



# Mercuria Holdings Co., Ltd.

TSE Prime Market: 7347

## Results of Operations for the Second Quarter of the Fiscal Year Ending December 31, 2022

August 26, 2022

**Notes:**

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# Highlights of Today's Presentation

## I. Group management and business strategy progress

Mr. Toyoshima  
CEO

- Major events since Mercuria's establishment through 2021
- Positioning of 2022
- Accomplishments of 2022

## II. Business investment strategies

Mr. Koyama  
Director, Head of  
Business  
Investment Dept.

- Business domain
- Investment strategy and priority
- Buyout Fund I/II and others

## III. Asset investment strategies

Mr. Ishino  
Director, Head of  
Asset  
Investment Dept.

- Business domain
- Investment strategy and priority
- Spring REIT
- Aircraft Fund II and others

## IV. Financial highlights

Mr. Takigawa  
Executive Officer,  
Head of Finance  
& Control Dept.

- 2Q financial summary
- Earnings and loss
- Effects of business units on results



# 1. Group Management and Business Strategy Progress

# Outline of the Mercuria Investment Group

- The Mercuria Investment Group, with its core company Mercuria Investment that was established in 2005, manages funds that invest in alternative assets and makes principal investments in these funds.
- Listed on the Tokyo Stock Exchange in 2016. Changed to a holding company structure in 2021.

## Company Profile (As of June 30, 2022)

<b>Company name:</b>	Mercuria Holdings Co., Ltd.
<b>Head office:</b>	Daibiru Bldg., 1-3-3 Uchisaiwaicho, Chiyoda-ku, Tokyo
<b>Established:</b>	July 1, 2021 (the former Mercuria Investment Co., Ltd. was established on October 5, 2005)
<b>Capital:</b>	¥4,057,656,380
<b>Business:</b>	Holding company, fund management business and principal investment business
<b>Management personnel:</b>	Toshihiro Toyoshima, CEO Hideya Ishino, Director, COO, Head of Asset Investment Dept. Kiyoto Koyama, Director, CIO, Head of Business Investment Dept.
<b>Number of employees:</b>	90 (consolidated)
<b>Listing:</b>	Tokyo Stock Exchange, Prime Market (stock code 7347)
<b>Strategic shareholders:</b>	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, renewable energy funds, aircraft funds, 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. (Thailand)**  
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

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## Mission

“Change today’s Japan through Power of Funds”

## Three Management Philosophies

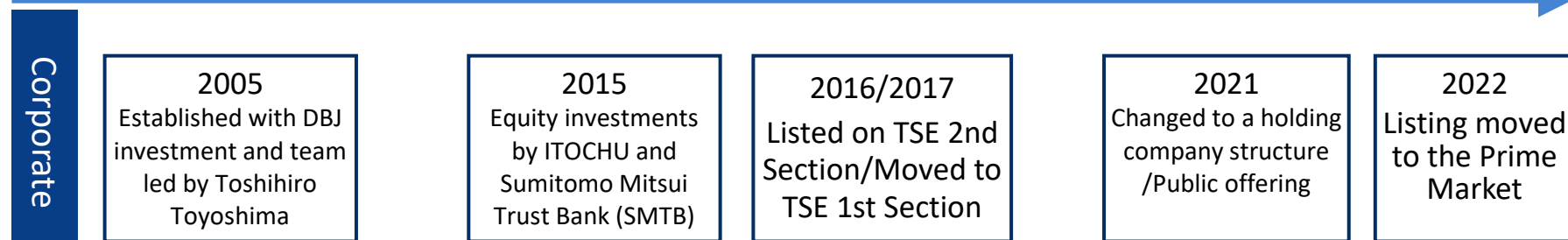
Crossing National, Mental and Generational Boundaries —Cross Border

Becoming a World-class Investment Group —Global Reach

Common Knowledge in Five Years —Undiscovered Common

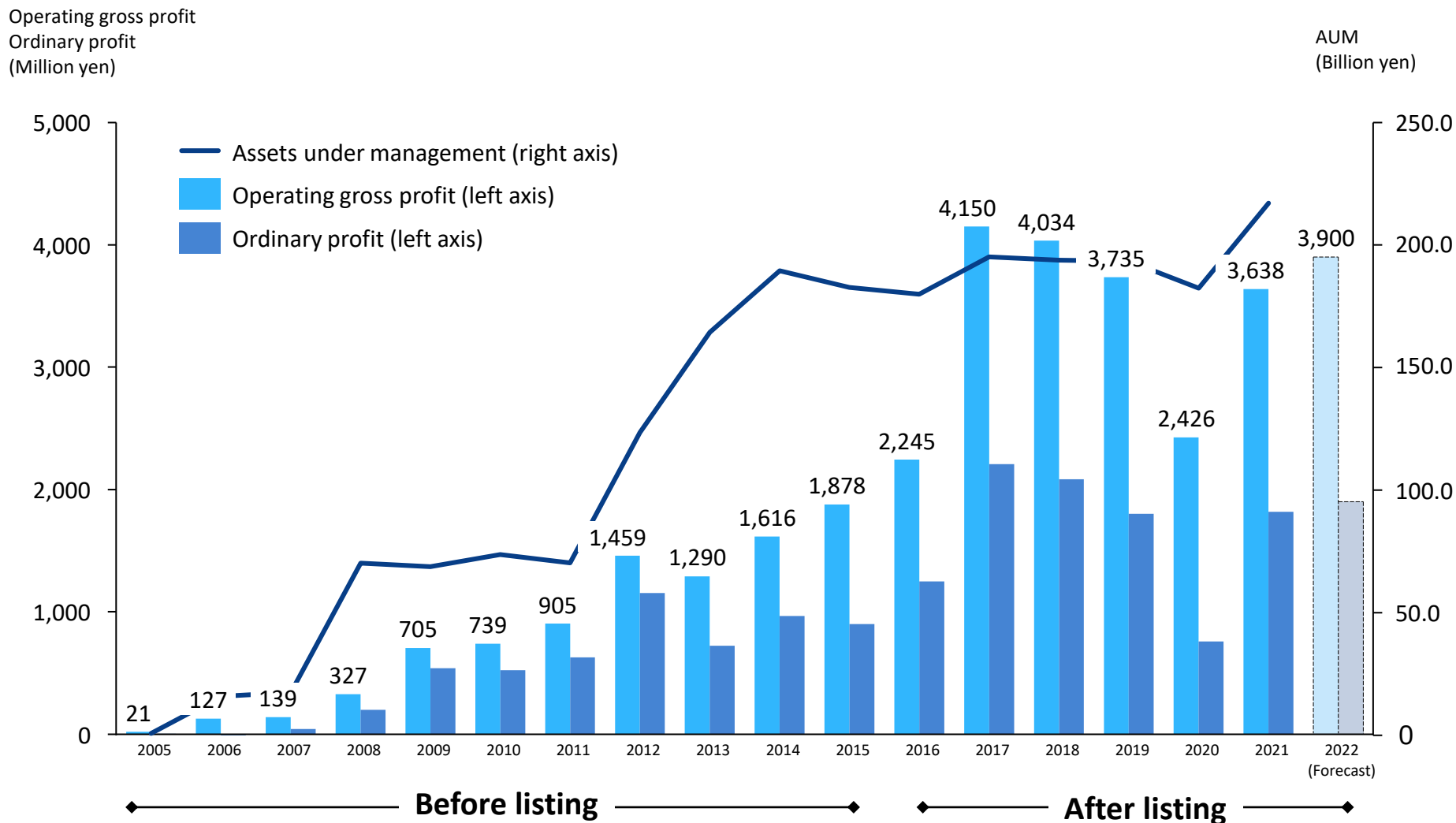
# Business Operations and Major Events (2005 to 2021)

- Since our establishment in 2005, we have established and managed growth funds with the common theme of cross-border (national and mental boundaries).
- Following the stock market listing in 2016, the Mercuria Investment Group has established and managed buyout funds and cash flow (aircraft, renewable energy) funds with theme of cross-border (generational boundaries).



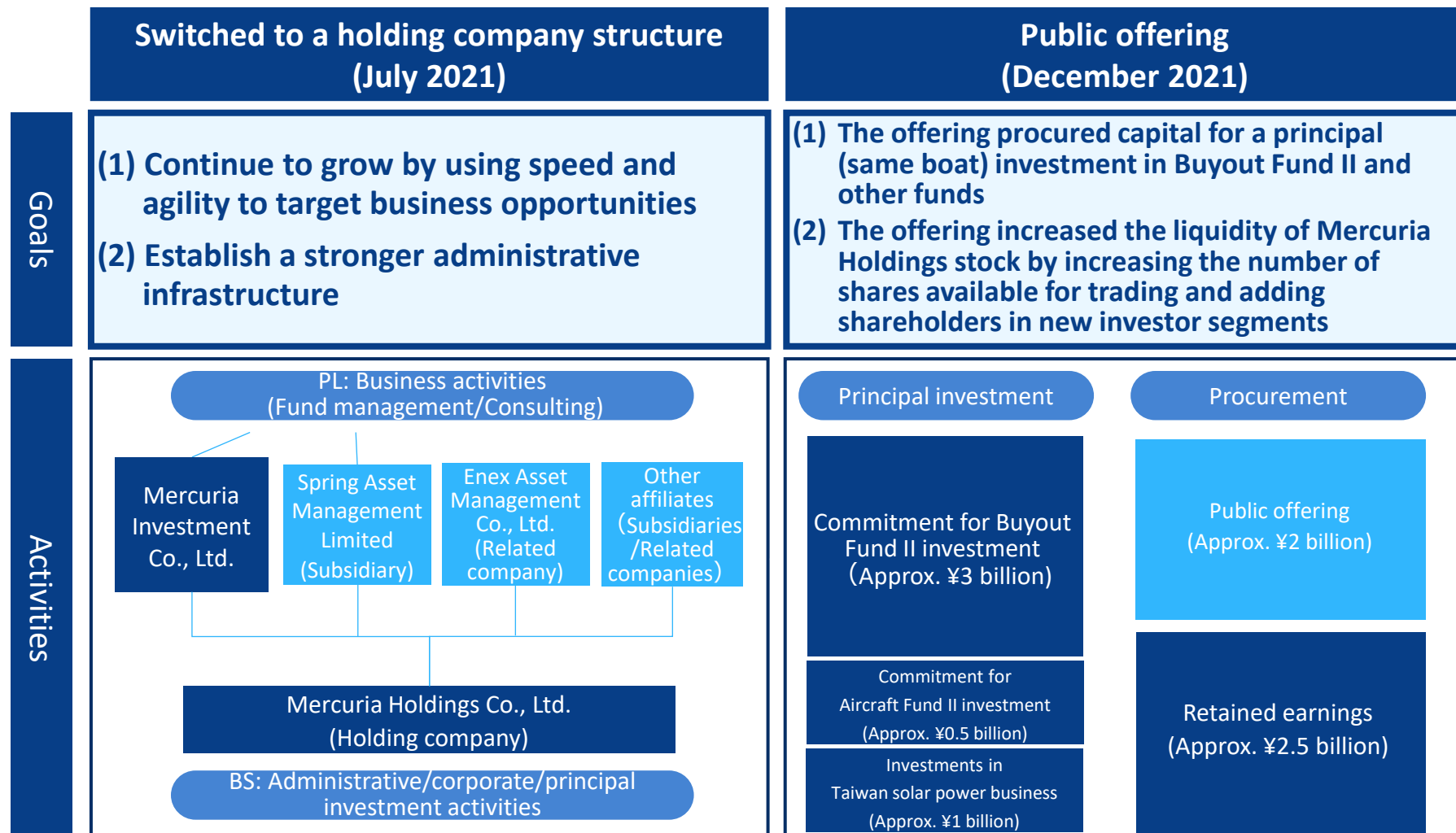
# Main Financial Indicators (2005–2021)

- The Mercuria Investment Group has achieved significant growth since its establishment even during economic crises and other challenges by making strategic shifts in targeted investment categories based on the outlook for macroeconomic trends.



# Holding Company Structure and Public Offering of Stock (2021)

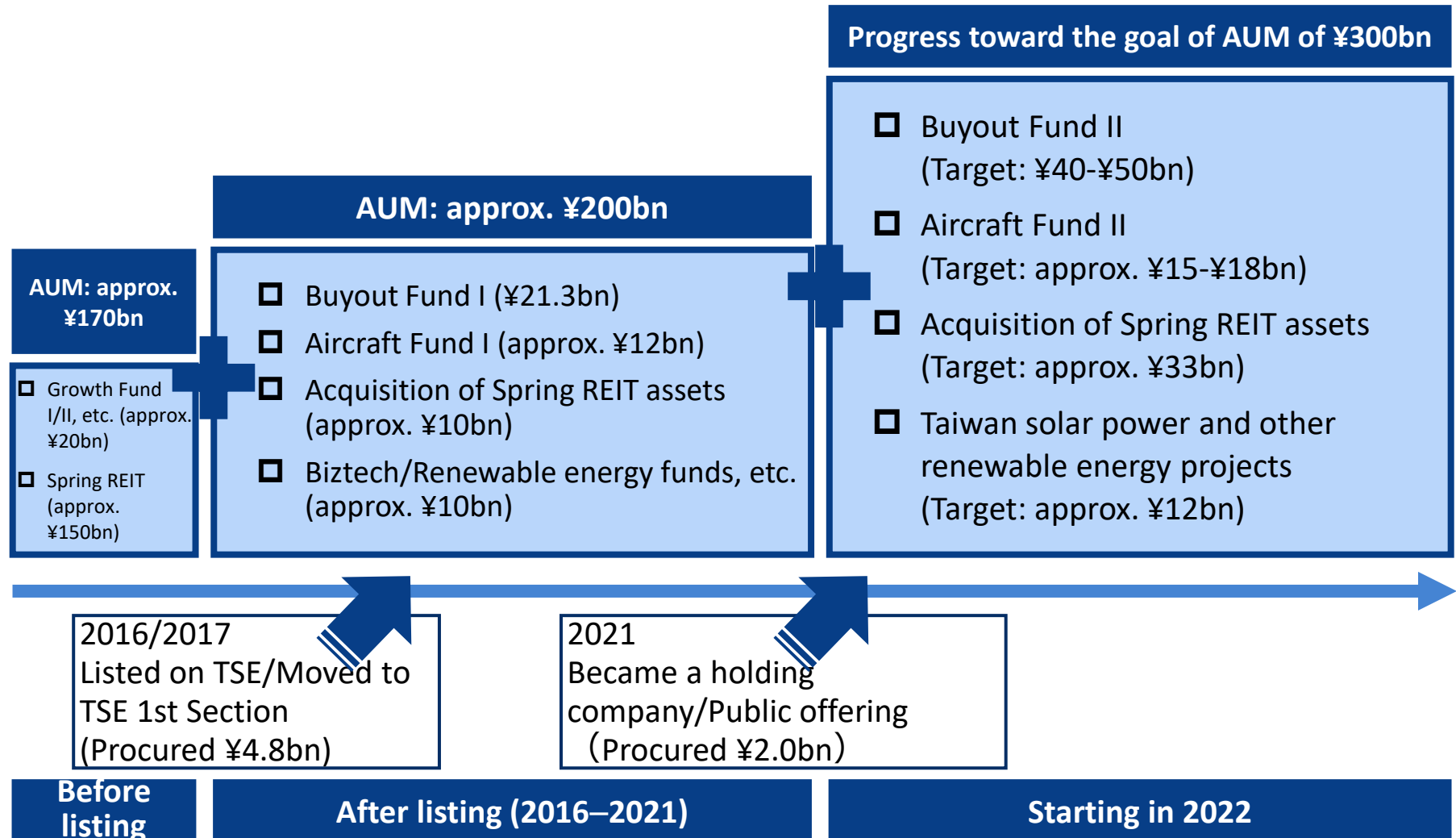
- In 2021, five years after Mercuria Investment's IPO, the company changed to a holding company structure and procured capital through a public offering. In 2022, activities centered on launching new funds for the next phase of progress have started to build a base for growth.





# Activities for Raising Assets under Management to ¥300 Billion (2022)

- Following the 2021 shift to a holding company structure and public offering to procure capital, 2022 is the first year of the stage of launching many funds to become a corporate group with ¥300 billion of assets under management.



# Business Sectors and Investment Strategies

- A multi-strategy investment backed by the holding company platform.
- Business operations consist primarily of two categories. One is business investments, which are buyout and growth investments. The other is asset investments, which are real estate, aircraft and renewable energy investments.

## Business Investments

Invest in companies, increase the value and sell companies to the next generation of ownership

- Buyout investments
- Growth investments

## Asset Investments

Purchase high-grade assets in order to generate consistent revenue and gains on sales of assets

- Real estate investments
- Aircraft investments
- Renewable energy investments

## Value Investments

Goal is buying undervalued assets to earn high returns

- Special situations, market volatility, non-performing loans, etc.

# The Holding Company Platform

- In the holding company platform, the holding company is responsible for dialogues with shareholders in capital markets and group operating companies are responsible for dialogues with investors and customers in fund management market.

## Fund management market: Fulfilling our responsibilities to investors and customers

### Business investments



**Kiyoto Koyama**  
Director, CIO,  
Head of Business  
Investment Dept.



**Xiaolin Xu**  
Executive Officer,  
China Business  
Leader

### Asset investments



**Hideya Ishino**  
Director, COO,  
Head of Asset  
Investment Dept.



**Toshiaki Fukai**  
Executive officer,  
Head of Japanese  
Real Estate Business  
Dept.

### Spring REIT business



**Leung Kwok Hoe, Kevin**  
Spring Asset Management



**Yan Judy**  
MIBJ Consulting (Beijing)

### Thai business

**Minoru Momota**  
Mercuria  
(Thailand)

### Aircraft

**Yoichi Hirotsani**  
Mercuria Airborne  
Capital

## Mercuria Holdings



**Toshihiro Toyoshima**  
CEO

### Finance & Control / Business Planning



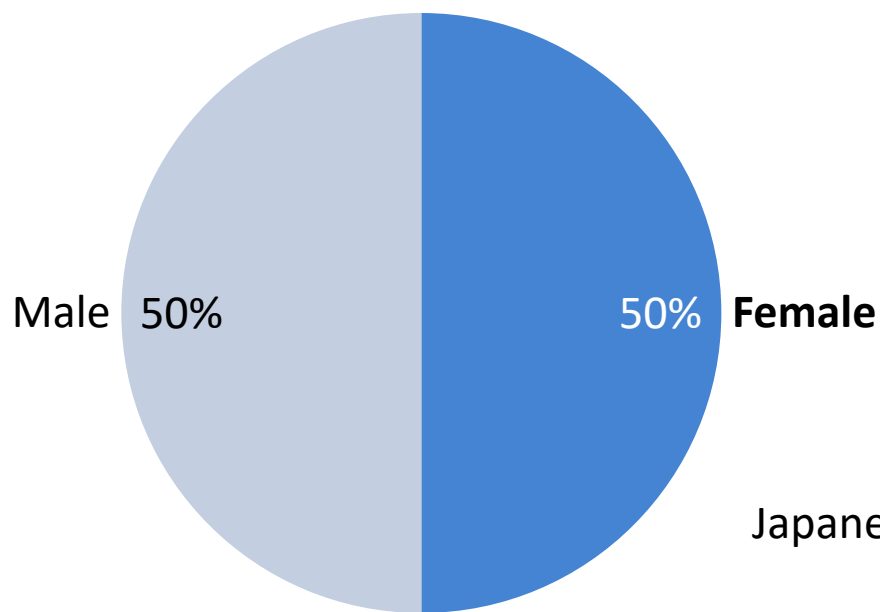
**Yusuke Takigawa**  
Executive Officer,  
Head of Finance & Control Dept. and  
Business Planning Dept.

## Capital market: Dialogues with shareholders

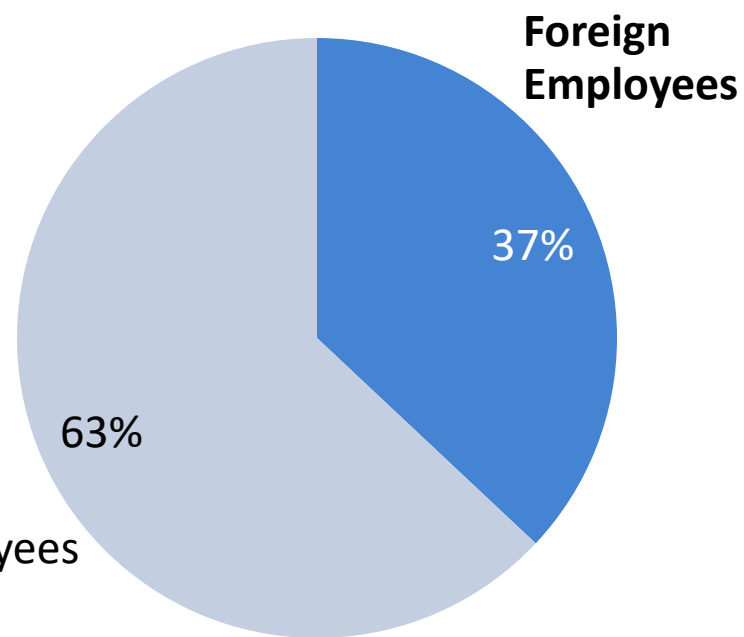
# Workforce of the Mercuria Investment Group

- People are recruited and assigned to jobs based on their capabilities and irrespective of gender and nationality. As of the end of June 2022, women were about half of the workforce and about 40% of the workforce was foreign employees.
- At overseas subsidiaries we actively hire non-Japanese people.

## Gender Diversity Ratio\*



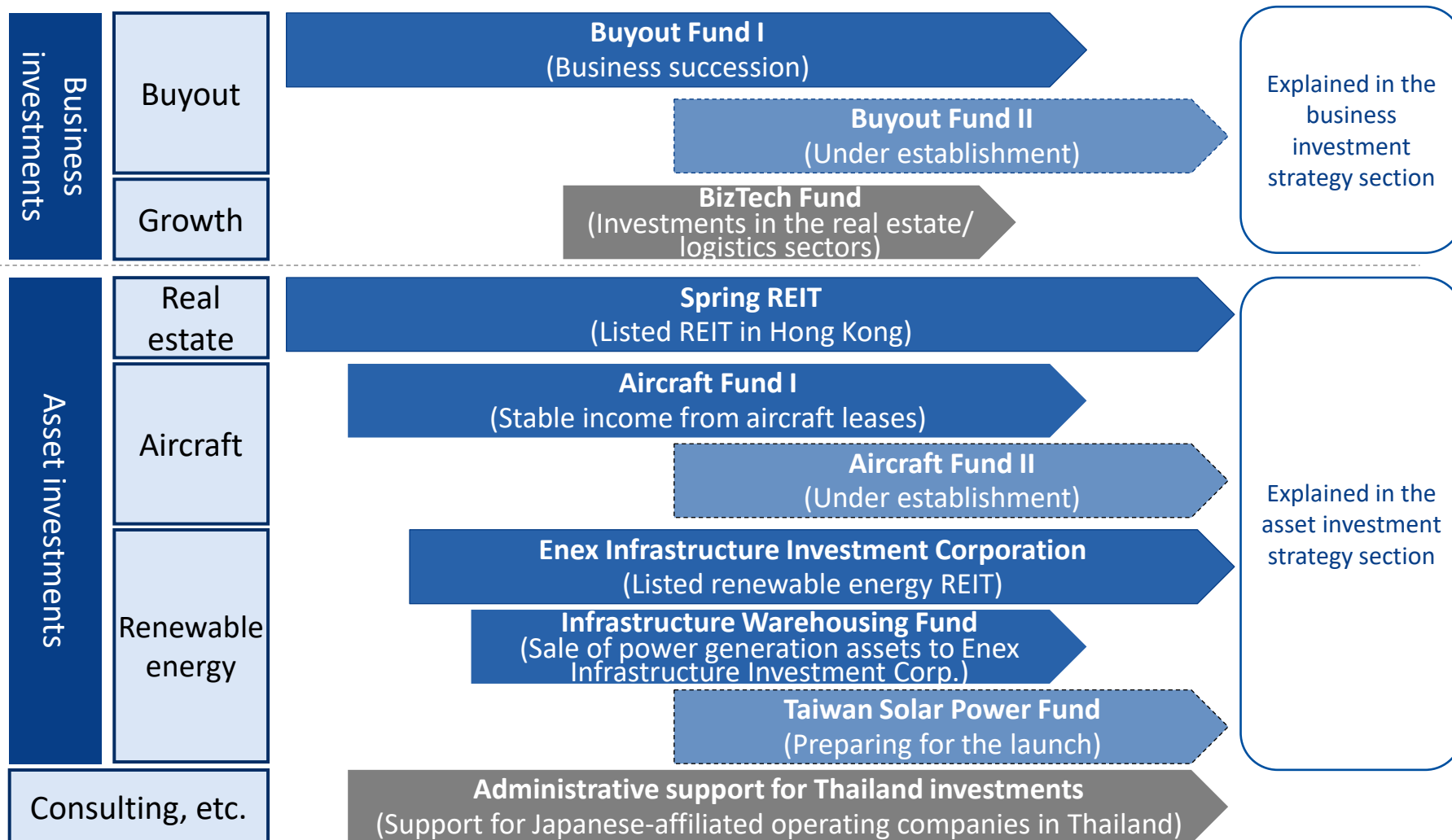
## Nationality Diversity Ratio\*



\*Figures are based on core companies where Mercuria Holdings has at least a certain level of control.

# Funds for Business and Asset Investments

- In the business investments category, the goals are to maximize returns of Buyout Fund I, which is performing very well, and launch its successor, Buyout Fund II.
- In the asset investments category, the goal is to increase AUM by using a multi-strategy investment encompassing Spring REIT and funds for aircraft, renewable energy and other assets.



# Accomplishments of 2022

- In 1H 2022, there was progress in all business units. Highlights of the period include (1) the launch of Buyout Fund II as the successor to Buyout Fund I, which has generated strong returns; (2) Spring REIT's acquisition of new assets; and (3) the launch of Aircraft Fund II and a principal investment in the Taiwan solar power development project.

## (1) Buyout business (Business investments)

### Buyout Fund I (total funds: ¥21.3bn; principal investments: ¥2.2bn)

- **Management is as planned**  
**Tokyo Denkai exit to JX Nippon Mining & Metals Corp.**; four cumulative exits for nine cumulative investments

### Buyout Fund II

- **First close is ¥26.9 billion**, including new investors; aiming for **¥40-¥50 billion** for this fund
- Announced a **TOB for the acquisition of Mutual Corp.** (July 15)

## (2) Spring REIT business (Asset investments)

- **Occupancy is 96% at the Beijing office building**, a key component of the portfolio
- **Plan to purchase for about ¥33 billion a large high-end shopping mall** in China's Guangdong province

## (3) Other asset investments

### Aircraft Fund II

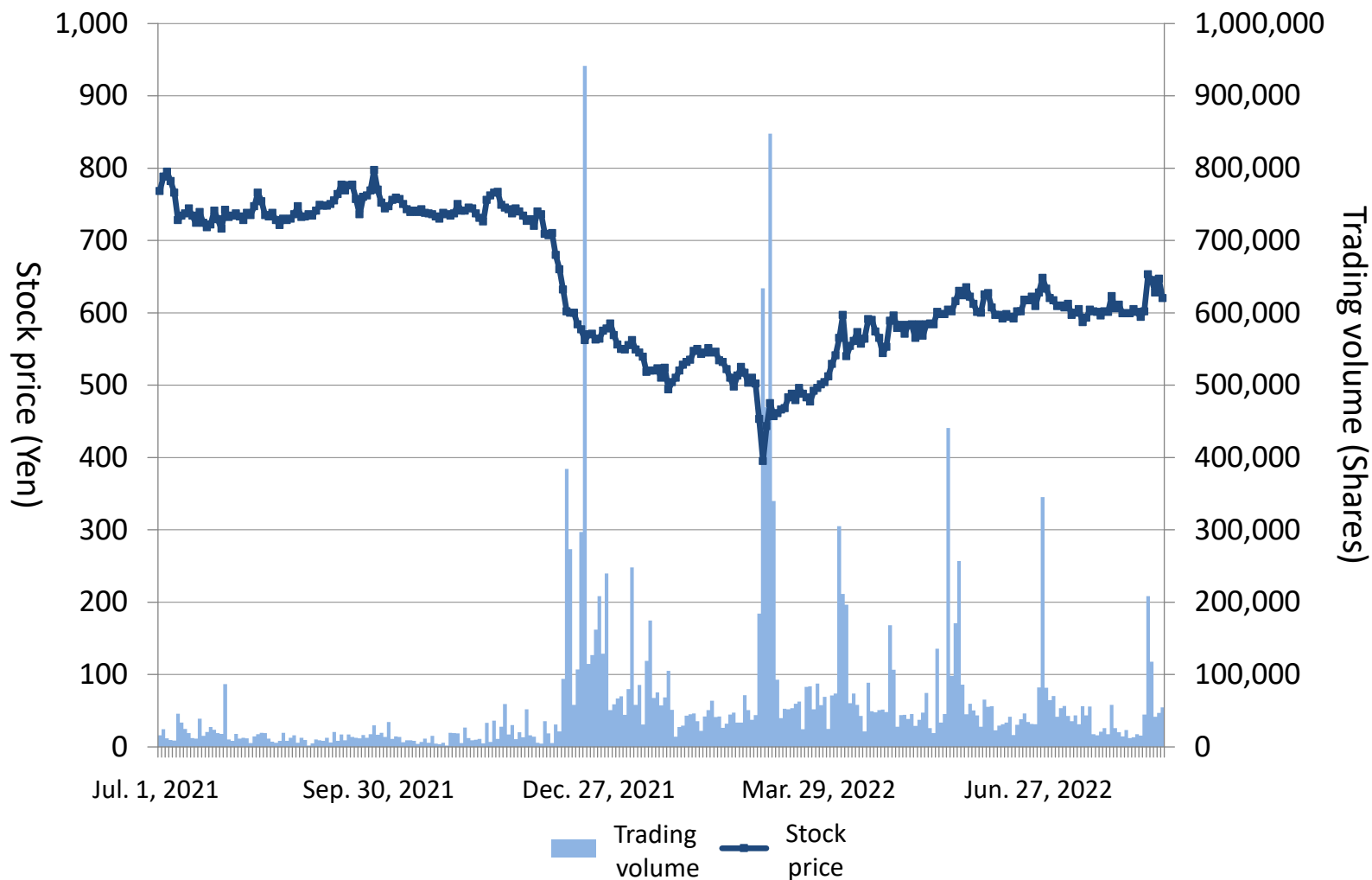
- Announced **first establishment in Japan of an aircraft fund since the pandemic started** with Airport Facilities Co., Ltd. as the anchor investor (July 5)

### Taiwan solar power development

- Decided to **make a ¥1 billion principal investment** for joint activities with Miora, **a partner with Enex Infrastructure Investment Corporation and others**

# Stock Price and Trading Volume

- The December 2021 public offering raised trading volume significantly.
- The stock price is currently about ¥620.



# Composition of Earnings and Corporate Value

- Mercuria Holdings' view of the value of its stock is based on three components (1): steady value (management fees); (2) net asset value (principal investments); and (3) upside value (performance fees).
- Market cap was ¥12.9 billion as of August 8, 2022. The goal is to earn recognition from investors of the value that Mercuria Holdings believes is currently hidden.

Value of stock		Explanations	Market cap Closing price on August 8, 2022
Components of stock value	Upside value (performance fees)	<ul style="list-style-type: none"> <li>+ Funds established after the IPO will start reaching the performance fee stage and launches of even larger successor funds are going well</li> <li>+ Buyout target return is a net IRR of at least 15% (Gross MOIC 2.0x over five years) (Performance fees are ¥6.5 billion for funds in prior years)</li> </ul>	<div style="border: 2px dashed black; padding: 10px;"> <p><b>Hidden value that Mercuria Holdings believes exists</b></p> </div>
	Business value (management fees)	<ul style="list-style-type: none"> <li>+ Increase base annual management fees (from almost ¥1.9 billion now to at least ¥2.5 billion)</li> <li>+ Little uncertainty because fees are based on long-term contracts</li> <li>- Operating expenses</li> </ul>	
	Net asset value (principal investments)	<ul style="list-style-type: none"> <li>+ Cash and deposits ¥3.8 billion</li> <li>+ Principal investments ¥14.1 billion (including unrealized capital gains)</li> <li>+ Other assets ¥1.8 billion</li> <li>- Borrowings ¥0.8 billion</li> <li>- Operational liabilities, etc. ¥1.2 billion</li> <li>- Non-controlling interests ¥0.9 billion</li> </ul>	
		<ul style="list-style-type: none"> <li>Expectation for performance fees</li> <li>Business value with a sound base for management fees</li> <li>Principal investments ¥16.8 billion + Unrealized capital gain asset value</li> </ul>	<p><b>¥12.9 billion (¥601/share)</b></p>



# Stock Repurchase

- Due to the strong performance of business operations, The Board of Directors authorized the open market repurchase of up to 3.8% of its stock for the purposes of returning more earnings to shareholders, using capital more efficiently and quickly taking actions involving capital strategies based on the current operating environment (August 10)

## Summary of stock repurchase

- (1) Type of shares to be repurchased: Mercuria Holdings common stock
  - (2) Number of shares to be repurchased: Up to 800,000 shares  
(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: Auction market on Tokyo Stock Exchange
- \*A part or all of the repurchase program may not be implemented depending on market trends and other factors.

### 1. Steady growth of fund assets

- Progress with Buyout Fund II and Aircraft Fund II, which are major goals in 2022, is as planned including same-boat (principal) investments with funds procured using the Dec. 2021 stock offering and cash and equivalents
- Spring REIT is purchasing assets as planned
- Made a ¥1 billion principal investment in the Taiwan solar power development business

### 2. Cash and equivalents including sales of existing fund holdings

- Cash and equivalents were about ¥3.8 billion at the end of June 2022, partly due to proceeds that were earlier and larger than planned resulting from sales of holdings (exits) by Buyout Fund I
- We expect to start recovering our same-boat (principal) investments in Buyout Fund I and Aircraft Fund I, which were launched after the 2016 IPO
- Plan on considering use of bank loans and other methods to procure capital for the purpose of using capital more efficiently by achieving the proper balance between external and internal capital

### 3. Shareholder value

- Shareholder value at Mercuria Holdings has three components: (1) steady value (management fees); (2) net asset value (principal investments); (3) upside value (performance fees)
- We believe that the current stock price may not fully reflect the steady progress with our business activities and results of operations

# Our ESG/SDGs Initiatives

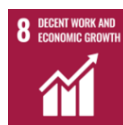
## (1) Environment

- 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 aiming for a sharing business with regard to satellites that can be expected to 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 SMEs
  - Operation of funds that support innovation in the real estate and logistics 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 SMEs



## 2. Business Investment Strategies

# Overview of Business Investments

- Mercuria Holdings manages buyout funds, which make investments primarily involving business succession, and the BizTech Fund, which invests in companies that provide innovative services in the real estate and logistics industries.

## Buyout investments

### Buyout fund I

- Fund size ¥21.3 billion
- Four exits for nine investments
- Net IRR is more than 15%

## Growth investments

### BizTech Fund

- Fund size ¥3.1 billion
- 17 investments
- IPOs of portfolio companies are expected

There are separate teams for each investment category, but the teams work closely together by sharing knowledge of portfolio companies

### Buyout Fund II

- Fund size ¥26.9 billion (Target is ¥40-¥50 billion)
- One investment
- Target return is a net IRR of at least 15%

### Business succession funds

- Studies under way for the establishment of a fund

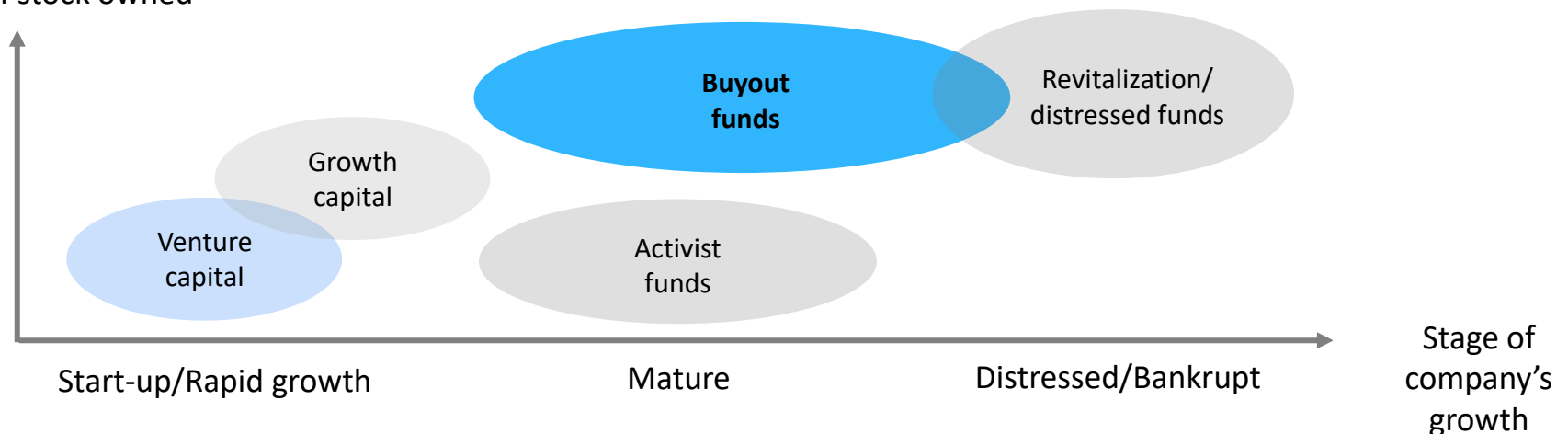
# Positioning of Buyout Funds

## What is a buyout fund?

- ◆ Buyout funds use funds from institutional investors and other investors to purchase a majority interest of privately owned (private equity) or publicly owned companies.
- ◆ After spending several years on raising the value of these companies, the stock is sold or some other action is taken. Returns from sales of stock are distributed to the fund's investors.
- ◆ Buyout funds are widely recognized in Europe, North America and other regions as key players concerning innovation and progress in many industries.

## Categories of Investment Funds

Pct. of stock owned



# Buyout Fund I/II Investment Strategies

- Main targets are business succession and the privatization of listed companies. Owners of midsize and smaller companies are open to an investment by a Mercuria buyout fund because of Mercuria's shareholders (DBJ, ITOCHU, SMTB) and Mercuria Holdings' own experience and knowledge as a publicly owned company.

## 1 Business succession

Pct. of SMEs in Japan with no successor

# 61.5%

Source: 2022 White Paper on Small and Medium Enterprises  
(Small and Medium Enterprise Agency)

- ✓ There is an urgent need in Japan for measures to facilitate the efficient transition of companies to new owners.
- ✓ Owners of companies are well aware of the role of investment funds for locating new owners, which creates a positive environment for these funds.

### ■ Performance of Buyout Fund I

- Eight of nine companies in which the fund invested involved business succession

## 2 Privatization

Privatization of publicly owned companies

# 64 deals 86 deals

2013

2021

Source: List of Delisted Companies  
(Tokyo Stock Exchange website)

- ✓ The Corporate Governance Code and new segments of the Tokyo Stock Exchange contributed to an increase in the number of privatization deals.
- ✓ SMTB has a market share of 42% in Japan's stock transfer agency sector. (2019)

### ■ Two investments have been made for converting listed companies to private ownership

- Buyout Fund I: Tsunoda Co., Ltd.
- Buyout Fund II: Mutual Corp.

# Four Strengths of the Mercuria Investment Group's Buyout Funds

- Buyout funds of the Mercuria Investment Group are different from those of other companies in two ways. First is access to the resources and support of strategic partners. Second is many accomplishments involving investments in manufacturers, investments with low entry multiples and hands-on cross-border deals.

## Investments in manufacturers



### Eight of 10 investments by Buyout Funds I and II are manufacturers

- Many investments in manufacturers as Mercuria Holdings carries on the Development Bank of Japan culture of supporting the advancement of manufacturing in Japan
- Consistent growth even during periods of economic volatility by making investments in leading manufacturers in niche B-to-B sectors

## Entry at low multiples



### Holdings of Buyout Funds I and II have **relatively low entry multiples**

- Nine of 10 past investments were made on by proprietary deal, resulting in low entry multiples
- Extensive sourcing activities and relationships that make Mercuria funds the first choice as a partner due to thorough explanations to business owners of the funds' strengths and other activities

## Relationships with strategic partners



### Major shareholders are **DBJ, ITOCHU and SMTB**

- A reputation for stability and reliability as an affiliate of Development Bank of Japan (DBJ)
- Sound relationships for cooperation with ITOCHU and Sumitomo Mitsui Trust bank (SMTB), which are major shareholders of Mercuria Holdings
- Relationships with operating companies that contribute to the growth of fund portfolio companies

## Cross-border hands-on investments



### **Cross Border**

Investments in China and other regions of Asia

- Team members with powerful networks of relationships in China and SE Asia support the growth of operations outside Japan
- Able to provide portfolio companies with access to the CP Group in Thailand, SSI Securities in Vietnam and other prominent companies in China and SE Asia

# Performance of Buyout Fund I

- Buyout Fund I has made nine investments and completed exits from four of these investments. The performance fee stage will begin soon. These fees are expected to support the performance of the Mercuria Investment Group.

## Overview of Buyout Fund I

### Fund size

¥21.3 billion  
(Fully funded)

### Returns

Net IRR  
15%+

Net return on investment  
2x

### Fund investors

DBJ  
SMTB  
Financial institutions  
Non-financial  
companies

### Investment strategies

Business succession  
Privatization  
Carve-out deals  
etc.

## Investments (Total of nine)

### Four exits



Pentel



### Five current holdings





# Establishment and Performance of Buyout Fund II

- The first close of ¥26.9 billion has been completed. Plan to increase the fund to ¥40-¥50 billion.
- The first investment was a takeover bid for Mutual Corp.

## Overview of Buyout Fund II

### Investments

- ✓ Mutual Corp. was the first investment
- ✓ Plan to add two or three more holdings by the end of 2022

### Target return

Net IRR  
**15%+**

Net return on investment  
**2x**

### Fund investors

- ✓ Investments by Buyout Fund I investors
- ✓ Several new investors

### Investment strategies

Same as Buyout Fund I

Business succession  
Privatization  
Carve-out deals  
etc.

Strong return of Buyout Fund I made this fund appealing to investors

## Upcoming activities

Final close (expected in March 2023)

**¥40-¥50 billion**  
(Forecast)



1st close (March 2022)

**¥26.9 billion**  
(Actual)

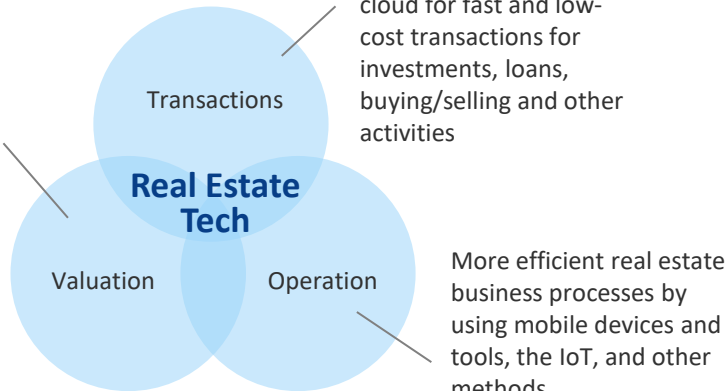
# BizTech Fund Performance

- The BizTech Fund invests in companies that provide innovative services to real estate and logistics sectors.
- The investment phase has ended with 17 investments due to progress as planned. The goal is the use of IPOs to exit these investments.

## Investment Categories

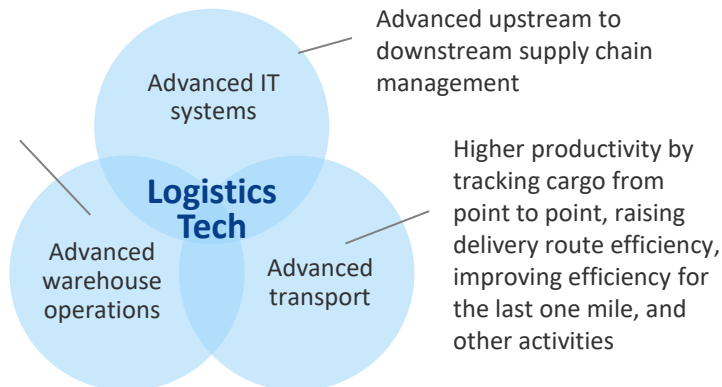
### Real estate

Automatic provision of easy-to-understand assessments of real estate and regions based on data and technologies



### Logistics

Smart warehouses using high-performance material handling equipment and robots, wearable devices and other equipment



## Examples of Portfolio Companies

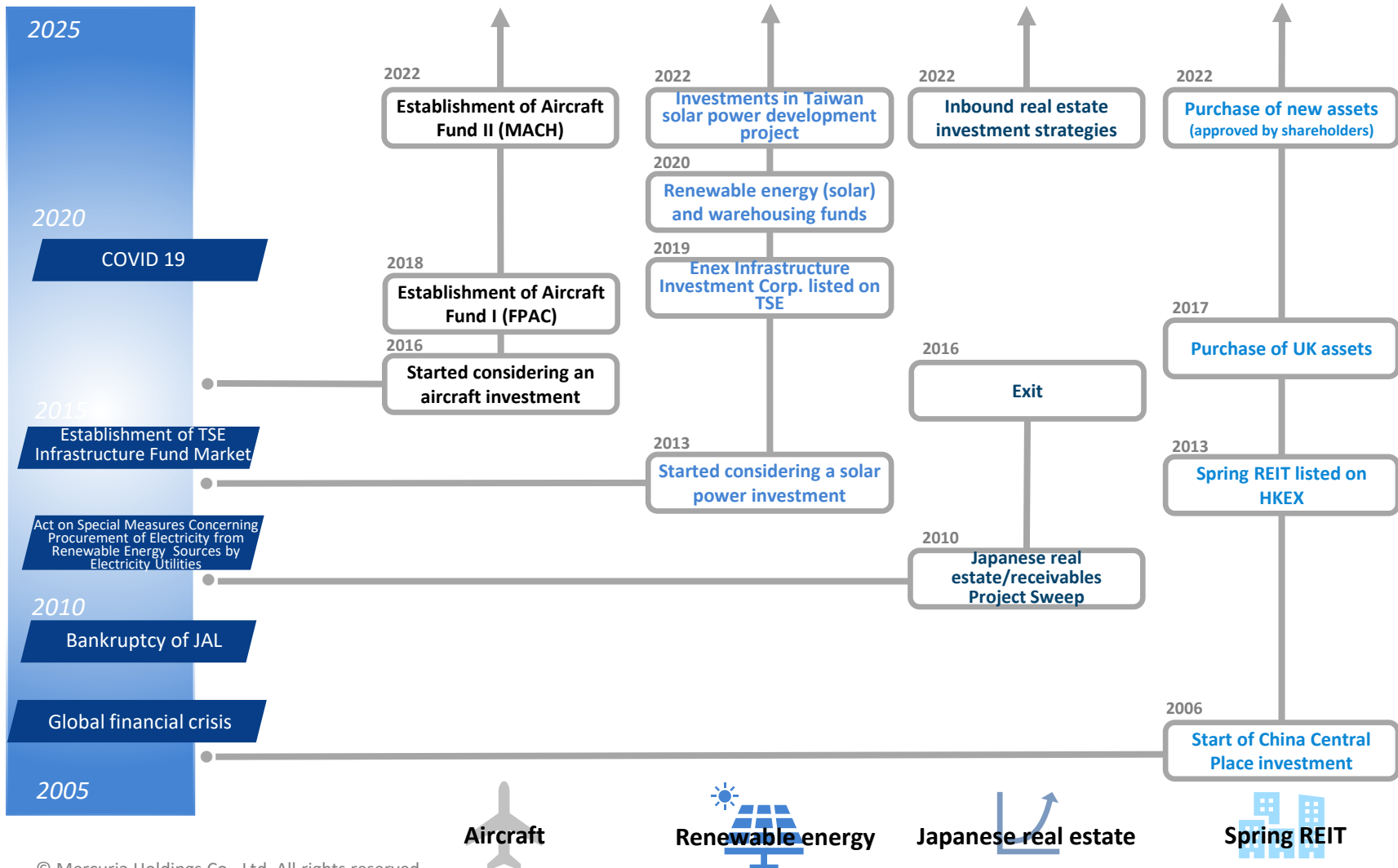




## **3. Asset Investment Strategies**

# Revision of Investment Strategy for Asset Investments

- The Mercuria Investment Group has many firsts in Japan's investment fund industry, such as an investment in a large Beijing office building and the establishment of an income-producing aircraft fund, and remains committed to providing Japanese investors with opportunities in new asset categories.

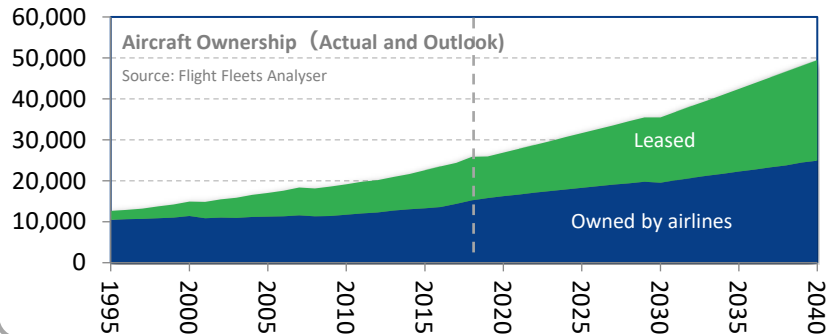


# Priority: Assets Backed by Real Demand

- Investment uncertainty can be lowered by investing in asset categories where demand is expected to increase consistently from a macroeconomic perspective.

## Aircraft

Aircraft demand is regarded to grow as international travel increases along global economic growth. Airlines are reducing aircraft ownership and raising the use of leases. Aircraft leases are therefore an attractive sector for investors due to the excellent prospects for more growth.

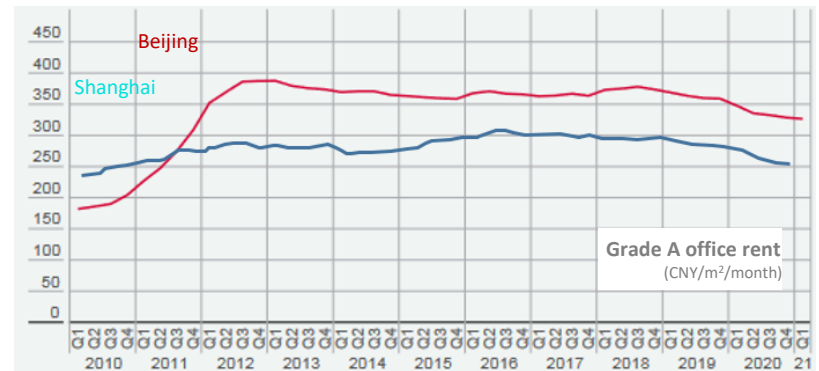


## Renewable energy

The need for renewable energy is growing as the pace of decarbonization activities increases. Furthermore, technological advances are making renewable energy even more efficient. As a result, this is a very attractive sector for long-term investments.

## Real estate in Beijing (Spring REIT)

Shanghai grew rapidly in the early 2000s as the gateway to China's enormous manufacturing sector. Currently, the city's office building market is in a mature phase. The importance of Beijing is likely to increase as a gateway as China becomes one of the world's most important markets.



Source: Prepared by Mercuria Holdings based on Knight Frank data

## Real estate in Thailand

Demand for residences among first-time buyers is expected to continue to climb in Bangkok as young people relocate to this area. Many opportunities for developing apartment buildings for single people and for other activities.



# Business Domain Expansion for Investment Strategies

- Steady growth is expected in all three investment categories of the Mercuria Investment Group's asset investment business.

## Renewable energy investments

Enex Infrastructure Investment Corporation, which was listed in 2019, is Japan's third largest publicly owned infrastructure fund. This fund aiming for more growth by seeking secondary market investment opportunities in warehouse and other funds.

Investments have started in solar power in Taiwan as a new source of growth in the renewable energy category. The goal is to establish a fund with assets of about ¥150 billion.

## Aircraft investments

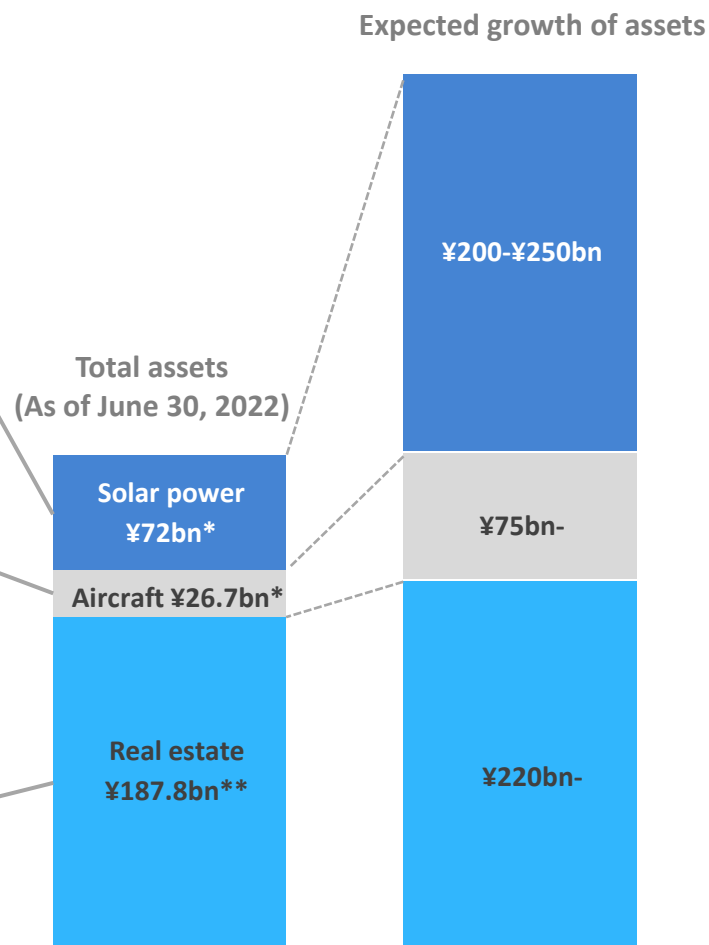
In 2018, the Mercuria Investment Group established Japan's first aircraft fund focusing mainly on generating income. In addition, Mercuria Holdings was the only investment company that established an aircraft fund for investors in Japan following the downturn of travel during the pandemic.

The goal of Aircraft Fund II is assets of more than ¥50 billion.

## Real estate investments (Spring REIT)

Spring Asset Management Limited is the only Japanese affiliated fund management company that manages an REIT in Hong Kong. Spring REIT is in the final stage of purchasing a property in Guangzhou, which is an investment approved at an extraordinary shareholders meeting in May.

After purchasing this property, Spring REIT is expected to have assets of more than ¥220 billion.



\* Total based on acquisition cost  
 \*\* Total based on appraised values

# Global Operations with Partners

- People at the Mercuria Investment Group with global business knowledge and skills are working with partners in many regions and business fields to make cross-border investments that can raise the certainty and speed of the group's growth.
- As the gatekeeper in Japan for cross-border investments, Mercuria Holdings is committed to maximizing and protecting earnings for investors.

## China

Plan to increase real estate sector investments primarily by using China Central Place for activities with partner Huamao. Gaining a thorough understanding of political and economic trends in China will support upcoming investments by Mercuria Holdings in China.

## Taiwan

Plan to continue seeking investment opportunities while supporting the operations of Maiora, which has a pipeline with many large, high-grade solar power development projects in Taiwan as well as strong relationships with Mercuria Holdings' affiliate and other companies in Japan.

## Ireland

In the aircraft investment business, Mercuria Holdings is working with Airborne Capital Limited, which has many years of lease management experience for the operation of funds with a strategy that meets the requirements of Japanese investors. The aircraft investments of Aircraft Fund I (FPAC), which was established with Deucalion Aviation, remained sound during the pandemic due to numerous actions and a strong determination to overcome challenges.

## Hong Kong

Mercuria Holdings is using Hong Kong's position as an international financial center to operate businesses, develop financial products and conduct other activities with the cooperation of a large number of financial institutions.

## Thailand

Mercuria Holdings is using a partnership with a large real estate developer in Thailand to provide investment opportunities to companies in Japan. Market surveys and administrative services by Mercuria Holdings' subsidiary in Thailand are key elements of the success of investments in Thailand.

## Japan

Enex Infrastructure Investment Corp. was established and listed with the support of sponsors led by ITOCHU ENEX Co., Ltd. Currently working on strategies for more growth. Planning on business activities outside Japan with partner companies and using investments by investors and companies in Japan. Also starting new businesses by providing support for investment activities in Japan by partners in other countries.

# Major Topics/ Overview of Spring REIT

- Spring REIT has been listed on the Hong Kong Stock Exchange since 2013.
- Occupancy of 96% at the Beijing office building (CCP) that is a major component of the holdings of Spring REIT.

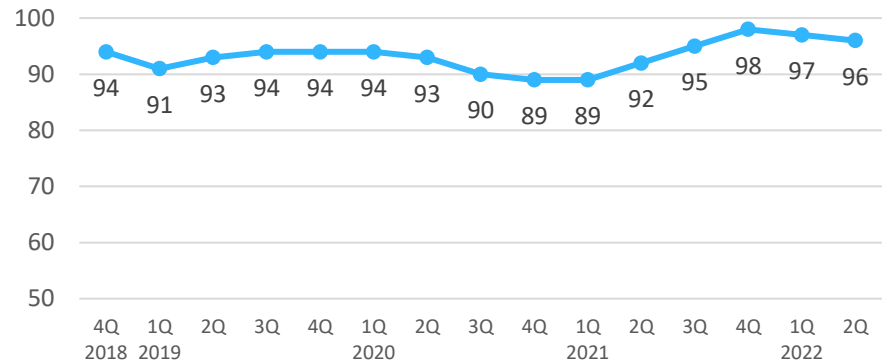
## China Central Place (CCP) in Beijing



## Overview of Spring REIT

Details	
Owned properties	Office buildings (Beijing): 145,372m <sup>2</sup> Store real estate (UK): 84 stores
Total assets	Approx. ¥170 billion
LTV	Approx. 30%
Market cap	Approx. ¥68 billion

## China Central Place Occupancy (%)



## Store real estate in the UK



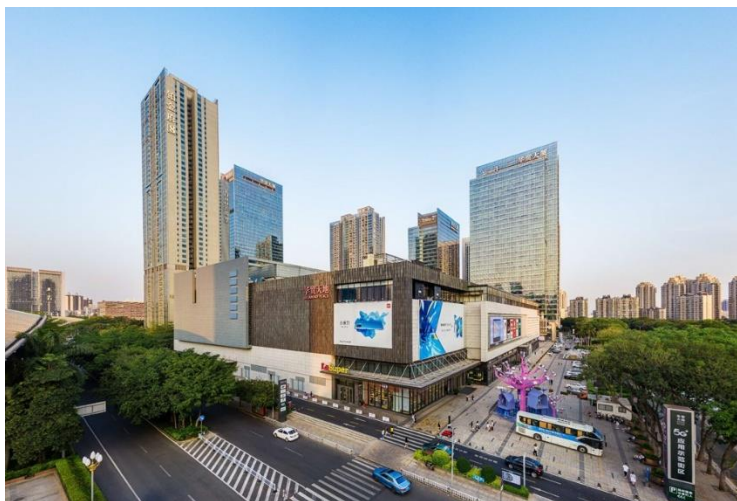
Source: Research by Spring Asset Management Limited



# Major Topics/ Spring REIT Business Progress Report

- Acquisition of a large high-end shopping mall (about ¥33 billion) in China's Guangdong province was approved at an extraordinary shareholders meeting
- A performance fee (acquisition fee) of about 1% of the purchase price is expected and this property is expected to raise management fees and increase dividend income by 13%.

## New acquisition (Huamao Place)



## Contribution of this acquisition to Mercuria Holdings' revenue

### One-time revenue

Receipt of performance fees  
(acquisition fees)

### Recurring revenue

Increase in  
management fees

Increase in dividend  
income  
(principal investment  
revenue)

# Major Topics/ Establishment of Aircraft Fund II (MACH I)

- In July 2022, established Aircraft Fund II, Japan's first new aircraft fund since the pandemic started, with Airport Facilities Co., Ltd. as the anchor investor (first close of approx. ¥5.5 billion)
- Although there was a temporary negative impact of the pandemic, there is no change in the long-term increase in demand for aircraft as the global economy continues to grow.

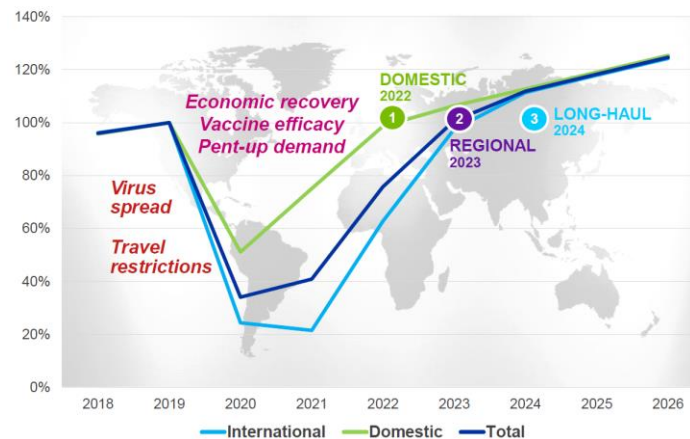
## Overview of Aircraft Fund II (MACH I)

<b>Holdings</b>	Aircraft Mainly small and midsize aircraft that account for the majority of jets operated by airlines worldwide
<b>Fund size</b>	Approx. ¥5.5 billion (1st close) Plan to procure capital to increase assets to about ¥50 billion including loans
<b>Establishment</b>	July 2022
<b>Investors</b>	Airport Facilities Co., Ltd. Mercuria Holdings Co., Ltd., etc.
<b>External partner</b>	Airborne Capital Limited (Ireland)

## Post-pandemic Market Environment for Aircraft Investments

- Demand for aircraft is expected to continue to increase with global economic growth; the pandemic temporarily impacted demand.
- Airlines have significantly increased the pct. of leased aircraft in their fleets. The role of lessors is expected to continue increasing as airlines procure new aircraft.
- A correction is taking place in the aircraft financing market, which was somewhat overheated. The timing is now good for obtaining more favorable investment terms than prior to the pandemic.

## Demand for Aircraft (Actual and Outlook)



# Renewable Energy Investments/ Taiwan Solar Power Development

- Plan to establish a new fund by participating in the Taiwan solar power development project with Maiora, a partner with Enx Infrastructure Investment Corp. and other companies
- Mercuria Holdings will make a principal investment of ¥1 billion

## Advantages of the Taiwan renewable energy business

- Per capita electricity use in Taiwan is higher than in Japan
- The government-owned Taiwan Power Company handles generation, distribution and sales of electricity
- Solar power was 4.15GW as of 2019; a mega-solar market is now emerging due to government policies for speeding up installations of renewable energy facilities
- The FIT purchase period is 20 years, the same as in Japan; the purchase price of solar power is determined when each project is completed

## Large Projects in the Pipeline

- Solar power projects at Maiora currently have a solar panel output of about 400MW and total investments of about ¥90 billion. Projects with an output of about 100MW are planned to start during the next year.
- Including potential projects where negotiations are under way, the pipeline has a maximum solar panel output of about 750MW and total investments of about ¥170 billion.
- Studies are proceeding to determine investment schemes for these pipeline projects.



Source: Photovoltaic Power Potential Map of Countries, The World Bank

# Consulting: Thailand Investment Management Support Business

- Established a subsidiary in Thailand in 2018 and this company achieved its first profitable fiscal year in 2021.
- Performs market surveys for Japanese companies considering business activities in Thailand, locates suitable partners for joint ventures, provides financial advisory services and has other support activities for Japanese companies.

Knightbridge Phaholyothin  
Interchange  
(726 units)



Knightbridge Sukhumvit  
Thepharak  
(474 units)



The Stage Mindscape  
Ratchada Huai Khwang  
(477 units)





## 4. Financial Highlights

# Consolidated Financial Results (Vs. 1H 2021, Vs. Plan)

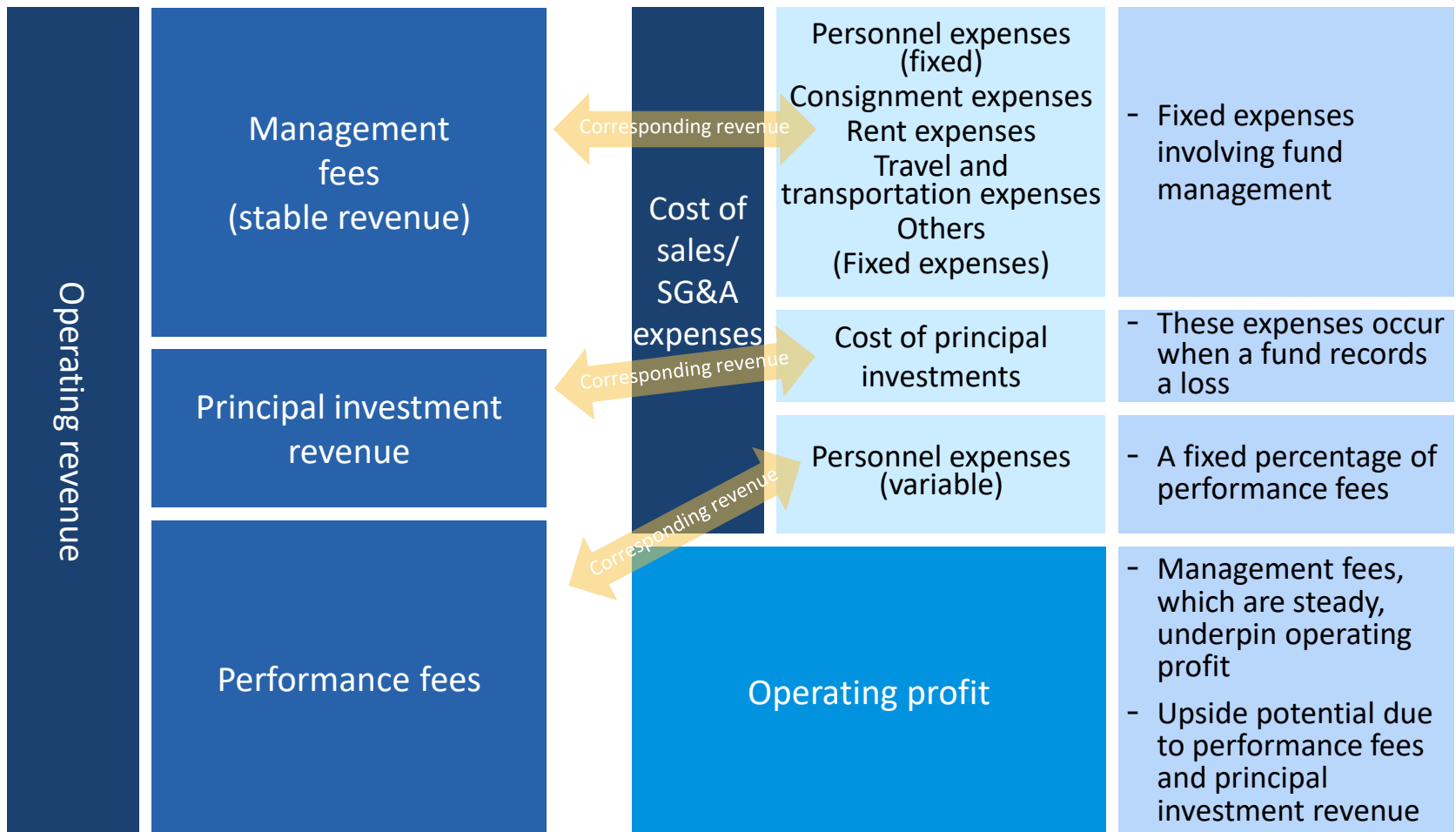
- First half operating revenue of ¥2.29 billion and ordinary profit of ¥1.39 billion vs. the 2022 forecasts of ¥4.0 billion and ¥1.9 billion, respectively.
- Operating revenue and earnings at all levels were higher than one year earlier.
- Management fees increased because of fundraising at Buyout Fund II and other funds. Principal investment revenue increased because of the exit of Buyout Fund I from several investments. The yen's depreciation also contributed to earnings.

Unit: Million yen

		(1) 1H 2021 Results	(2) 1H 2022 Results	YoY (2) / (1)	(3) 2022 Forecasts	Pct. of 2022 forecast (2) / (3)
Operating revenue		2,118	2,294	108%	4,000	57%
Operating costs		(184)	(53)	29%	(100)	53%
Operating gross profit	Fund management (management fees)	889	1,183	133%	3,900	57%
	Fund management (performance fees)	12	-	-		
	Principal investments/ Others	1,033	1,058	102%		
	Total	1,935	2,241	116%		
SG&A expenses		(795)	(1,039)	131%	(2,000)	52%
Operating profit		1,139	1,202	105%	1,900	63%
Ordinary profit		1,185	1,392	118%	1,900	73%
Profit attributable to owners of parent		823	964	117%	1,300	74%

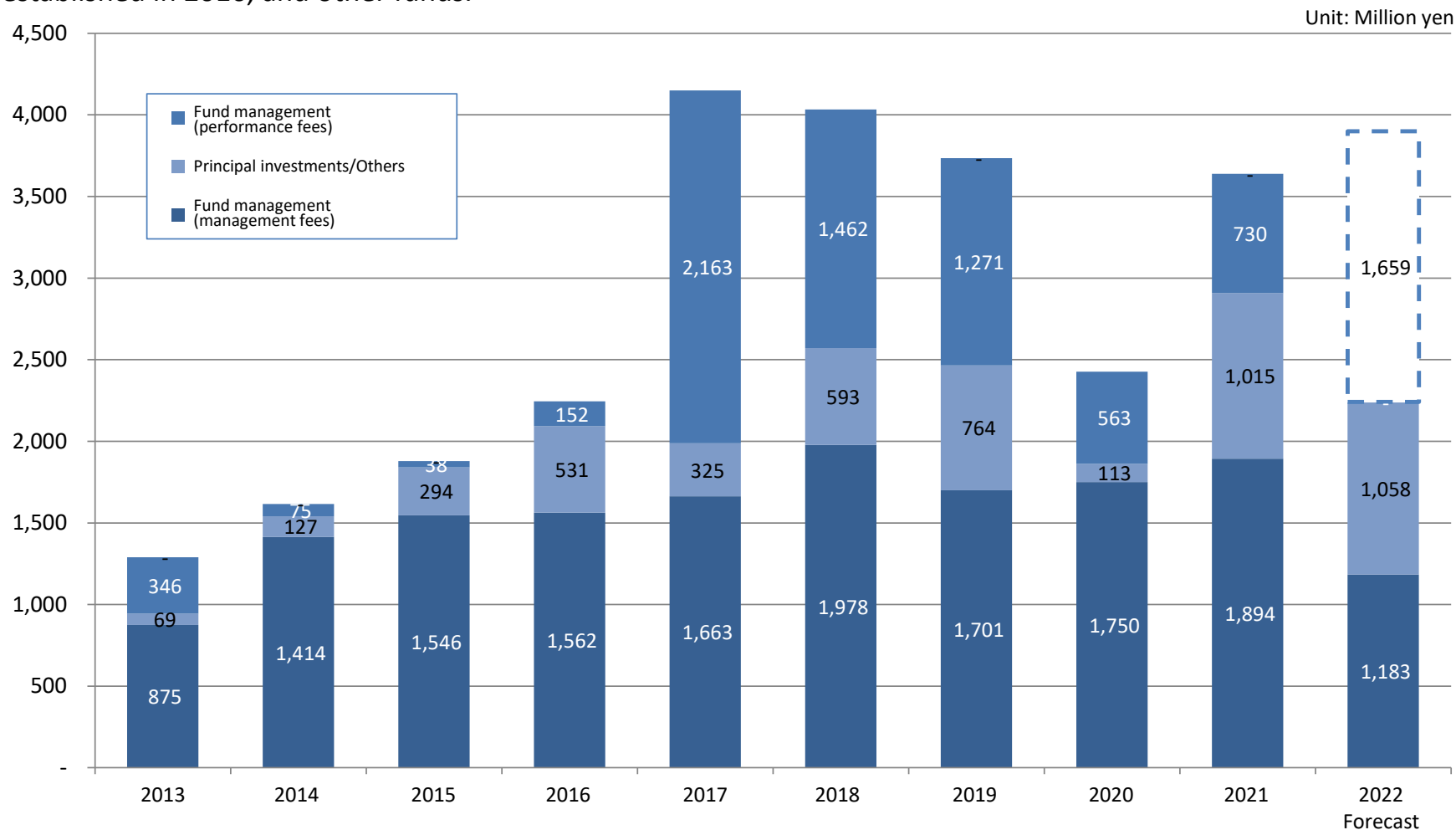
# Consolidated Financial Results (Composition of Earnings)

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



# Operating Gross Profit by Revenue Categories

- 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.





# Business Category Contributions to Earnings (Buyout Investments: Buyout Business)

- Since Mercuria Holdings starting the buyout business in 2016, Buyout Fund I has performed very well in terms of investments and asset management (exits of four of nine holdings).
- The launch of Buyout Fund II is under way (first close of ¥26.9 billion) with the goal of total funds of ¥40-¥50 billion.

## Buyout business profile

- Buyout Fund I was established in 2016. Prior to this, Mercuria Holdings was using growth investments and target funds to make substantial investments in companies in Japan and other countries.
- The core strength is targeting “manufacturing x middle-market companies.” Many entry investments at low multiples, mainly proprietary deals.

## Buyout Fund I

- Total funds are ¥21.3 billion.
- Strong performance with exits of four of nine holdings.
- Fund return is high, currently above the target (15% net IRR).

**SHINX**  
Ideas for progress

**IZUMI**

**TSUNODA**  
SINCE 1925

**nsk**  
MIZUTANI SANGYO K.K.

**e-tec**  
physical distribution

**Pentel**

**東京電解**  
ULTRA HIGH PURITY RARE METAL

**MIYATAKE**

**株式会社 KOJIMA 小島製作所**

## Buyout Fund II

- First close of ¥26.9 billion, mainly Buyout Fund I limited partnership investors.
- The goal is ¥40-¥50 billion by the final close.
- Announced a TOB for the acquisition of Mutual Corp. (July 15)

# Business Category Contributions to Earnings (Buyout Investments: Buyout Business)

- At Buyout Fund I, management fees and principal investment revenue have contributed to revenue. With the fund now in its exit phase, revenue from principal investment revenue and performance fees is expected.
- Buyout Fund II will be larger than Buyout Fund I in terms of total funds and principal investments. An even greater contribution to revenue is expected and there will be measures to build an even stronger foundation for this business.

		Buyout Fund I (2016-)	Buyout Fund II (2022-)
Total funds		¥21.3 billion	¥40-¥50 billion (target)
Principal investments		¥2.2 billion	¥3.0 billion (plan)
Revenue categories	Fund management fees	<ul style="list-style-type: none"> <li>- Base annual management fee: Approx. ¥0.4 billion</li> <li>- After investment period, fee is based on amount of remaining investments</li> </ul>	<ul style="list-style-type: none"> <li>- Base annual management fee target: Approx. ¥0.8-¥1 billion (total funds of ¥40-¥50 billion)</li> </ul>
	Principal investment revenue	<ul style="list-style-type: none"> <li>- Cumulative principal investments revenue: ¥1.3 billion/4 investments (¥320 million per investment)</li> <li>- This revenue will be posted after each exit (5 holdings remain)</li> </ul>	<ul style="list-style-type: none"> <li>- Planning on principal investments of ¥3.0 billion compared with ¥2.2 billion in Buyout Fund I</li> </ul>
	Performance fees	<ul style="list-style-type: none"> <li>- Return is currently higher than the target (over 2.0x MOIC)</li> <li>- These fees are posted from distributions that exceed the total capital called (with a hurdle rate)</li> </ul>	<ul style="list-style-type: none"> <li>- Target return is the same as for Buyout Fund I (net IRR of at least 15%/5 years)</li> </ul>

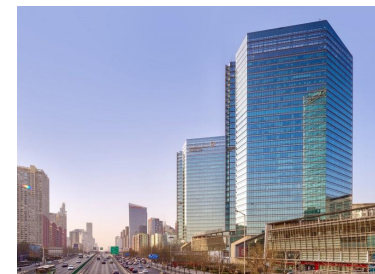
# Business Category Contributions to Earnings (Buyout Investments: Spring REIT Business)

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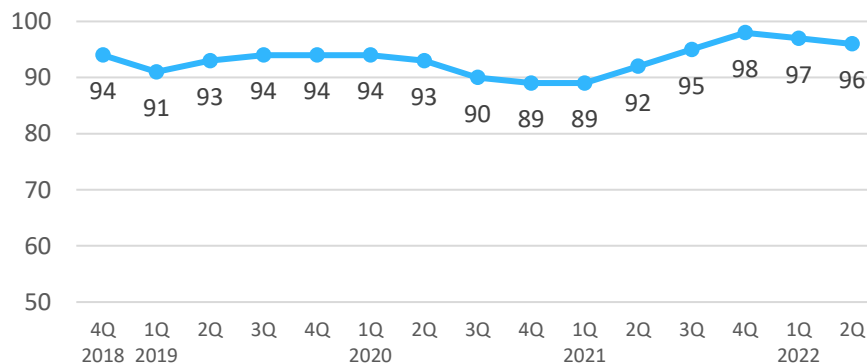
## China Central Place (CCP) in Beijing



## Store real estate in the UK



## China Central Place Occupancy (%)



Source: Research by Spring Asset Management Limited

## New acquisition (Huamao Place)



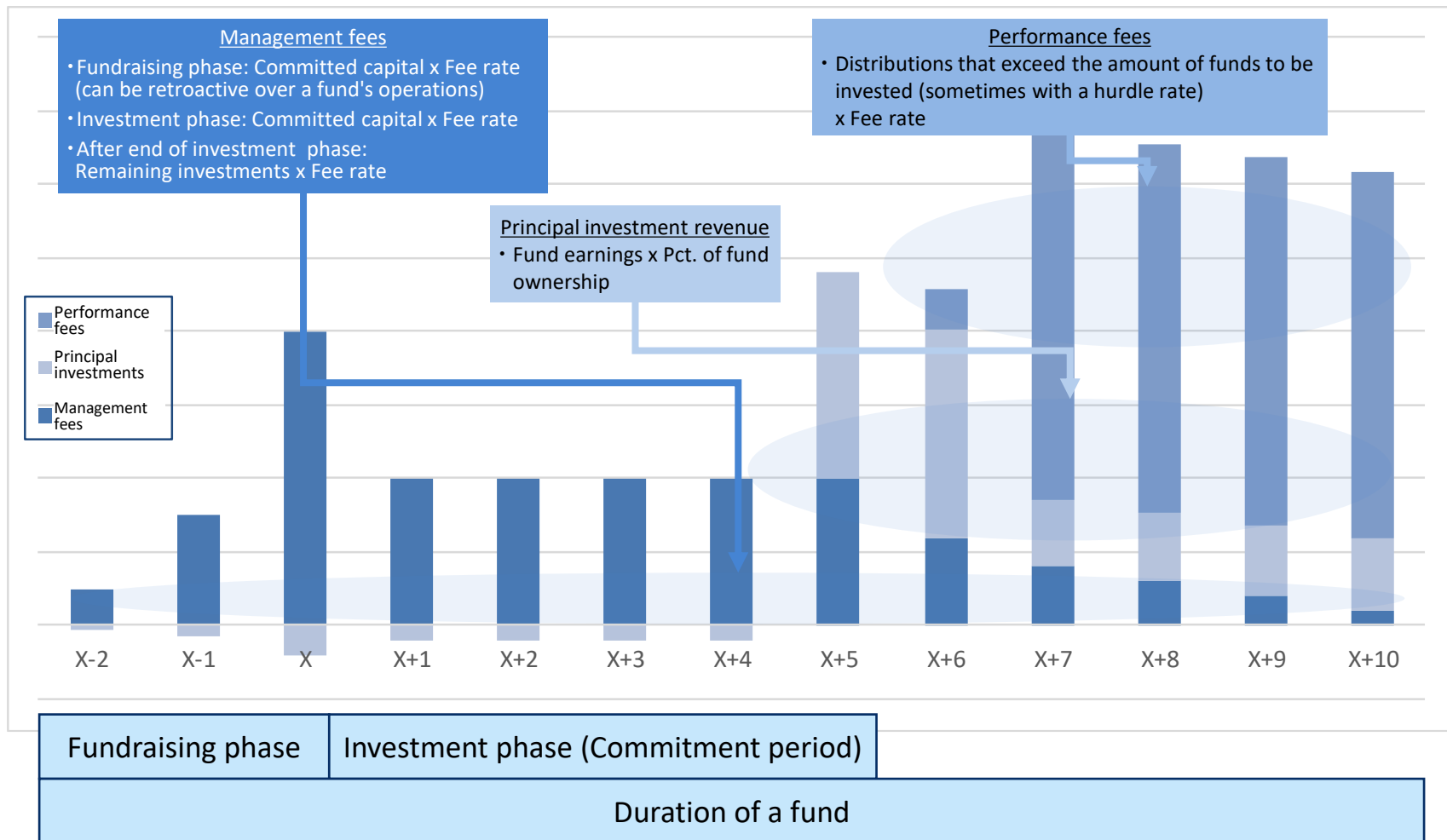
# Business Category Contributions to Earnings (Buyout Investments: Spring REIT Business)

- Spring REIT is a source of management fees and principal investment revenue (dividend income). These fees and investment revenue are expected to continue for many years because Spring REIT is an open-end fund.
- The goals are to raise management fees by acquiring more assets (increase AUM) and to earn performance fees (acquisition fees).

		Current	Plan
AUM		Approx. ¥170 billion	Increases with every asset purchase
Principal investments		Approx. ¥7.6 billion	Part of management fees are based on Spring REIT ownership (principal investment)
Revenue categories	Fund management fees	- Annual management fees in 2021: Approx. ¥1 billion	- Increases as assets are purchased (management fees are based on AUM and NOI) - Continuous contribution to revenue for many years because this is an open-end fund
	Principal investment revenue (dividend income)	- Annual principal investment revenue in 2021: Approx. ¥0.5 billion	- Increase the dividend return by purchasing quality assets and using loans to procure capital
	Performance fees (acquisition fees)	- Currently, these fees total ¥110 million, received when properties were purchased in the UK in 2017	- Expect to receive a performance fee (acquisition fee) of about 1% of acquisitions

# Business Category Contributions to Earnings (Typical Fund)

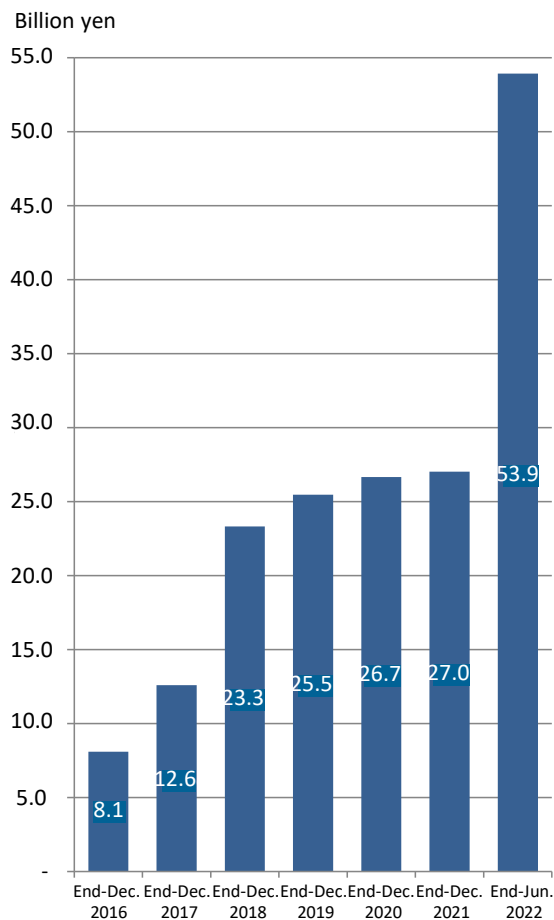
- This graph shows the receipt of management fees, principal investment revenue and performance fees during the life of a typical fund.
- Our strategy of managing several types of funds tends to keep these sources of revenue relatively even over time.



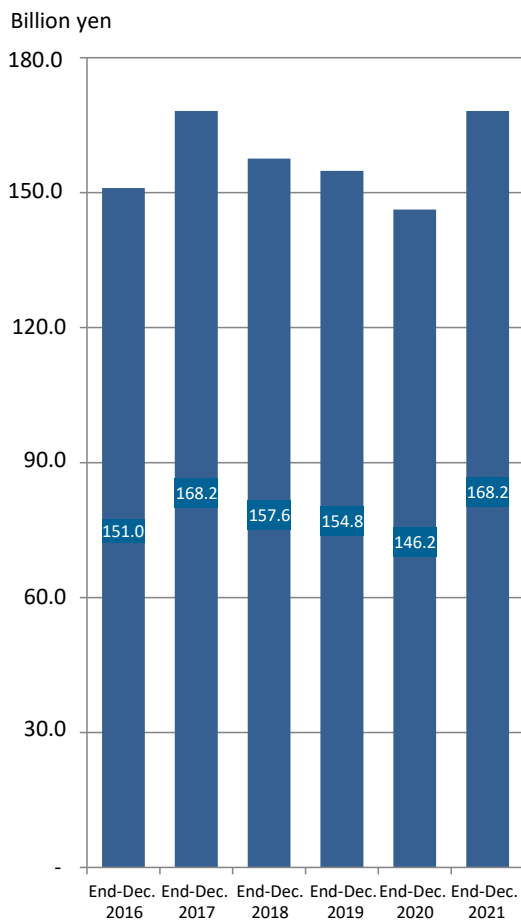
# Management Fees (AUM Used to Determine Management Fees)

- In the business investment category, the establishment of Buyout Fund II raised assets applicable to management fees by ¥26.9 billion (March 2022). In the asset investment category, the establishment of Aircraft Fund II raised assets applicable to management fees by ¥5.5 billion (July 2022).
- Planning on more growth of AUM used to determine management fees due to additional funds raised for Buyout Fund II and Aircraft Fund II, establishment of the Taiwan Solar Power Fund (asset investment), and the acquisition of more assets by Spring REIT.

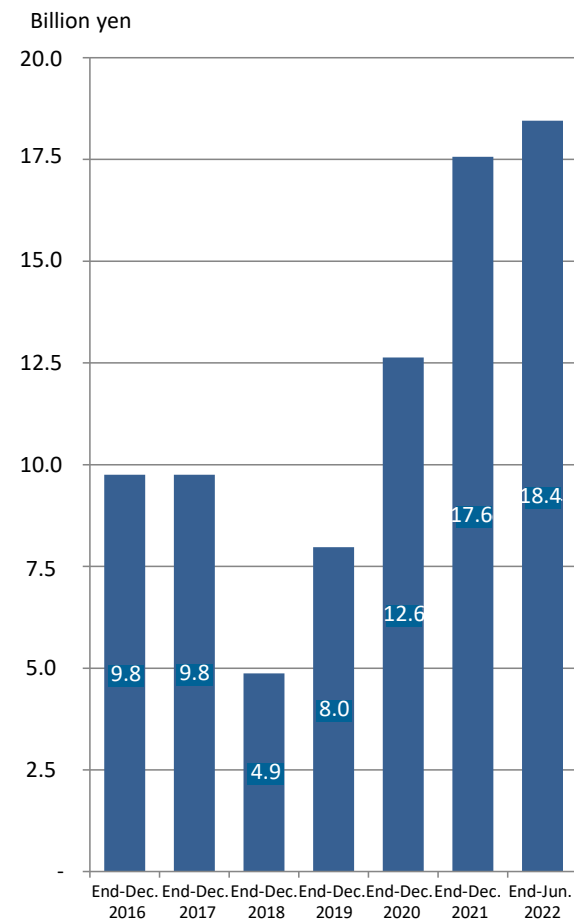
## Business investments



## Spring REIT

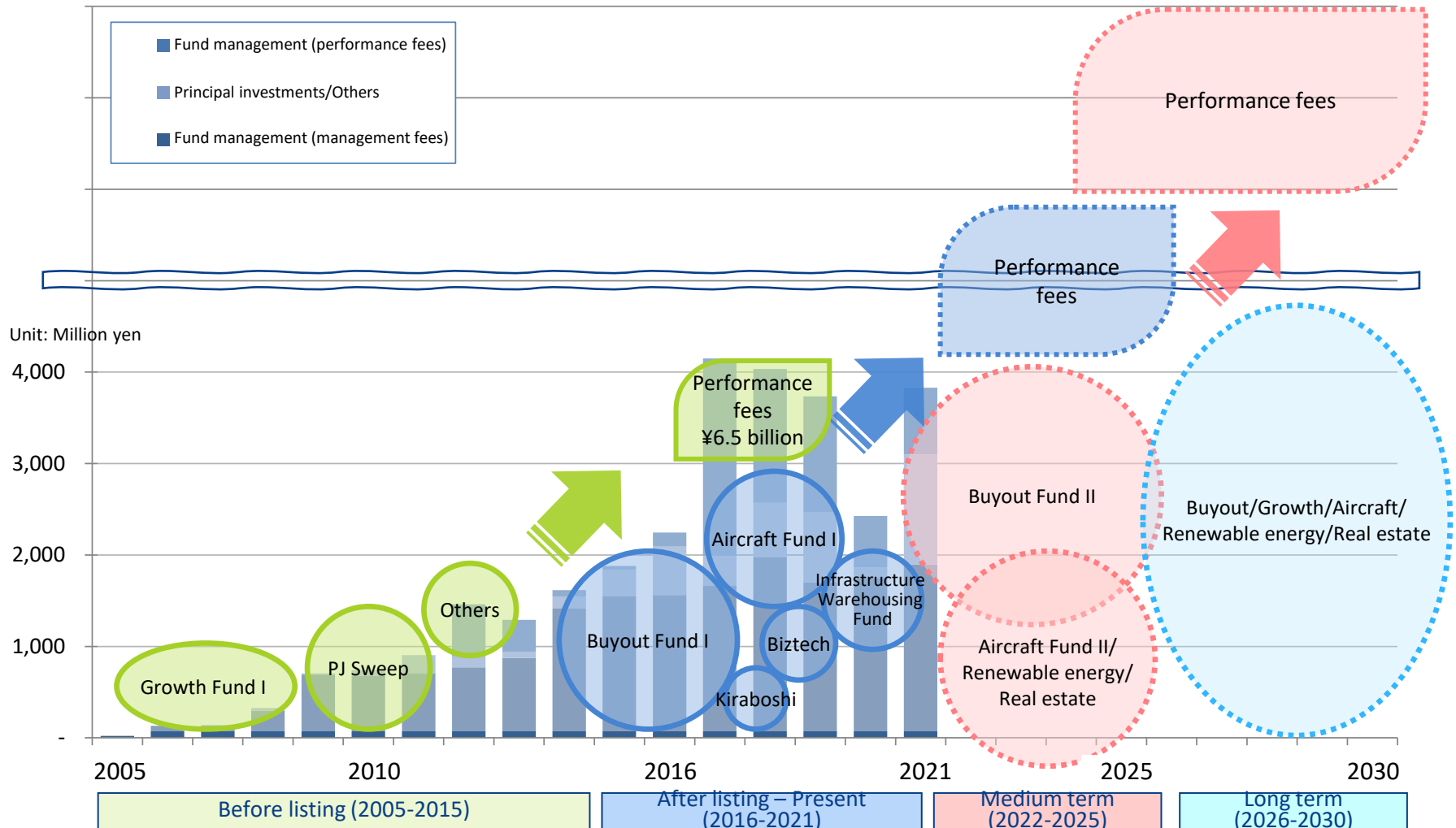


## Asset investments



# Performance Fees (Fund Establishment and Revenue Contribution)

- Performance fees normally begin a few years after a fund is established. Funds established after the IPO are expected to start generating performance fees within the next few years.
- As a multi-strategy fund management company, Mercuria Holdings plans to establish and manage a variety of funds in the business investment and asset investment categories. The aim is to use the success of these funds for the medium to long-term growth of corporate value.



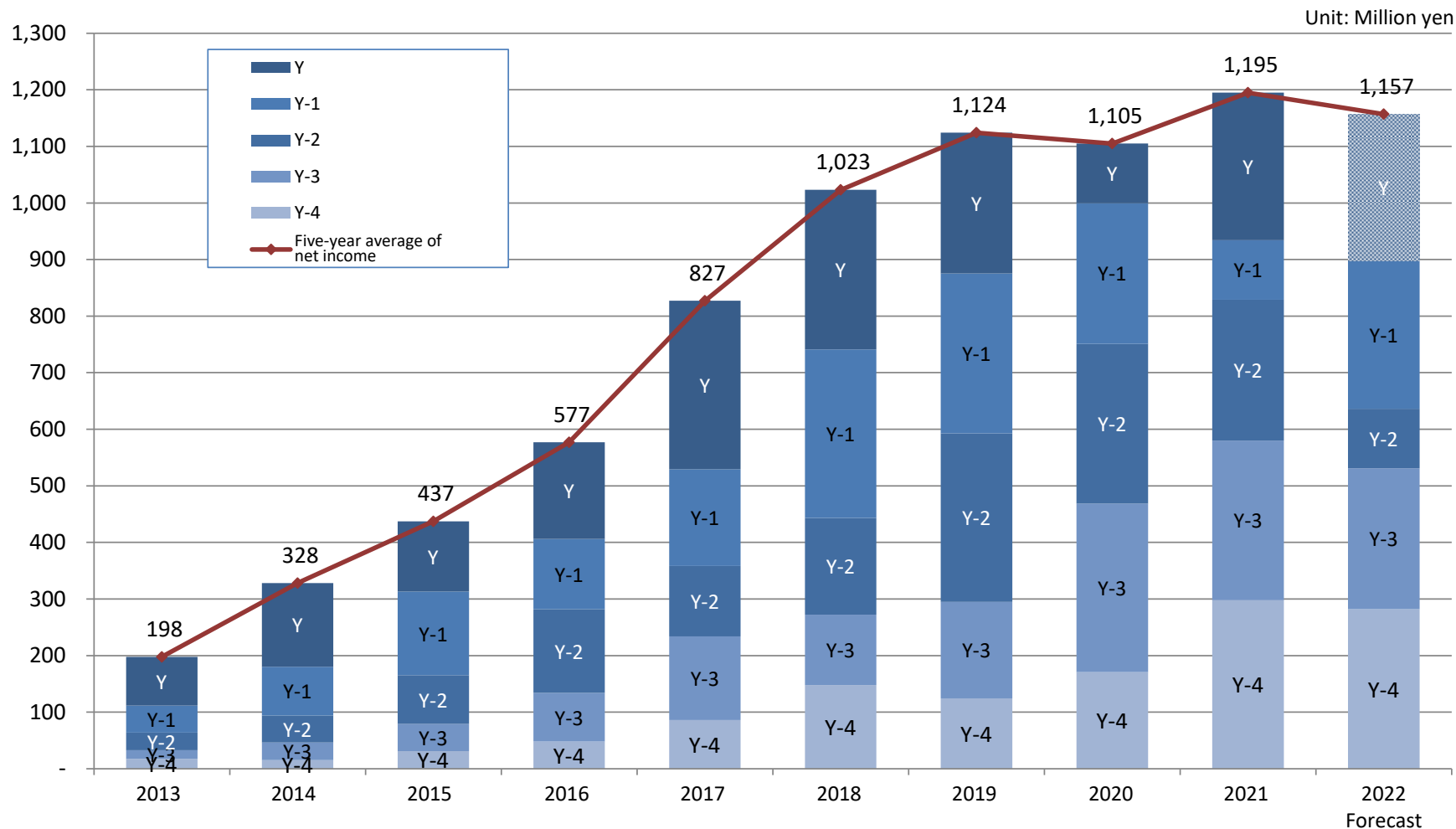
# Reference: Performance Fees by Fund Category

	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	¥1.6bn
	Other funds	Growth/Value	Domestic/overseas investors	-	2012-	¥1.2bn
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	DBJ, etc.	Target: ¥40-¥50bn	1st close (¥26.9bn)	(Under establishment)
Spring REIT	Real estate	Listed on HKEX	Approx. ¥68bn	2013-	¥0.11bn (Open-end)	
Asset investments	Growth Fund II	Growth	DBJ, etc.	¥3.1bn	2013-	(Investment period)
	Aircraft Fund I	Aircraft	Pension funds, Shinkin banks, regional banks, etc.	Approx. ¥12bn	2018-	(Investment period)
	Infrastructure Warehousing Fund	Renewable energy	ITOCHU ENEX, SMTB, etc.	¥7.5bn	2020-	(Investment period)
	Aircraft Fund II	Aircraft	Airport Facilities, etc.	Target: ¥15-¥18bn	1st close (approx. ¥5.5bn)	(Under establishment)
	Taiwan Solar Power Fund	Renewable energy	Planning stage	Planning stage	Planning stage	-



# Five-year Average of Net Income

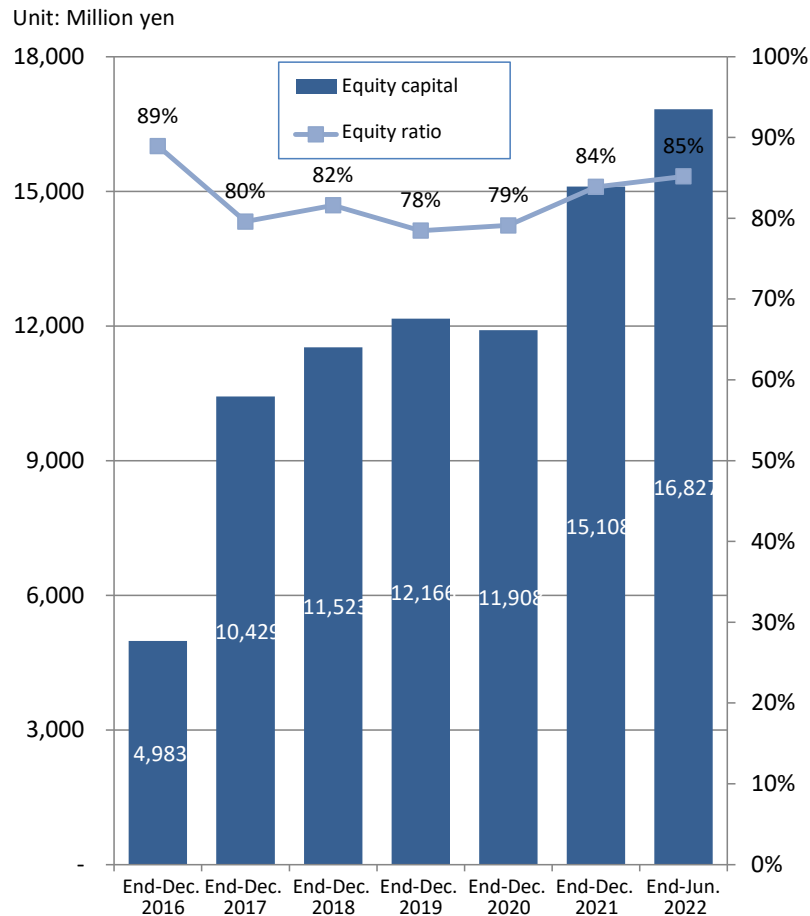
- The normal business cycle for Mercuria Holdings is five to 10 years. In addition, performance fees and other one-time revenue have a big effect on annual earnings. As a result, the five-year average of net income is used as a key performance indicator.
- Forecasts five-year average of net income of ¥1.16 billion for 2022.



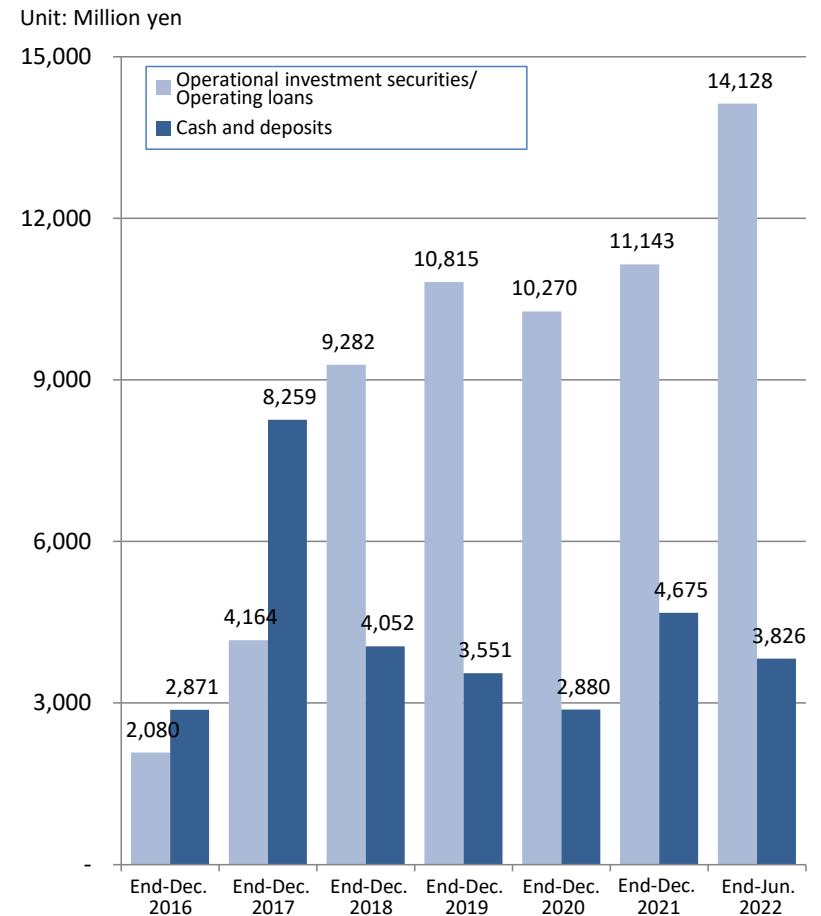
# Consolidated Financial Position (Equity Capital and Cash and Deposits/Principal Investments)

- Equity capital increased to ¥16.8 billion as of June 30, 2022 because of consistent profitability and stock offerings.
- Cash and deposits of ¥3.8 billion are to be used for principal (same boat) investments in Buyout Fund II and other funds.

## Equity capital



## Cash and deposits/Principal investments



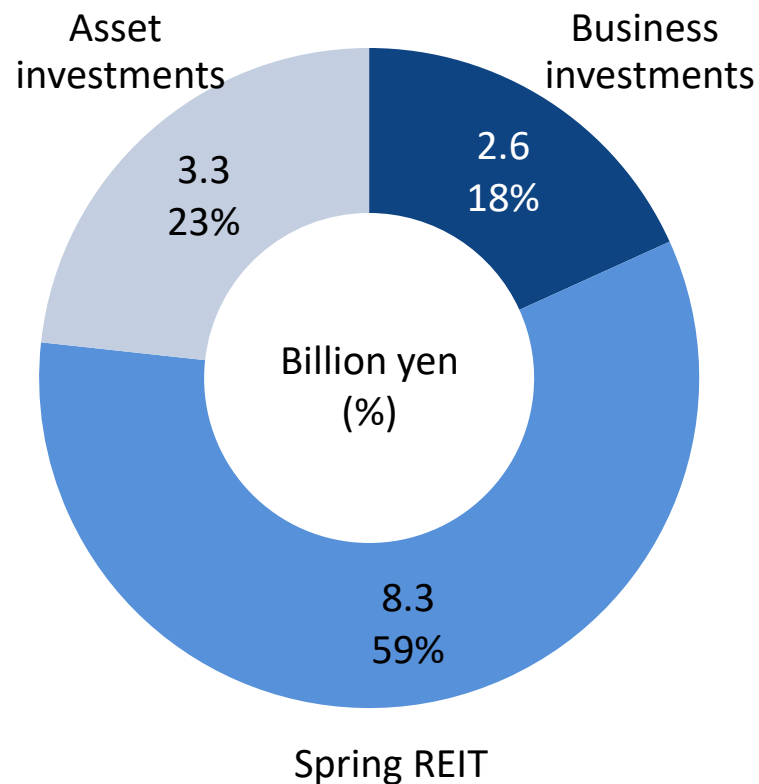
# Consolidated Financial Position (Assets and Liabilities and Principal Investments)

- At the end of June 2022, principal investments were ¥14.1 billion and loans were ¥800 million. Considering the use of loans and financial leverage too.

## Assets and liabilities

Billion yen	End-Dec. 2021	End-Jun. 2022
Business investments	2.5	2.6
Spring REIT	6.5	8.3
Asset investments	2.2	3.3
Operational investment securities/Operating loans	11.1	14.1
Cash and deposits	4.7	3.8
Trade accounts receivable	0.5	0.6
Other current assets	0.4	0.4
Investment securities	0.3	0.3
Other non-current assets	0.9	0.5
(1) Total assets	18.0	19.7
Business investments	-	-
Spring REIT	0.9	0.8
Asset investments	-	-
Borrowings	0.9	0.8
Other current liabilities	0.8	0.7
Other non-current liabilities	0.5	0.5
(2) Total liabilities	2.2	2.0
Equity capital	15.1	16.8
Non-controlling interests	0.7	0.9
(3) Net assets (1) - (2)	15.8	17.7

## Principal investments (As of June 30, 2022) (Operational investment securities/Operating loans)



# Dividends

- In accordance with the dividend policy, Mercuria Holdings plans to pay a dividend of ¥20 for 2022, which will result in an average payout ratio of 36.1% 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>The goal is to raise the dividend along with growth of the five-year average of net income.</li> </ul>
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Unit: Million yen	2018 Results	2019 Results	2020 Results	2021 Results	2022 Forecasts
(1) Profit attributable to owners of parent	1,411	1,245	525	1,304	1,300
(2) Five-year average of net income	1,023	1,124	1,105	1,195	1,157
(3) Dividend per share	¥18	¥19	¥20	¥20	¥20
(4) Total number of outstanding shares (excluding treasury shares)	17,465,989 shares	17,606,389 shares	17,113,389 shares	20,911,579 shares	20,911,579 shares
(5) Total dividends (3) × (4)	314	335	342	418	418
(6) Dividend payout ratio (5) / (2)	30.7%	29.8%	31.0%	35.0%	36.1%

Note

Note: The number of shares in the 2022 forecast is as of June 30, 2022.



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.