2022
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)
 (All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Six Months of 2022 (January 1 to June 30, 2022)

(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 | % |
| Six months ended Jun. 30, 2022 | 2,294 | - | 1,202 | - | 1,392 | - | 964 | - |
| Six months ended Jun. 30, 2021 | - | - | - | - | - | - | - | - |

Note: Comprehensive income (millions of yen) Six months ended Jun. 30, 2022: 2,380 (-%)

Six months ended Jun. 30, 2021: - (-%)

| | Net income per share | Diluted net income per share |
|--------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Six months ended Jun. 30, 2022 | 46.85 | 46.70 |
| Six months ended Jun. 30, 2021 | - | - |

Note: The results of operations and year-on-year changes for the six months ended June 30, 2021 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 |
|---------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of Jun. 30, 2022 | 19,753 | 17,709 | 85.2 |
| As of Dec. 31, 2021 | 18,010 | 15,821 | 83.9 |

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2022: 16,827 As of Dec. 31, 2021: 15,108

2. Dividends

| | Dividends per share | | | | |
|-----------------|---------------------|--------|--------|----------|-------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| 2021 | - | - | - | 20.00 | 20.00 |
| 2022 | - | 0.00 | - | - | - |
| 2022 (forecast) | - | - | - | 20.00 | 20.00 |

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

Note: Dividends 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) | 63.19 |

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

* Notes

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

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

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares issued (common stock)

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

| | | | |
|----------------------|-------------------|----------------------|-------------------|
| As of Jun. 30, 2022: | 21,443,100 shares | As of Dec. 31, 2021: | 21,443,100 shares |
|----------------------|-------------------|----------------------|-------------------|

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

| | | | |
|----------------------|----------------|----------------------|----------------|
| As of Jun. 30, 2022: | 978,977 shares | As of Dec. 31, 2021: | 857,121 shares |
|----------------------|----------------|----------------------|----------------|

3) Average number of shares during the period

| | | | |
|---------------------------------|-------------------|---------------------------------|----------|
| Six months ended Jun. 30, 2022: | 20,573,874 shares | Six months ended Jun. 30, 2021: | - shares |
|---------------------------------|-------------------|---------------------------------|----------|

Note: Average number of shares during the six months ended June 30, 2021 are not presented as Mercuria Holdings was established on July 1, 2021 through a transfer of stock.

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

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

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

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

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 the first half of 2021 are comparisons with the first half of 2021 of Mercuria Investment.

During the first half of 2022 (January 1, 2022 to June 30, 2022), the outlook for the Japanese economy remained uncertain due to the prolonged impact of the COVID-19 pandemic, Russia's invasion of Ukraine and rising resource prices, among others.

With the goal of achieving medium to long-term growth, 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. Spring REIT, a real estate investment trust listed on the Hong Kong Stock Exchange and managed by our subsidiaries Spring Asset Management Limited and MIBJ Consulting (Beijing) Co. Ltd., has decided to include a large, upscale commercial facility in China in its portfolio.

There were activities involving new funds based on an investment strategy that reflects the current macroeconomic environment. One example is the participation of a fund in the Taiwan Mega-solar Development Project, which is expected to grow significantly, by making an investment of approximately one billion yen in a Taiwan mega-solar development company that is operated by business partner Maiora Asset Management Pte Ltd. In addition, subsidiary Mercuria Investment Co., Ltd. has established the Mercuria Japan Industrial Growth Fund II (Buyout Fund II), which is focused on investments involving business succession at middle-market companies in Japan. This new fund has completed its initial closing of 26.9 billion yen.

In the first half of 2022, operating revenue was 2,293 million yen (up 8.3% year-on-year), ordinary profit was 1,392 million yen (up 17.5%), and profit attributable to owners of parent was 963 million yen (up 17.1%).

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

(2) Explanation of Financial Position

Assets, Liabilities and Net Assets

Total assets amounted to 19,752 million yen at the end of the second quarter of 2022, an increase of 1,742 million yen over the end of 2021. The main reason was an increase of 2,891 million yen in operational investment securities mainly due to investments in a Taiwan mega-solar development company and changes in the market values of securities, while there were decreases of 849 million yen in cash and deposits and 395 million yen in deferred tax assets.

Total liabilities amounted to 2,043 million yen, a decrease of 145 million yen over the end of 2021. The main reasons were decreases of 315 million yen in accounts payable-other and 184 million yen in accrued expenses, while there were increases of 240 million yen in income taxes payable and 85 million yen in provision for bonuses.

Net assets totaled 17,709 million yen, an increase of 1,887 million yen over the end of 2021. The main reasons were increases of 545 million yen in retained earnings and 973 million yen in valuation difference on available-for-sale securities.

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

At this point, there are no revisions to the consolidated earnings forecast for 2022, which was disclosed on February 10, 2022.

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

| | (Thousands of yen) | |
|---|-------------------------------|---|
| | 2021 (As of Dec. 31, 2021) | Second quarter of 2022 (As of Jun. 30, 2022) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,674,764 | 3,825,612 |
| Trade accounts receivable | 541,075 | 637,996 |
| Operational investment securities | 10,606,504 | 13,498,456 |
| Operating loans | 536,581 | 629,118 |
| Short-term loans receivable from subsidiaries and associates | - | 118,000 |
| Advances paid | 29,340 | 127,191 |
| Other | 411,802 | 108,654 |
| Total current assets | 16,800,068 | 18,945,027 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 72,951 | 66,804 |
| Tools, furniture and fixtures, net | 12,256 | 16,862 |
| Total property, plant and equipment | 85,206 | 83,665 |
| Intangible assets | | |
| Software | 282 | 379 |
| Total intangible assets | 282 | 379 |
| Investments and other assets | | |
| Investment securities | 280,965 | 280,965 |
| Leasehold and guarantee deposits | 75,247 | 72,916 |
| Deferred tax assets | 753,651 | 357,824 |
| Other | 14,706 | 12,118 |
| Total investments and other assets | 1,124,569 | 723,824 |
| Total non-current assets | 1,210,058 | 807,868 |
| Total assets | 18,010,126 | 19,752,895 |
| Liabilities | | |
| Current liabilities | | |
| Current portion of long-term borrowings | 130,000 | 130,000 |
| Accounts payable-other | 369,198 | 53,989 |
| Accrued expenses | 239,642 | 54,914 |
| Accrued consumption taxes | - | 14,568 |
| Income taxes payable | 144,956 | 385,495 |
| Unearned revenue | - | 52,156 |
| Provision for bonuses | - | 85,758 |
| Other | 52,373 | 44,978 |
| Total current liabilities | 936,169 | 821,858 |
| Non-current liabilities | | |
| Long-term borrowings | 743,500 | 678,500 |
| Provision for retirement benefits for directors (and other officers) | 102,000 | 102,000 |
| Provision for share-based remuneration for directors (and other officers) | 162,794 | 171,544 |
| Provision for share-based remuneration for employees | 12,500 | 16,250 |
| Retirement benefit liability | 127,810 | 163,627 |
| Long-term accounts payable-other | 84,483 | 70,483 |
| Long-term deposits received | 19,337 | 19,407 |
| Other | 86 | - |
| Total non-current liabilities | 1,252,511 | 1,221,812 |
| Total liabilities | 2,188,680 | 2,043,670 |

| | (Thousands of yen) | |
|---|-------------------------------|---|
| | 2021 (As of Dec. 31, 2021) | Second quarter of 2022 (As of Jun. 30, 2022) |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 4,057,656 | 4,057,656 |
| Capital surplus | 4,510,925 | 4,510,905 |
| Retained earnings | 7,718,834 | 8,264,509 |
| Treasury shares | (712,893) | (786,382) |
| Total shareholders' equity | 15,574,522 | 16,046,689 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (417,793) | 555,722 |
| Foreign currency translation adjustment | (48,367) | 224,701 |
| Total accumulated other comprehensive income | (466,160) | 780,422 |
| Share acquisition rights | 83 | 83 |
| Non-controlling interests | 713,001 | 882,031 |
| Total net assets | 15,821,445 | 17,709,225 |
| Total liabilities and net assets | 18,010,126 | 19,752,895 |

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

| | (Thousands of yen) |
|--|--|
| | First six months of 2022 (Jan. 1 – Jun. 30, 2022) |
| Operating revenue | 2,293,847 |
| Operating costs | 53,168 |
| Operating gross profit | 2,240,679 |
| Selling, general and administrative expenses | 1,039,107 |
| Operating profit | 1,201,572 |
| Non-operating income | |
| Interest income | 807 |
| Foreign exchange gains | 192,829 |
| Rent revenue | 322 |
| Other | 3,630 |
| Total non-operating income | 197,587 |
| Non-operating expenses | |
| Interest expenses | 3,623 |
| Financing fees | 3,000 |
| Other | 118 |
| Total non-operating expenses | 6,741 |
| Ordinary profit | 1,392,418 |
| Profit before income taxes | 1,392,418 |
| Income taxes | 356,975 |
| Profit | 1,035,442 |
| Profit attributable to non-controlling interests | 71,536 |
| Profit attributable to owners of parent | 963,906 |

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

| | (Thousands of yen) |
|--|--|
| | First six months of 2022 (Jan. 1 – Jun. 30, 2022) |
| Profit | 1,035,442 |
| Other comprehensive income | |
| Valuation difference on available-for-sale securities | 973,515 |
| Foreign currency translation adjustment | 385,380 |
| Share of other comprehensive income of entities accounted for using equity method | (14,818) |
| Total other comprehensive income | <u>1,344,077</u> |
| Comprehensive income | <u>2,379,519</u> |
| Comprehensive income attributable to | |
| Comprehensive income attributable to owners of parent | 2,210,489 |
| Comprehensive income attributable to non-controlling interests | 169,030 |

(3) Quarterly Consolidated Statement of Cash Flows

| | (Thousands of yen) |
|--|--|
| | First six months of 2022 (Jan. 1 – Jun. 30, 2022) |
| Cash flows from operating activities | |
| Profit before income taxes | 1,392,418 |
| Depreciation | 31,421 |
| Financing fees | 3,000 |
| Increase (decrease) in provision for bonuses | 85,758 |
| Increase (decrease) in retirement benefit liability | 35,817 |
| Increase (decrease) in provision for share-based remuneration for directors (and other officers) | 8,750 |
| Increase (decrease) in provision for share-based remuneration for employees | 3,750 |
| Interest income | (807) |
| Interest expenses | 3,623 |
| Foreign exchange losses (gains) | (40,269) |
| Decrease (increase) in trade receivables | (45,679) |
| Decrease (increase) in investment securities for sale | (1,194,706) |
| Decrease (increase) in operating loans receivable | (126,823) |
| Decrease (increase) in other current assets | 126 |
| Increase (decrease) in other current liabilities | (451,633) |
| Increase (decrease) in other non-current liabilities | (13,930) |
| Subtotal | (309,185) |
| Interest received | 617 |
| Interest paid | (3,623) |
| Income taxes refund (paid) | 79,519 |
| Net cash provided by (used in) operating activities | (232,672) |
| Cash flows from investing activities | |
| Purchase of property, plant and equipment | (18,352) |
| Purchase of intangible assets | (288) |
| Proceeds from refund of leasehold deposits | 630 |
| Loan advances to subsidiaries and associates | (118,000) |
| Net cash provided by (used in) investing activities | (136,010) |
| Cash flows from financing activities | |
| Repayments of long-term borrowings | (65,000) |
| Dividends paid | (418,232) |
| Purchase of treasury shares | (79,812) |
| Proceeds from disposal of treasury shares | 52 |
| Net cash provided by (used in) financing activities | (562,992) |
| Effect of exchange rate change on cash and cash equivalents | 82,521 |
| Net increase (decrease) in cash and cash equivalents | (849,153) |
| Cash and cash equivalents at beginning of period | 4,604,764 |
| Cash and cash equivalents at end of period | 3,755,612 |

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Consolidated Subsidiaries during the Period

Not applicable.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

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

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

Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition

Mercuria Holdings has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. Based on these standards, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. There is no effect of the application of these standards on the quarterly consolidated financial statements.

Application of the Accounting Standards for Calculation of Fair Value

Mercuria Holdings has applied the Accounting Standard for Measurement of Fair Value, etc. (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value, etc. prospectively in accordance with the transitional measures in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

Segment and Other Information

Segment Information

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

Subsequent Events

Stock Repurchase

Pursuant to the provisions of Article 370 of the Companies Act (a written resolution in lieu of a resolution by the Board of Directors), the Mercuria Holdings Board of Directors approved a resolution on August 10, 2022 to repurchase its own shares pursuant to Article 156 of the Companies Act which is applicable in lieu of Paragraph 3, Article 165 of this act.

1. Reason for stock repurchase

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

2. Information concerning stock repurchase

- | | |
|--|---|
| (1) Type of shares to be repurchased: | Mercuria Holdings common stock |
| (2) Number of shares to be repurchased: | Up to 800,000 (About 3.8% of all Mercuria Holdings shares issued, except treasury shares) |
| (3) Total value of shares to be repurchased: | Up to 640,000,000 yen |
| (4) Repurchase schedule: | August 12, 2022 to June 30, 2023 |
| (5) Method of repurchase: | Purchases on the Tokyo Stock Exchange |

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

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