



Mercuria Holdings Co., Ltd.

Financial Highlights for the Second Quarter of the
Fiscal Year Ending December 31, 2022

Stock code: 7347 (TSE Prime Market)

August 10, 2022

Notes:

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■ Buyout business (Business investments)

- **Management and investments** of Buyout Fund I **are as planned** (total funds: ¥21.3 billion/principal investments: ¥2.2 billion)
- **Tokyo Denkai exit to JX Nippon Mining & Metals Corp.**; four cumulative exits for nine cumulative investments
- **First close** of Buyout Fund II 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)

■ Spring REIT business

- **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

■ Asset investment business

- Aircraft: 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**

■ Consolidated earnings

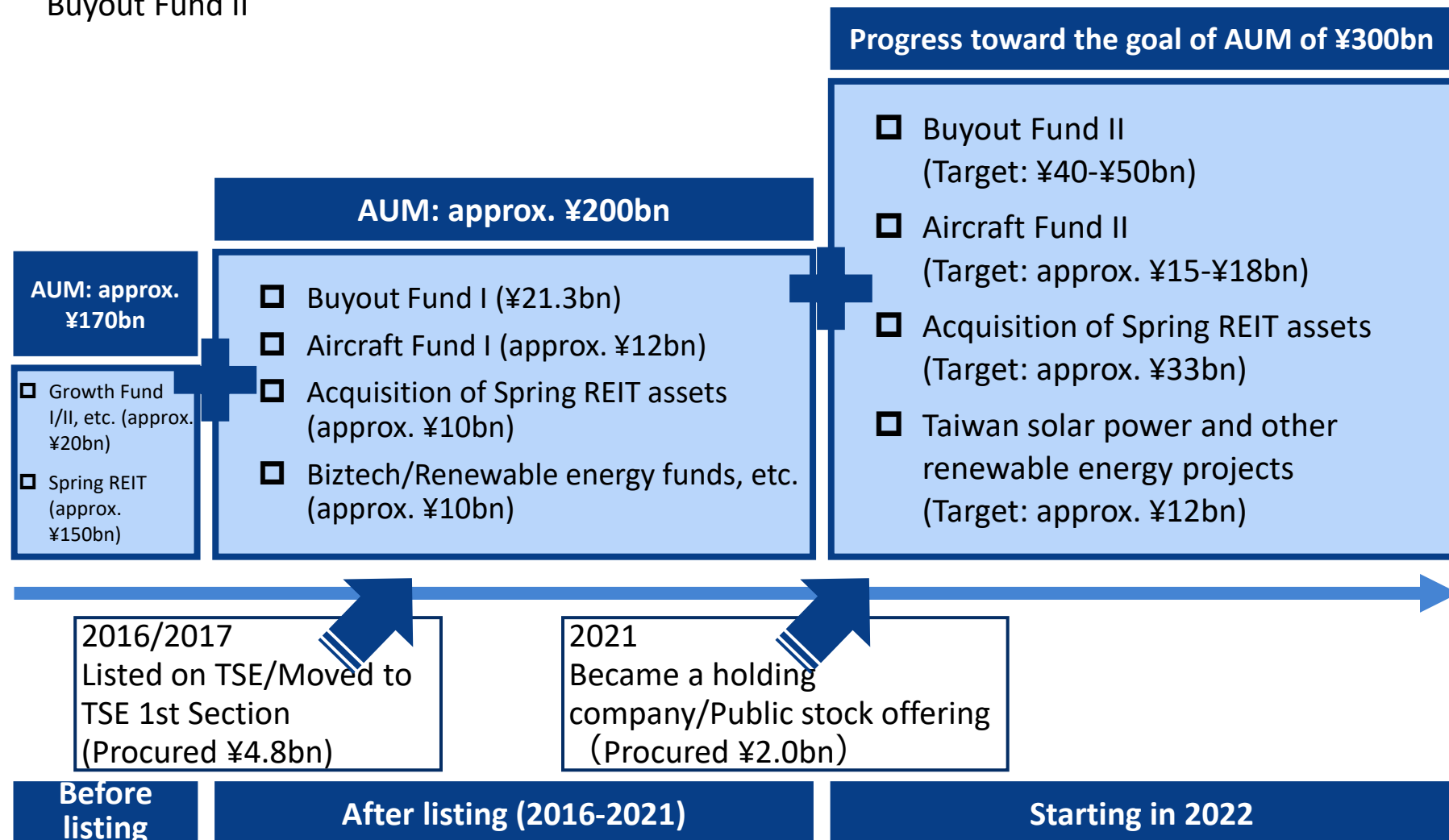
- First half operating revenue of ¥2.29 billion and ordinary profit of ¥1.39 billion vs. **the 2022 forecasts of ¥4.0 billion and ¥1.9 billion, respectively**
- Management fees increased because of **fundraising at Buyout Fund II and other funds**. Principal investment revenue increased because of the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

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1. Update of Progress Report
 2. Financial Highlights
 3. Revenue and Earnings Composition and Trends
 4. The Holding Company Structure

1. Update of Progress Report

1.1 Overview of Business Progress

- Shifted to a holding company structure in 2021, five years after the TSE listing, to speed up growth. Used a public offering of stock to procure funds for starting new investment funds.
- Progress in 2022 toward the goal of increasing AUM to ¥300 billion by starting new funds, primarily Buyout Fund II



1.2 Buyout Business (Profile and Progress Report)

- 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)

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

1.3 Spring REIT Business (Profile and Progress Report)

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

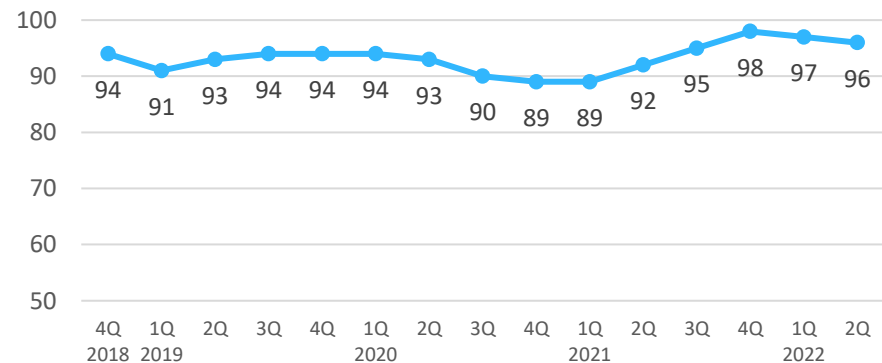
China Central Place (CCP) in Beijing



Overview of Spring REIT

	Details
Owned properties	Office buildings (Beijing): 145,372m ² 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

1.3 Spring REIT Business (Profile and 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)

1.3 Spring REIT Business (Sources of Revenue)

- 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 funds
	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

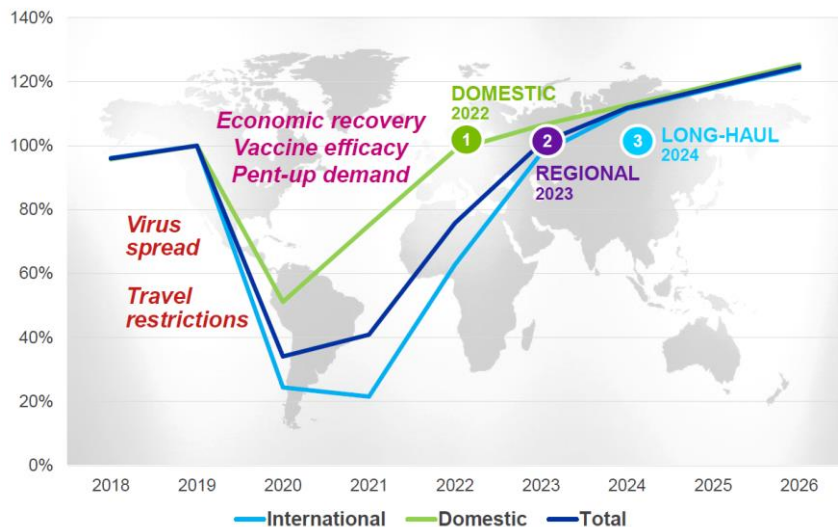
1.4 Asset Investment Business (Profile and Progress Report of Aircraft Business)

- 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)
- More fundraising is planned with the goal of increasing fund assets to about ¥15-¥18 billion (including loans of ¥50 billion)

Aircraft business after the pandemic

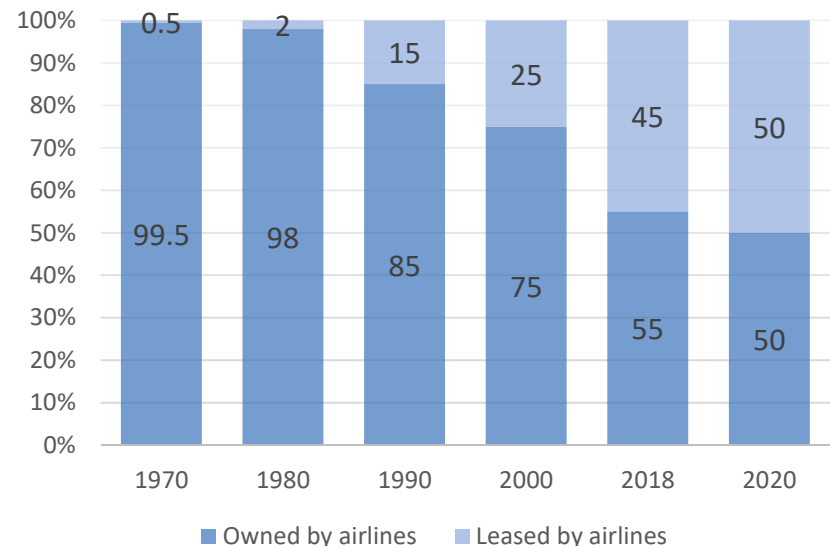
- Demand for aircraft is expected to continue to increase with global economic growth; the pandemic temporarily impacted demand
- Airlines have significantly increased the pct. of leased aircraft in their fleets because of the pandemic. The role of lessors is expected to continue increasing as airlines 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)



Source: The Boeing Company
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Change in Aircraft Ownership



Source: Research by Airborne Capital

1.4 Asset Investment Business

(Profile and Progress Report of Taiwan Renewable Energy Profile)

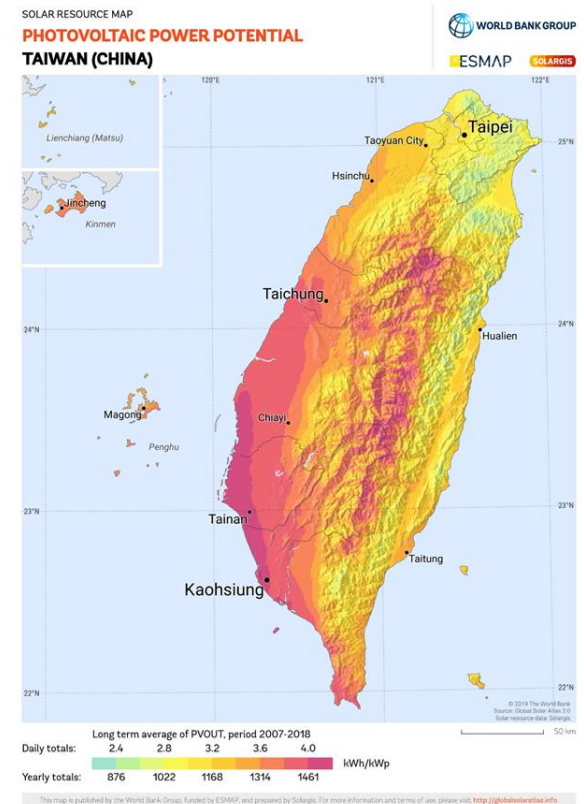
- Plan to establish a new fund by participating in the Taiwan solar power development project with Maiora, a partner with Enx Infrastructure Investment Corp. and other companies
- Mercuria will make a principal investment of ¥1 billion

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

1.5 Corporate (Stock Repurchase)

- Mercuria Holdings 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: Purchases on the 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 funds 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

1.5 Corporate (IR and Fund Procurement Using Investment Funds “Funds”)

- Individuals have only limited opportunities to make alternative investments. Mercuria Holdings is using loan investment funds for the purposes of giving individuals a better understanding of alternative investments (investor relations) and procuring part of the funds needed for same-boat (principal) investments in funds (fund procurement)



“Change today's Japan through
the Power of Funds”



“Expanding accessibility to asset management
from only a few people to everyone”

A message to Funds investors

We are using Funds to make more people aware of our business activities. We believe that one of our missions is to give many people a better understanding of alternative investments.

Alternative investments have low liquidity and cannot be bought or sold easily. Nevertheless, these investments can generate high returns for people who have a thorough understanding of companies and assets in which they are investing.

Acquiring a thorough understanding of an investment is not easy. The investment climate may change significantly and unexpected events may happen at any time. On the other hand, alternative investments are an exciting business for people who have the skill and confidence to identify the growth potential of an investment and foresee upcoming changes in the global economy.

Our goal is to become a company that can give more people an understanding of the advantages of alternative investments and enable people to select the most suitable financial products, including alternative investments, based on their risk tolerance and financial literacy.

We want Funds to be a means for strengthening communications with Mercuria Holdings by attracting more investors and for our goal of establishing alternative investment products that are accessible even to individual investors.

1.5 Corporate (First Half Investor Relations Activities)

- Mercuria Holdings provides a large volume of information about business policies and progress with business activities based on its business cycle of five to 10 years (the gap between planning and fund establishment to the time a business starts generating revenue and earnings).
- Mercuria Holdings plans to increase the awareness in Japan of alternative investments and to provide more information in English-language materials to foreign investors who are very familiar with alternative investments.

IR activities	Current and planned activities
Information meetings	<ul style="list-style-type: none"> - Four company/financial information meetings, using Nikkei CNBC and an audio text service <ul style="list-style-type: none"> • Feb. 25: Information meeting for results of operations (https://finance.logmi.jp/376847) • Mar. 2: Information meeting for individual investors (https://www.irmovie.jp/nir2/?conts=mercuria-hd_202203_tH1y) • Mar. 10: Nikkei CNBC – Offensive IR – Market Breakthrough (https://www.youtube.com/watch?v=UkcMLv2-oKg&list=PLM6ldbteA6OMiiWerKL6GXnsphPDdpJ59&index=3) • Mar. 26: Information meeting for individual investors (https://finance.logmi.jp/376923) • May 26: Information meeting for individual investors (https://www.youtube.com/watch?v=UM0xudYOtRY)
News releases	<ul style="list-style-type: none"> - News releases based on information using two-way communications with business units - 47 releases every quarter (almost eight every month), including timely disclosure
More information in English	<ul style="list-style-type: none"> - Started disclosing English-language financial reports on TDnet (delayed) for compliance with Prime Market requirements - Started providing timely disclosure materials and news releases in English

1.6 Progress Report and News Releases for Other Businesses

- In business investment activities other than buyout funds, the BizTech fund is consistently making new investments.
- In asset investment activities other than aircraft and renewable energy businesses, planning activities are proceeding for the launch of funds that can be new sources of revenue involving inbound real estate, satellites and other types of assets.

Business investments	BizTech Fund	<p>Notices of Investment</p> <ul style="list-style-type: none"> • Hatch Work Co., Ltd. (Jan. 27) • GOGEN Inc. (Apr. 27) • Sumutasu Inc. (May 16) <p>Notice of Capital and Business Alliance between Mitsubishi Logistics Corporation and Rapyuta Robotics Co., Ltd. (May 17)</p>	<p>The investment period has expired</p> <p>Progress with investments as planned as 17 investments have been made</p> <p>Support for alliances between limited partnership investors and companies receiving investments</p>
Asset investments	Renewable energy business	<p>Notice of Investment Progress of Infrastructure Warehousing Fund (Jan. 25)</p>	<p>Operating this business with the basic strategy of selling assets to Enex Infrastructure Investment Corporation</p> <p>Cumulative investments are ¥6.0 billion</p>
	Inbound real estate business	<p>Notice of Launch of Inbound Real Estate Investment Strategy Initiatives (Jan. 26)</p>	<p>Planning to establish a real estate investment fund to meet the demand among foreign investors for investing in Japanese real estate</p>
	Satellite business	<p>Aspiring US-based Satellite Rideshare Business Operator Loft Orbital Solutions Inc. Announces Completion of Series B Round of Financing (Jan. 12)</p>	<p>Exploring for opportunities for funds and other activities concerning the satellite rideshare business</p>
Corporate		<p>Acquired stock for a stock remuneration program (May 12)</p>	<p>Mercuria Holdings is continuing its stock remuneration program and repurchased more stock for this program, which gives executives a stronger commitment to increasing the stock price</p>

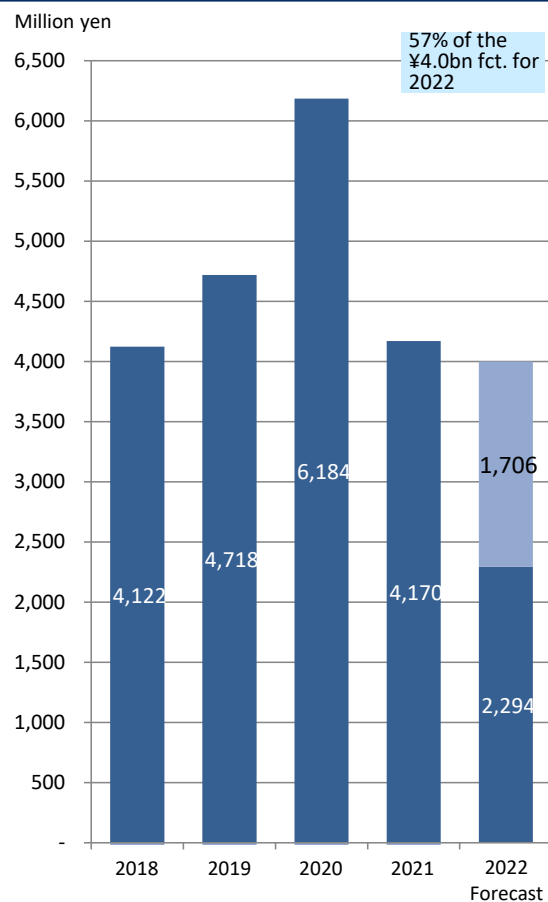
2. Financial Highlights

2.1 Consolidated Financial Results (1/4) Summary

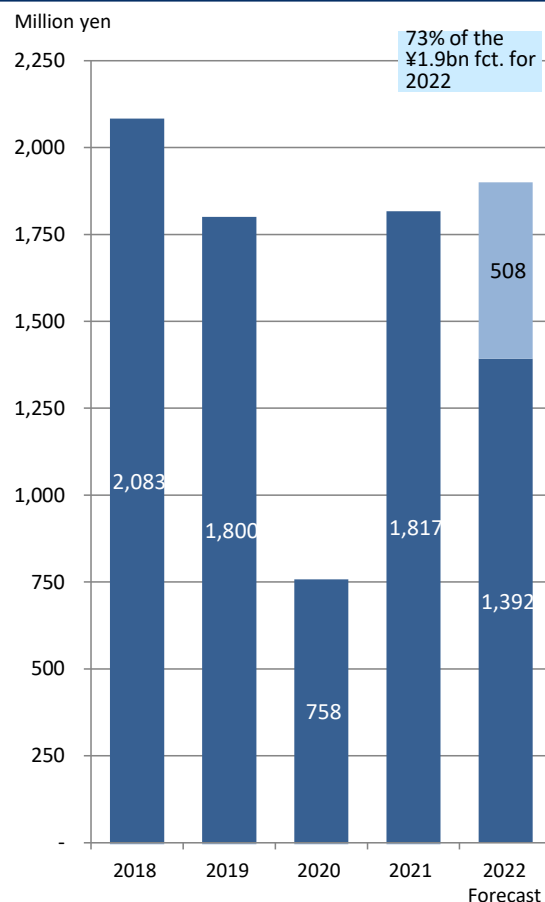
Note: There is no consolidated financial information for 2020 and prior years because Mercuria Holdings was established on July 1, 2021. For reference, comparisons are provided with the consolidated financial data of the former organization where Mercuria Investment was the parent company. (Same hereafter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

- 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.
- Forecasts profit of ¥1.3 billion and five-year average of net income of ¥1.16 billion for 2022.

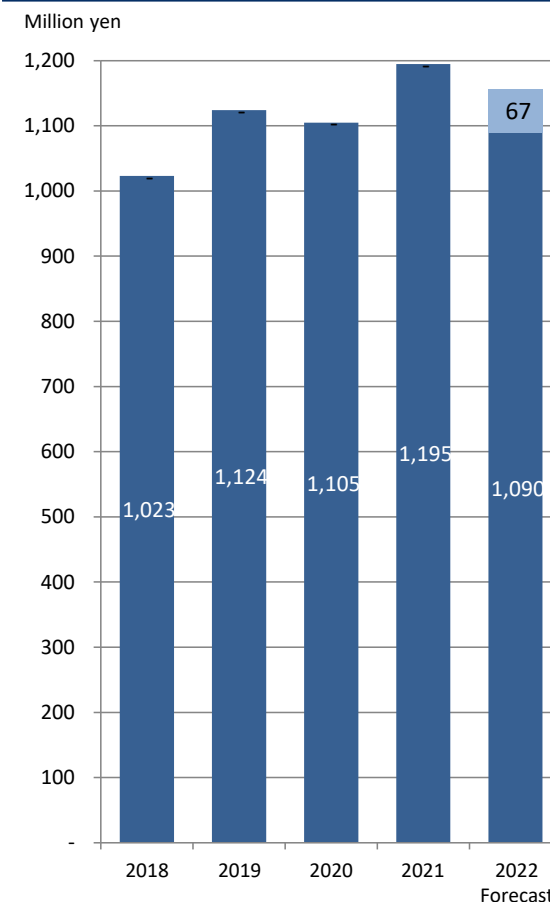
Operating revenue



Ordinary profit



Five-year average of net income



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

2.1 Consolidated Financial Results (2/4)

Vs. 1H 2021, Vs. Plan

- 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.

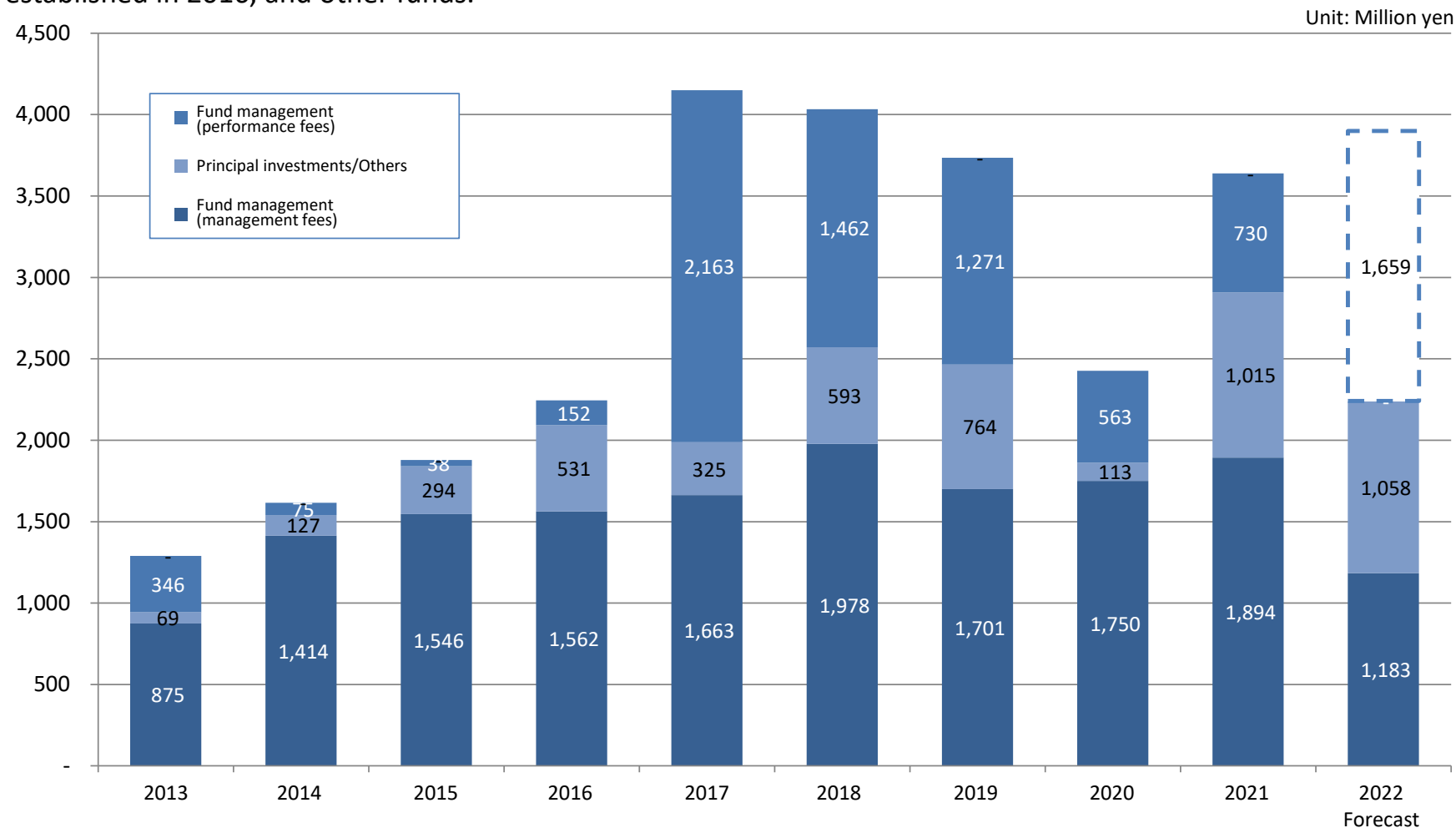
Unit: Million yen

		(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%

2.1 Consolidated Financial Results (3/4)

Operating Gross Profit

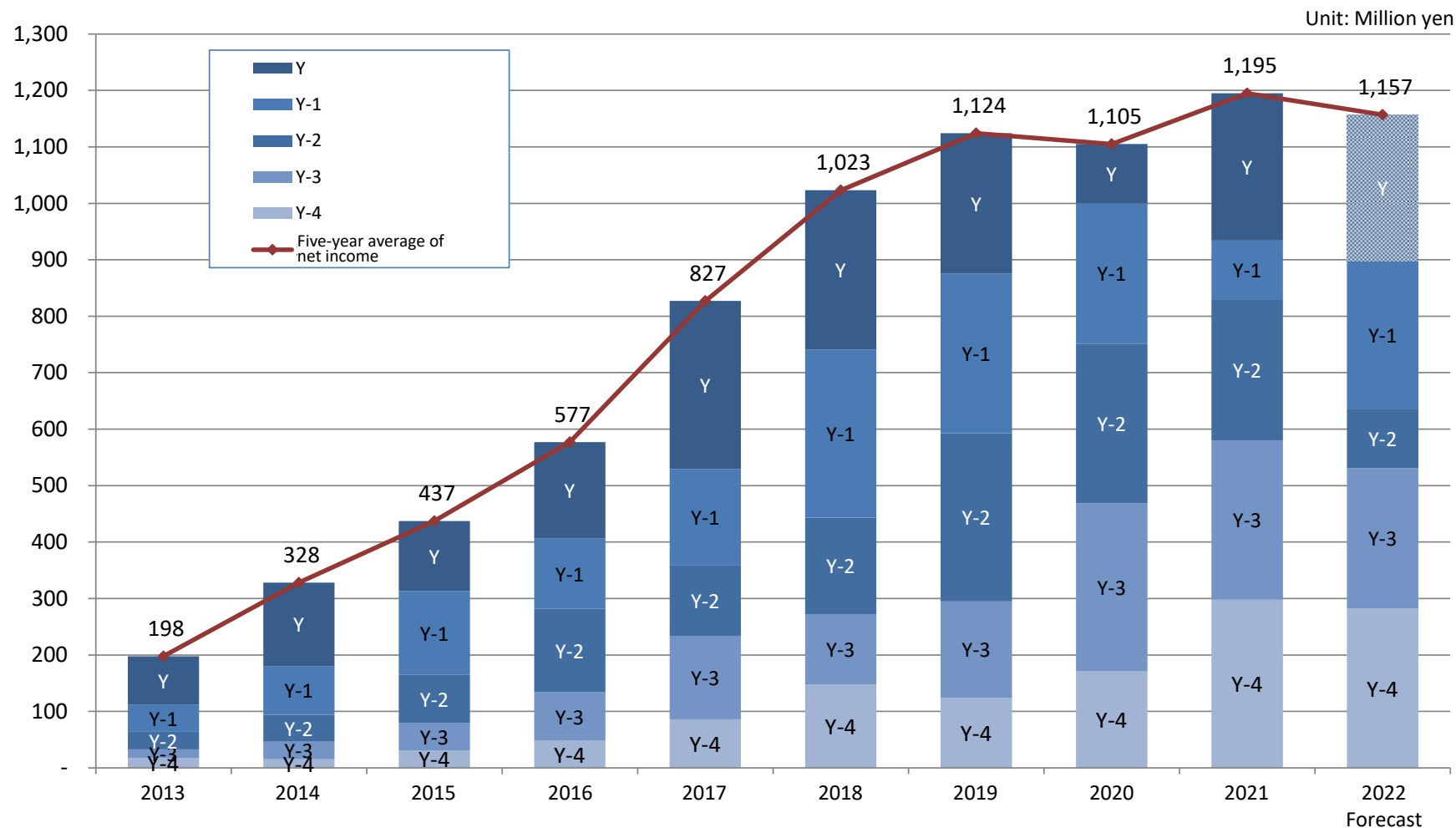
- Performance fees between 2017 and 2021 are ¥6.2 billion, including ¥3.7 billion in the Growth Fund I and ¥1.7 billion in the value investment fund, which was established during the global financial crisis.
- Principal investments have become a major source of revenue along with fund management fees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



2.1 Consolidated Financial Results (4/4)

Five-year Average of Net Income

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

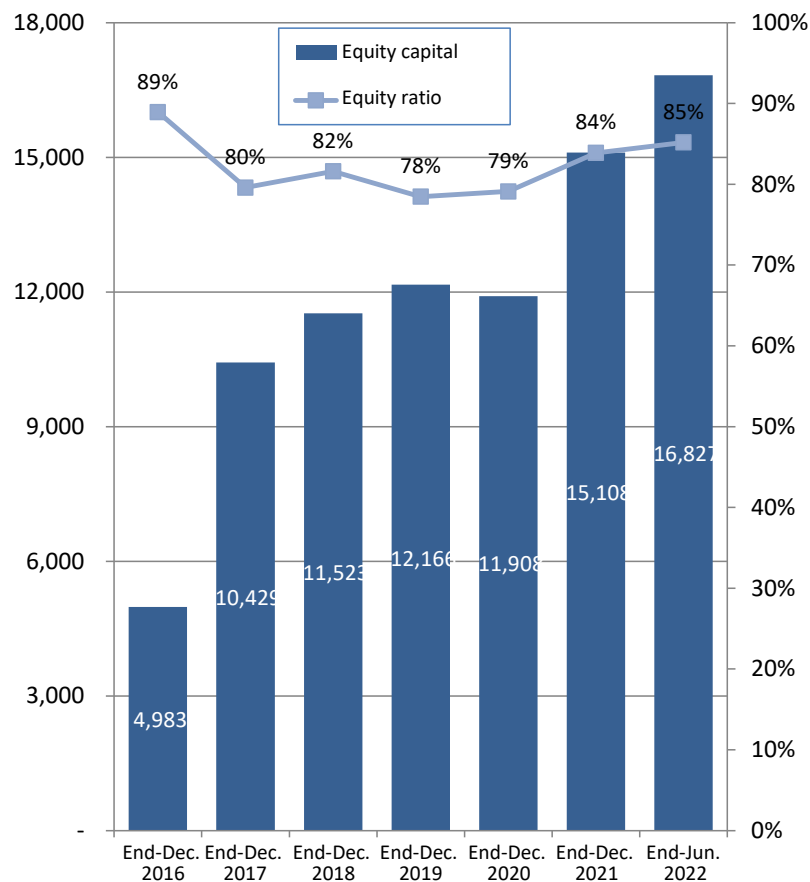


2.2 Consolidated Financial Position (1/2)

- Equity capital increased to ¥16.8 billion yen 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.

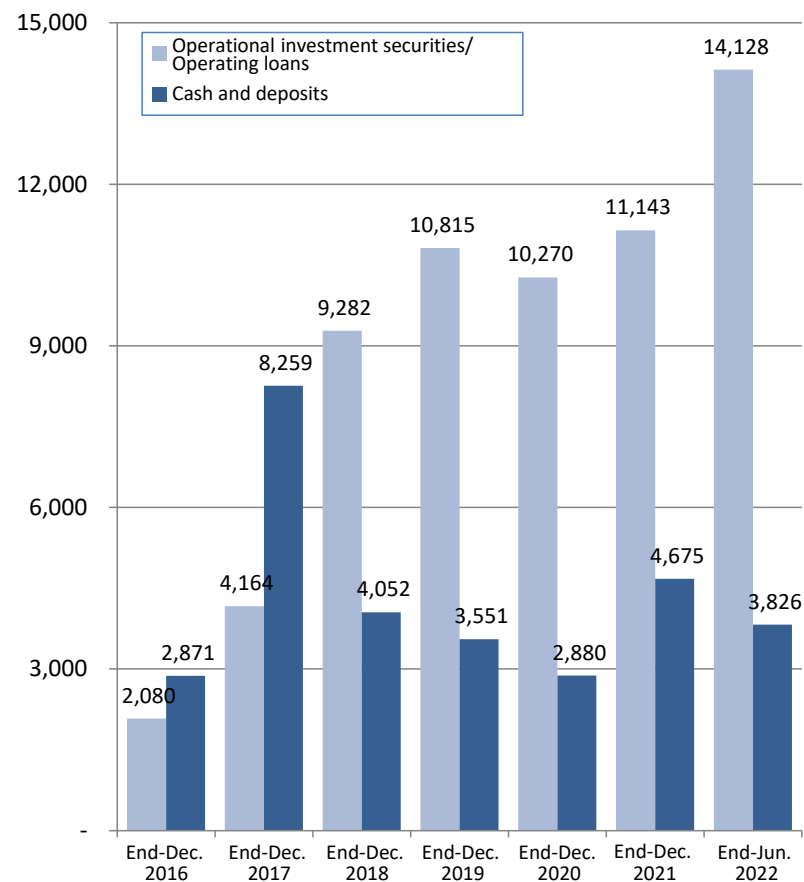
Equity capital

Unit: Million yen



Cash and deposits/Principal investments

Unit: Million yen



2.2 Consolidated Financial Position (2/2)

- Assets include principal (same boat) investments in funds managed by Mercuria Holdings of ¥14.1 billion and cash and deposits of ¥3.8 billion.
- Liabilities include borrowings of ¥810 million for a principal (same boat) investment in Spring REIT.

Unit: Million yen

Assets		End-Dec. 2021	End-Jun. 2022	Liabilities and net assets		End-Dec. 2021	End-Jun. 2022
Current assets	Cash and deposits	4,675 (26%)	3,826 (19%)	Current liabilities	Borrowings	130 (1%)	130 (1%)
	Trade accounts receivable	541 (3%)	638 (3%)		Other current liabilities	806 (4%)	692 (4%)
	Operational investment securities/ Operating loans	11,143 (62%)	14,128 (72%)	Non-current liabilities	Long-term borrowings	744 (4%)	679 (3%)
					Other non-current liabilities	509 (3%)	543 (3%)
	Other current assets	441 (2%)	354 (2%)	Net assets	Equity capital	15,108 (84%)	16,827 (85%)
Non-current assets	Investment securities	281 (2%)	281 (1%)		<i>(Breakdown)</i>	<i>(Breakdown)</i>	<i>(Breakdown)</i>
					Other non-current assets	929 (5%)	527 (3%)
				Valuation difference on available-for-sale securities	(418)	556	
				Foreign currency translation adjustment	(48)	225	
				Non-controlling interests	713 (4%)	882 (4%)	

2.3 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

- Dividends are the primary way to distribute earnings to shareholders and the priority is dividend stability.
- The current payout ratio guideline is about 30%. As performance fees and other one-time revenue has a big effect on earnings, the guideline is to use average net income for five years as the basis. Using this average reduces the effects of earnings swings from year to year and increases the stability of dividends.
- The goal is to raise the dividend along with growth of the five-year average of net income.

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	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

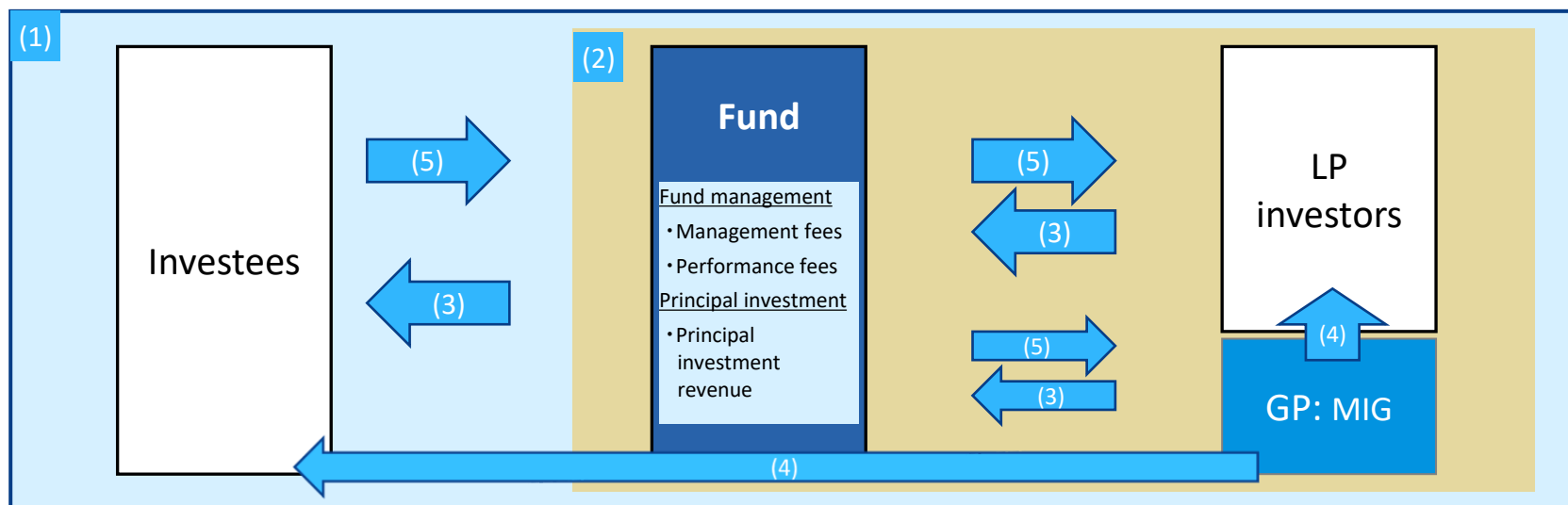
Note: The number of shares in the 2022 forecast is as of June 30, 2022.

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3. Revenue and Earnings Composition and Trends

3.1 Business Summary

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



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

3.2 Composition of Earnings (1/3)

Revenue Categories

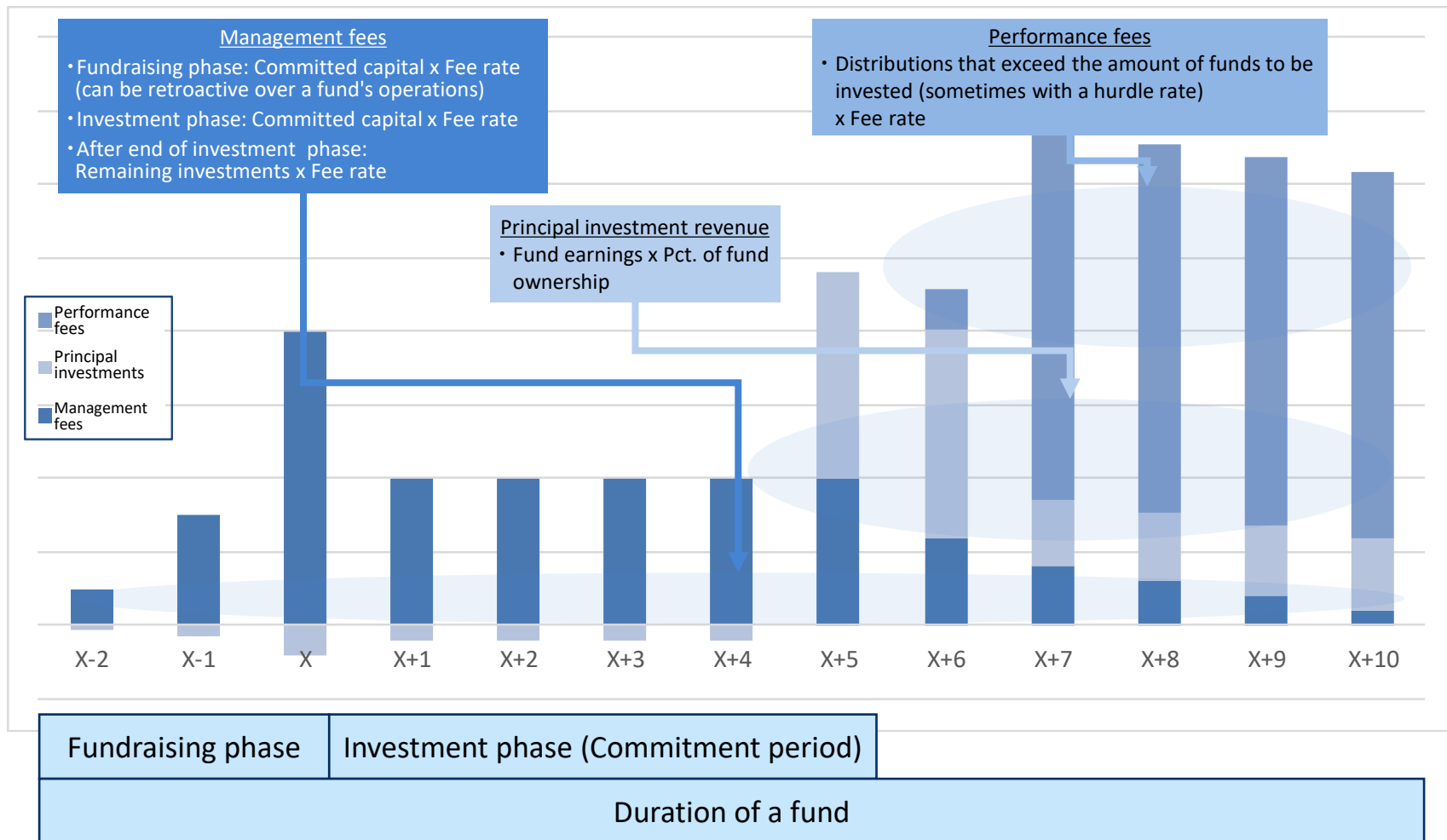
- Operating revenue consists of management fees, principal investment revenue and performance fees, depending on the current stage of each fund. The following table explains these fees and their timing.

Revenue categories	Description	Timing
Management fees	<ul style="list-style-type: none">- These fees are a fixed percentage of the total fund assets (committed capital) while the fund is operating and a fixed percentage of remaining investments after the fund reaches its investment phase.	<ul style="list-style-type: none">- Received during the life of the fund.
Principal investment revenue	<ul style="list-style-type: none">- This revenue is the gain of a fund multiplied by the percentage of Mercuria Holdings' holding of the fund.	<ul style="list-style-type: none">- Revenue is recognized during the life of a fund every time the fund records a profit due to the sale of an investment or some other event.
Performance fees	<ul style="list-style-type: none">- This fee is a fixed percentage of fund distributions (sometimes with a hurdle rate) that exceed the amount of called capital.	<ul style="list-style-type: none">- During a fund's second half, performance fees are received based on the overall performance of the fund's holdings.

3.2 Composition of Earnings (2/3)

Sources and Timing of Operating Revenue

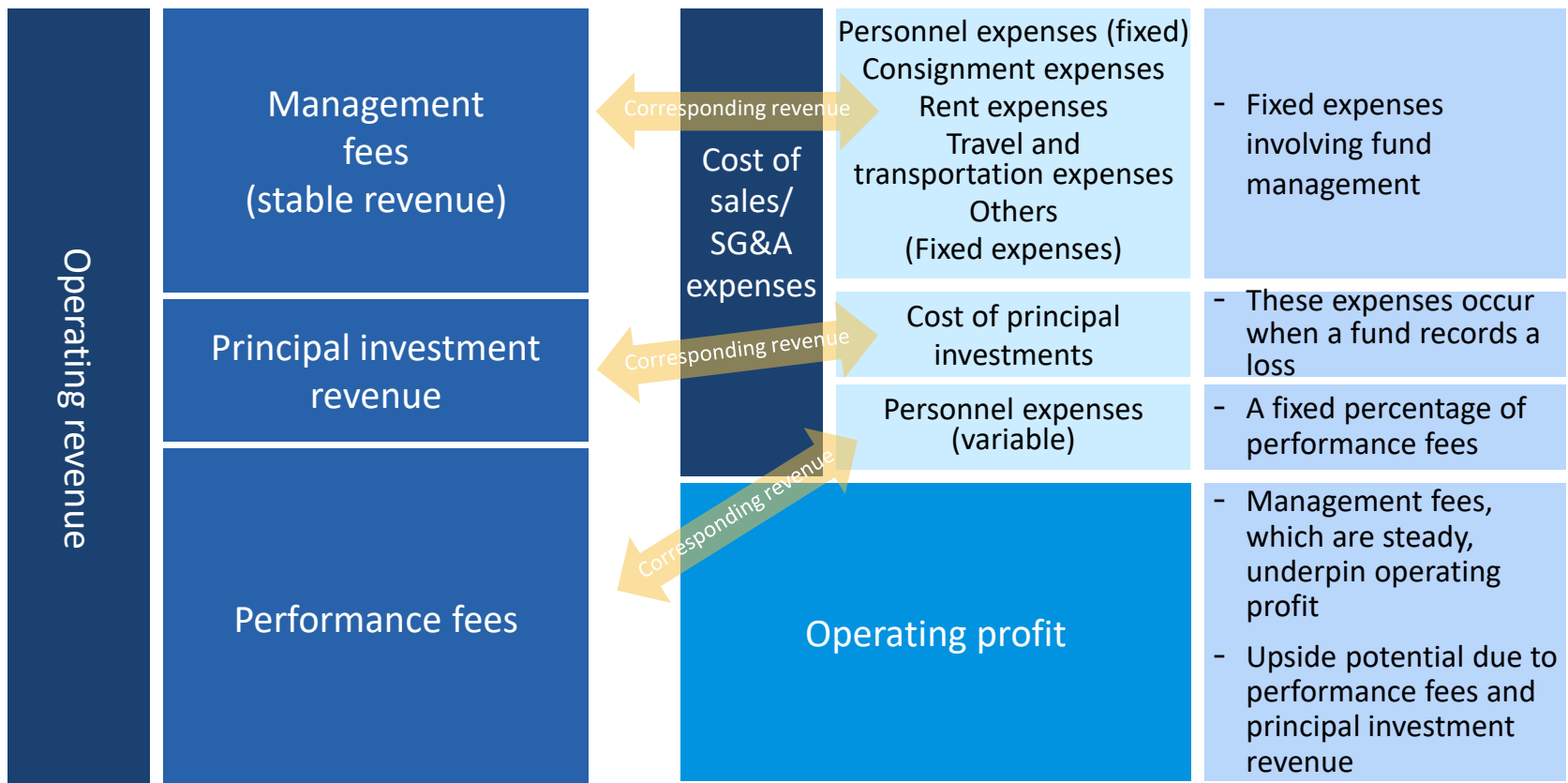
- This graph shows the receipt of management fees, principal investment revenue and performance fees during the life of a typical fund.
- Our strategy of managing several types of funds tends to keep these sources of revenue relatively even over time.



3.2 Composition of Earnings (3/3)

Operating Revenue and Cost of Sales/SG&A Expenses

- 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.



Reference: Composition of Earnings and Corporate Value

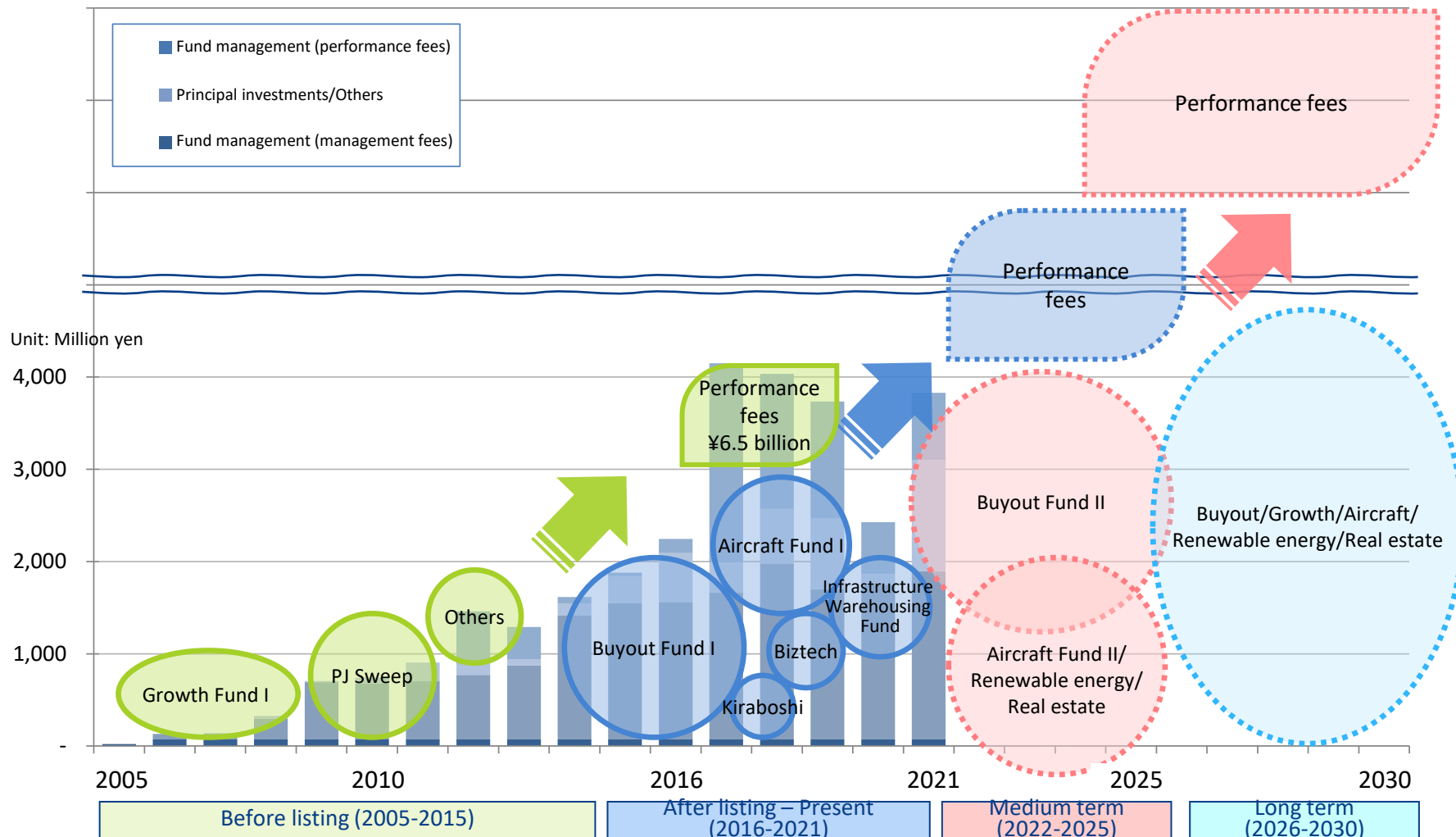
- Mercuria Holdings' view of the value of its stock is based on three components (1): steady value (management fees); (2) net asset value (principal investments); and (3) upside value (performance fees).
- Market cap was ¥12.9 billion as of August 8, 2022. The goal is to earn recognition from investors 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"> + Funds established after the IPO will start reaching the performance fee stage and launches of even larger successor funds are going well + 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) 	Expectation for performance fees	Hidden value that Mercuria Holdings believes exists
	Business value (management fees)	<ul style="list-style-type: none"> + Increase base annual management fees (from almost ¥1.9 billion now to at least ¥2.5 billion) + Little uncertainty because fees are based on long-term contracts - Operating expenses 	Business value with a sound base for management fees	
	Net asset value (principal investments)	<ul style="list-style-type: none"> + Cash and deposits ¥3.8 billion + Principal investments ¥14.1 billion (including unrealized capital gains) + Other assets ¥1.8 billion - Borrowings ¥0.8 billion - Operational liabilities, etc. ¥1.2 billion - Non-controlling interests ¥0.9 billion 	Principal investments ¥16.8 billion + Unrealized capital gain asset value	
				¥12.9 billion (¥601/share)

3.3 Revenue Composition

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.



3.3 Revenue Composition

Performance Fees by Fund Category

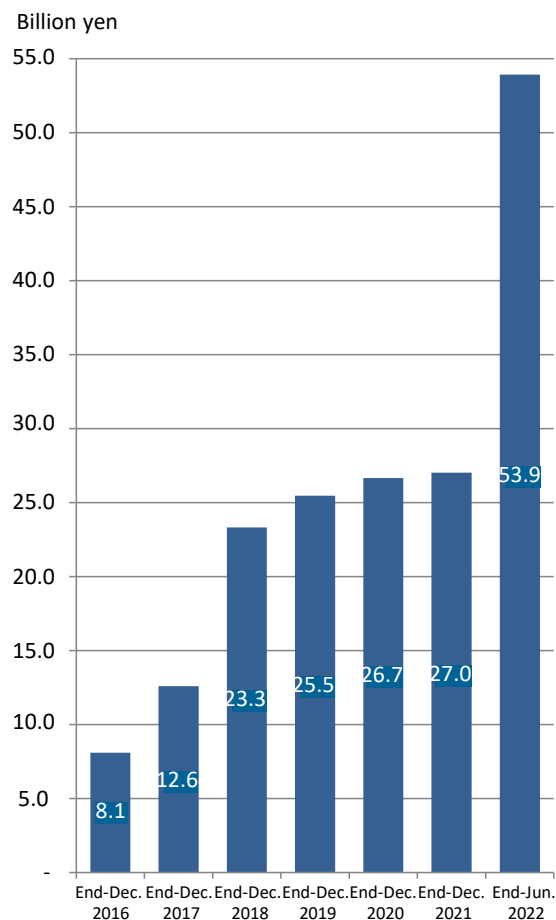
	Fund category	Investment strategies	Major partners	Total funds	Duration	Total performance fees
Prior-year funds	Growth Fund I	Growth	DBJ, etc.	¥7.0bn	2005-	¥3.73bn
	Project Sweep	Value	Overseas investors	¥9.8bn	2010-2017	¥1.60bn
	Other funds	Growth/Value	Domestic/overseas investors	-	2012-	¥1.20bn
Business investments	Buyout Fund I	Buyout	DBJ, SMTB, etc.	¥21.3bn	2016-	(Investment period)
	Kiraboshi Fund	Buyout	Kiraboshi Bank, Japan Post Bank, etc.	¥2.6bn	2018-	(Investment period)
	BizTech Fund	Growth	ITOCHU, SMTB, etc.	¥3.1bn	2019-	(Investment period)
	Buyout Fund II	Buyout	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	-

3.3 Revenue Composition

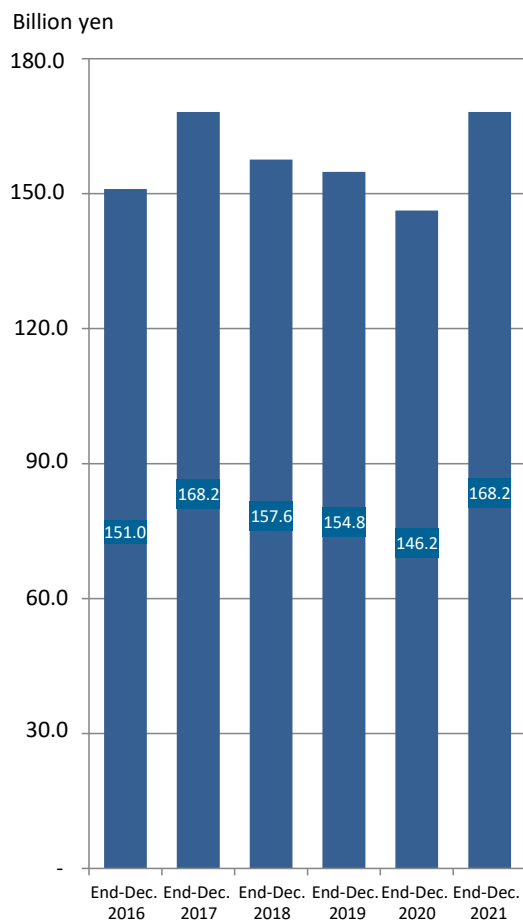
Management Fees (AUM Used to Determine Management Fees)

- 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.

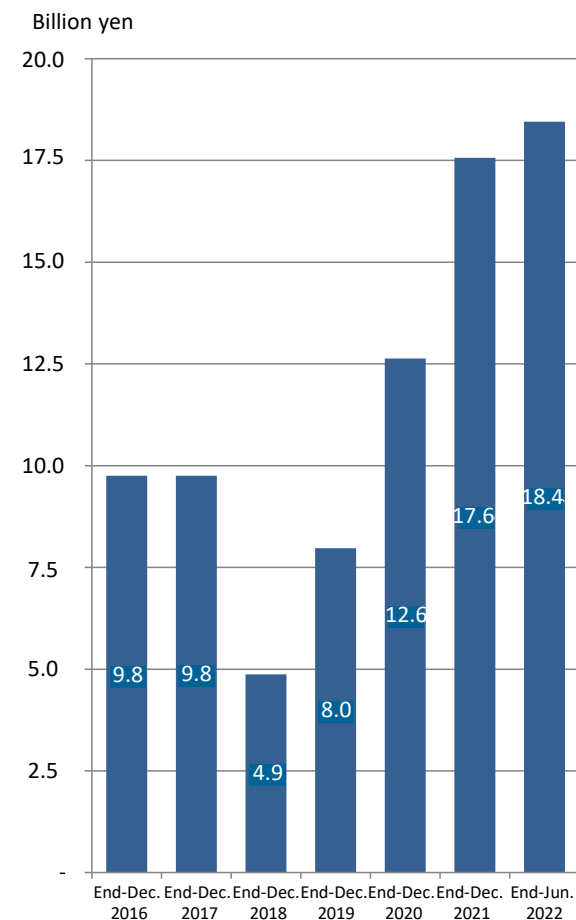
Business investments



Spring REIT



Asset investments



3.3 Revenue Composition

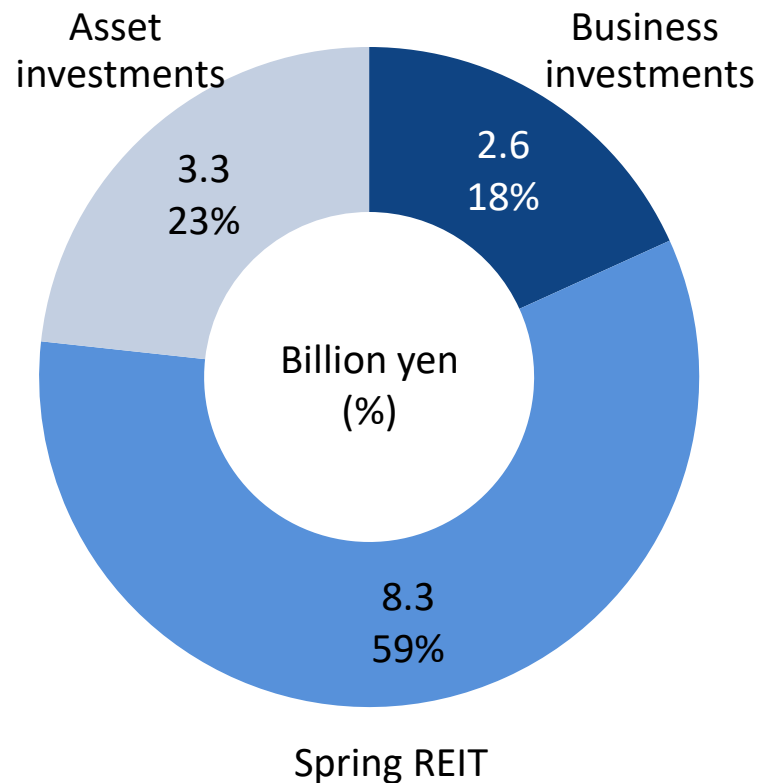
Principal Investments (Amount of Assets and Liabilities)

- 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)



3.4 Revenue, Expenses and Earnings

■ Six-year summary of revenue, expenses and earnings

Unit: Million yen

<u>Revenue, expenses and earnings</u>	2016	2017	2018	2019	2020	2021
Operating revenue	2,521	4,224	4,122	4,718	6,184	4,170
Operating gross profit	2,245	4,150	4,034	3,735	2,426	3,638
<i>Fund management fees</i>	1,562	1,663	1,978	1,701	1,750	1,894
<i>Performance fees</i>	152	2,163	1,462	1,271	563	730
<i>Principal investments/ Others</i>	531	325	593	764	113	1,015
SG&A expenses	(965)	(1,920)	(1,917)	(1,879)	(1,654)	(1,875)
Operating profit	1,280	2,230	2,117	1,856	772	1,763
Ordinary profit	1,248	2,208	2,083	1,800	758	1,817

3.4 Operating Gross Profit (Management Fees)

- Operating gross profit from management fees during the past six years

Unit: Million yen

<u>Operating gross profit (management fees)</u>	2016	2017	2018	2019	2020	2021
Business investments	296	498	821	675	710	729
Spring REIT	974	942	1,065	946	929	1,003
Asset investments	293	223	92	79	111	162
Operating gross profit (management fees)	1,562	1,663	1,978	1,701	1,750	1,894

- For business investments, total fund assets have been increasing mainly because of Buyout Fund I and other funds established after the 2016 IPO. The establishment of Buyout Fund II is expected to further increase fund assets. (In 2018, at the final closing of Buyout Fund I management fees for prior years of the fund were recognized retroactively.)
- The performance of Spring REIT is generally stable; revisions to asset valuations caused by exchange rate movements are the major reason for changes in this REIT's performance. The goal is a further increase in Spring REIT's assets by purchasing more assets.
- Regarding asset investments, exits of funds in prior years are largely completed and funds procured at the IPO are being used to fund the establishment of new funds.

3.4 Operating Gross Profit (Performance Fees)

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

Unit: Million yen

<u>Operating gross profit (performance fees)</u>	2016	2017	2018	2019	2020	2021
Business investments	110	-	-	25	-	644
Spring REIT	-	108	-	-	-	-
Asset investments	41	2,055	1,462	1,246	563	86
Operating gross profit (performance fees)	152	2,163	1,462	1,271	563	730

- For business investments, Buyout Fund I and other primary funds are still in the phase of making investments and have therefore not reached the stage of earning performance fees.
- Spring REIT purchased assets during 2017, which resulted in acquisition fees (performance fees). More acquisition fees will be received every time Spring REIT purchases assets.
- For asset investments, there were performance fees resulting from the exit from exiting investments of past funds, including Growth Fund I and value investment and other funds established during the global financial crisis.

3.4 Operating Gross Profit (Principal Investments/Others)

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

Unit: Million yen

<u>Operating gross profit (principal investments/others)</u>	2016	2017	2018	2019	2020	2021
Business investments	0	-1	288	142	-7	398
Spring REIT (of which, dividends)	76 (77)	92 (93)	308 (282)	136 (233)	-106 (364)	433 (486)
Asset investments	455	234	-2	485	227	184
Operating gross profit (principal investments)	531	325	593	764	113	1,015

- For business investments, Buyout Fund I and other primary funds are still in the phase of making investments. Fund income resulting from the exit from some existing investments is classified as principal investment revenue.
- Spring REIT is a source of steady income due to dividend income. There were valuation losses because of restructuring activities at this REIT in 2019 and 2020.
- For asset investments, fund income associated with principal investments in Growth Fund I and value investment and other funds established during the global financial crisis is classified as principal investment revenue.

4. The Holding Company Structure

Outline of the Mercuria Investment Group

- The Mercuria Investment Group was established in 2005 primarily for alternative investments.

Company Profile (As of January 1, 2022)

Company name:	Mercuria Holdings Co., Ltd.
Head office:	Daibiru Bldg., 1-3-3 Uchisaiwaicho, Chiyoda-ku, Tokyo
Established:	July 1, 2021 (the former Mercuria Investment Co., Ltd. was established on October 5, 2005)
Capital:	¥4,057,656,380
Business:	Holding company, fund management business and principal investment business
Management personnel:	Toshihiro Toyoshima, CEO Hideya Ishino, Director, COO, Head of Asset Investment Dept. Kiyoto Koyama, Director, CIO, Head of Business Investment Dept.
Number of employees:	83 (consolidated)
Listing:	Tokyo Stock Exchange, Prime Market (stock code 7347)
Strategic shareholders:	Development Bank of Japan Inc. ITOCHU Corporation Sumitomo Mitsui Trust Bank, Limited

Major Affiliates

- **Mercuria Investment Co., Ltd. (Tokyo)**
Management of private equity funds including buyout funds, growth funds, 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

■ Mission

“Change today's Japan through Power of Funds”

■ Three Management Philosophies

Crossing National, Mental and Generational Boundaries —Cross Border

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

Becoming a World-class Investment Group —Global Reach

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

Common Knowledge in 5 Years —Undiscovered Common

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

History

Before
establishment

Toshihiro Toyoshima, the CEO of Mercuria Holdings, made the following statement at the World Bank that defined the **Mercuria cross-border management philosophy**: “The breakout power of equity will be essential for making the Japanese economy part of the dynamic growth of the global economy”

2005

Established Asuka DBJ Partners primarily with the backing of Development Bank of Japan
Established Growth Fund I

Invested in Beijing's China Central Place, later owned by Spring REIT = **Beyond national boundaries**
Invested in Lifenet Insurance Company and Hoken No Madoguchi = **Beyond mental boundaries**

2008

Reorganized real estate investments in China due to the global financial crisis
Invested in assets of foreign investment bank that shut down Japan operations and in non-bank assets

2011

Established Growth Fund II

Spring REIT was listed on the Hong Kong Exchange and Clearing

Equity investments by ITOCHU and Sumitomo Mitsui Trust Bank = **Strategic partners**

2016

Established Buyout Fund I = **Beyond generational boundaries**

Mercuria Investment was listed on the Tokyo Stock Exchange Second Section (moved to the First Section in 2017)

2018

Established Aircraft Fund I = **Full-scale start of cash flow investments, including a renewable energy fund**

2019

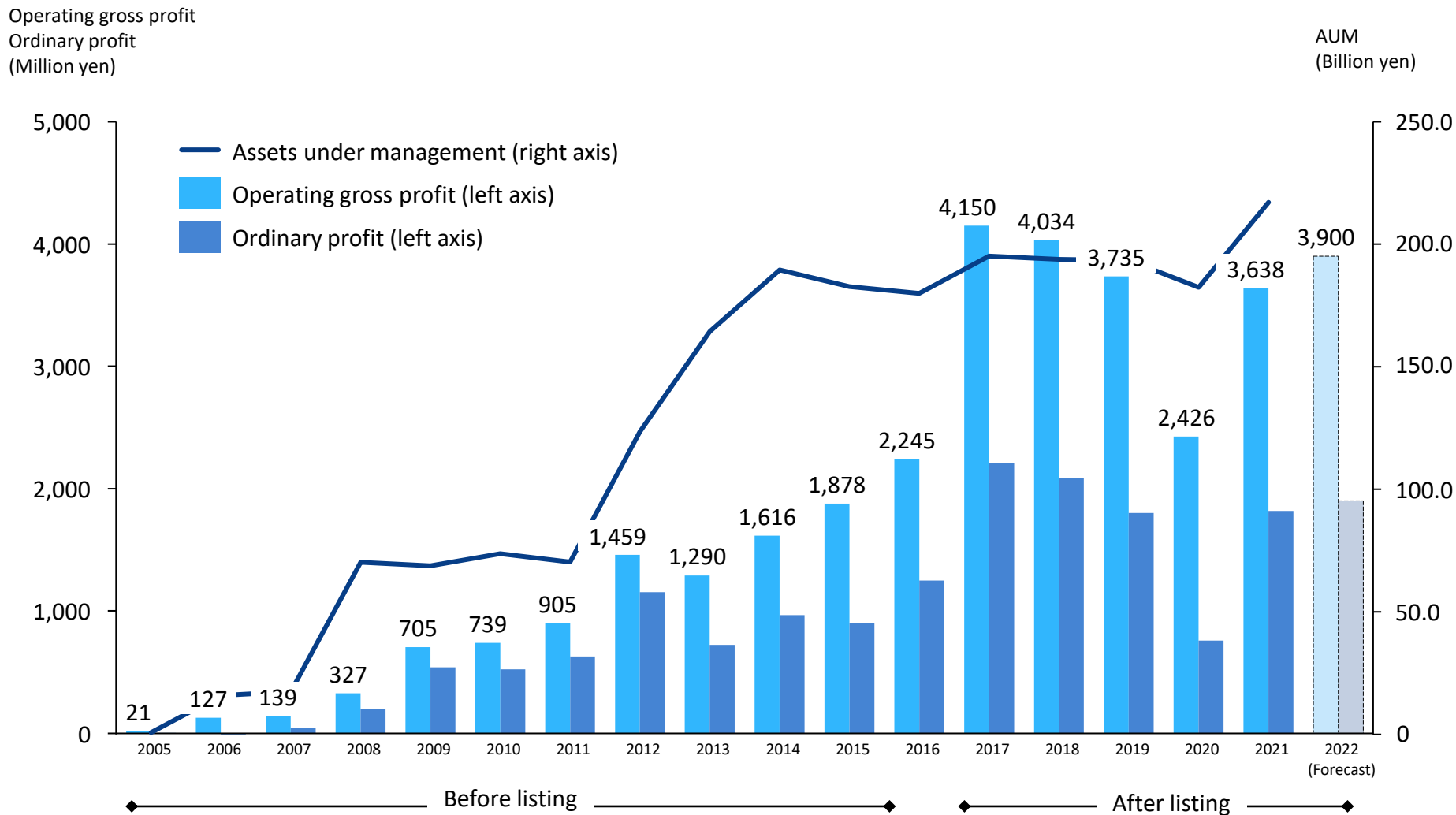
Enex Infrastructure Investment Corporation was listed on the Tokyo Stock Exchange Infrastructure Fund Market
Established BizTech Fund

2021

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

Main Financial Indicators

- The 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.



The Holding Company Platform (1/2)

Market sector	LP investors/Customers		LP investors/Customers		LP investors/Customers							
Investment strategies	Buyout		Growth		Cash flows/Real estate							
Business units (small)	Buyout Fund I	Buyout Fund II	Biztech	China Fintech	Growth Fund I/II	Infra-structure Warehousing	Enex Infra-structure REIT (listed REIT)	Aircraft	Japanese Real Estate	Investment consulting services in Thailand	Spring REIT (listed REIT)	
Leaders	Mr. Koyama		Mr. Miyoshi	Mr. Xu	Mr. Ishino			Mr. Hirotani	Mr. Fukai	Mr. Momota	Mr. Leung Ms. Yan	
Business sectors (large)	Business Investments					Asset Investments					Spring REIT	
Companies	Mercuria Investment (MIC)							Enex AM	MAC	Mercuria Thailand	SAML	MIBJ
The holding company platform	Mercuria Holdings (listed on TSE) (MHD)											
Leaders	<p>Mission Change today's Japan through Power of Funds</p> <p>Mr. Toyoshima Mr. Takigawa</p>											
Capital market	Shareholders											

The Holding Company Platform (2/2)

Business team	<h2>Business Investment Leaders</h2>		<h2>Asset Investment Leaders</h2>		<h2>Spring REIT Business Leaders</h2>	
	 <p><u>Kiyoto Koyama</u> Director, CIO, Head of Business Investment Dept. Career • Development Bank of Japan</p>		 <p><u>Hideya Ishino</u> Director, COO, Head of Asset Investment Dept. Career • Salomon Brothers</p>		 <p><u>Leung Kwok Hoe, Kevin</u> Spring Asset Management Limited</p>	
	 <p><u>Xiaolin Xu</u> Executive Officer, China Business Leader</p>		 <p><u>Daisuke Miyoshi</u> Managing Director of Biztech Fund Business</p>		 <p><u>Toru Aratani</u> Managing Director of Business Investment Dept.</p>	
		 <p><u>Toshiaki Fukai</u> Executive officer, Head of Japanese Real Estate Business Dept.</p>		 <p><u>Yoichi Hirotani</u> Mercuria Airborne Capital Co., Ltd.</p>		
				<h2>Thai Business Leader</h2>		
				 <p><u>Minoru Momota</u> Mercuria (Thailand) Co., Ltd.</p>		
The holding company platform	<h2>Mercuria Investment Group Leaders</h2>					
	 <p><u>Toshihiro Toyoshima</u> CEO of Mercuria Holdings Career • Development Bank of Japan • World Bank</p>			<h3>Finance & Control / Business Planning Leader</h3>  <p><u>Yusuke Takigawa</u> Executive Officer, Head of Finance & Control Dept. and Business Planning Dept.</p>		



Mercuria Investment Group

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