



Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending December 31, 2023
(Six Months Ended June 30, 2023)

[Japanese GAAP]

August 10, 2023

Company name: Mercuria Holdings Co., Ltd.

Listing: Tokyo Stock Exchange

Stock code: 7347

URL: <https://www.mercuria.jp/en/>

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Scheduled date of filing of Quarterly Report:

August 10, 2023

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting:

Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the First Six Months of 2023 (January 1 to June 30, 2023)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Operating revenue		Operating gross profit		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Jun. 30, 2023	3,395	48.0	1,564	(30.2)	323	(73.2)	478	(65.7)	322	(66.6)
Six months ended Jun. 30, 2022	2,294	-	2,241	-	1,202	-	1,392	-	964	-

Note: Comprehensive income (millions of yen)

Six months ended Jun. 30, 2023: 906 (down 61.9%)

Six months ended Jun. 30, 2022: 2,380 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2023	16.31	16.26
Six months ended Jun. 30, 2022	46.85	46.70

Note: Year-on-year changes for the six months ended Jun. 30, 2022 are not shown above as Mercuria Holdings was established on July 1, 2021 through a transfer of stock.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2023	18,758	17,505	87.9
As of Dec. 31, 2022	19,983	17,542	83.2

Reference: Shareholders' equity (millions of yen)

As of Jun. 30, 2023: 16,479

As of Dec. 31, 2022: 16,628

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2022	-	0.00	-	20.00	20.00
2023	-	0.00	-	-	-
2023 (forecast)	-	-	-	21.00	21.00

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

3. Consolidated Forecast for 2023 (January 1 to December 31, 2023)

(Percentages represent year-on-year changes)

	Operating revenue		Operating gross profit		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	6,700	45.7	5,100	16.0	2,450	19.2	2,450	11.0	1,700	8.8	86.13

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

* Notes

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): Yes

Newly added: - Excluded: 1 (SR Target, L.P.)

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Consolidated Subsidiaries during the Period” on page 8 of the attachments for details.

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

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares issued (common stock)

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

As of Jun. 30, 2023:	21,482,700 shares	As of Dec. 31, 2022:	21,482,700 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2023:	1,999,977 shares	As of Dec. 31, 2022:	1,429,177 shares
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3) Average number of shares during the period

Six months ended Jun. 30, 2023:	19,737,297 shares	Six months ended Jun. 30, 2022:	20,573,874 shares
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* The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

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

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

Mercuria Holdings plans to hold a financial results meeting for institutional investors and securities analysts on Thursday, August 24, 2023. Materials to be distributed at this meeting will be available on the Mercuria Holdings’ website immediately thereafter.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of 2023 (January 1, 2023 to June 30, 2023), economic and social activity in Japan slowly began returning to normal as pandemic restrictions ended, resulting in an economic recovery. These adjustments followed the reclassification of the Corona pandemic to Category 5 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases. The outlook for the economy is still uncertain due to the major reasons such as the prolonged Ukraine conflict, the rising cost of resources, failures of U.S. banks and worldwide monetary tightening, primarily interest rate hikes by central banks in Europe and the United States, to combat inflation.

Under such an economic environment, the Mercuria Group aims to achieve medium to long-term growth and in the second quarter, it earned a performance fee by recovering an investment through the sale of stock held by Asuka DBJ Investment Partnership, a fund managed by subsidiary Mercuria Investment Co., Ltd. We are currently managing Mercuria Japan Industrial Growth Support Fund II (Buyout Fund II), established in 2022 with a focus on facilitating the business succession of middle-market companies in Japan. This fund is actively raising funds as it progresses towards its final closing. A second aircraft fund, established for investing mainly in small aircraft, has acquired its first aircraft.

In the principal investment business, as part of restructuring measures associated with refinancing, Spring REIT investment units were sold. This sale resulted in the recognition of a loss involving operational investment securities held by the Mercuria Group.

In the first half of 2023, operating revenue was 3,394 million yen (up 48.0% year-on-year), and there was an ordinary profit of 478 million yen (down 65.7% year-on-year), and profit attributable to owners of parent of 321 million yen (down 66.6% year-on-year). Operating revenue increased mainly because of the substantial revenue in the principal investment business resulting from the sale of Spring REIT investment units as part of ongoing restructuring measures. The decline in ordinary profit and profit attributable to owners of parent resulted from the loss incurred in the above-mentioned transaction involving the transfer of the Spring REIT unit. Additionally, in the first half, there was an absence of gain on equity from fund investments, which had arisen from the sale of shares held by Mercuria Japan Industrial Growth Support Investment Limited Partnership (Buyout No. 1 Fund) in the first half of the previous fiscal year.

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

(2) Explanation of Financial Position

Assets, Liabilities and Net Assets

Total assets amounted to 18,757 million yen at the end of the second quarter of 2023, a decrease of 1,225 million yen from the end of 2022. This was mainly the result of a 309 million yen increase in cash and deposits and a decrease of 1,572 million yen in operational investment securities due to the sale of Spring REIT investment units and changes in the market values of securities.

Total liabilities amounted to 1,252 million yen, a decrease of 1,188 million yen from the end of 2022. There were decreases of 100 million yen in short-term borrowings, 351 million yen in accrued expenses, 148 million yen in income taxes payable and, due to refinancing activity in the principal investment business, 130 million yen in current portion of long-term borrowings and 613 million yen in long-term borrowings. There were increases of 36 million yen in unearned revenue and 99 million yen in provision for bonuses.

Net assets totaled 17,505 million yen, a decrease of 36 million yen from the end of 2022. The main reasons are increases of 280 million yen in valuation difference on available-for-sale securities and 111 million yen in non-controlling interests, and an increase of 408 million yen in treasury shares (decrease in net assets) due to the purchase of treasury shares.

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

At this point, there are no revisions to the consolidated earnings forecast for 2023, which was disclosed on May 12, 2023.

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

	(Thousands of yen)	
	2022 (As of Dec. 31, 2022)	Second quarter of 2023 (As of Jun. 30, 2023)
Assets		
Current assets		
Cash and deposits	3,013,477	3,323,063
Trade accounts receivable	603,901	667,606
Operational investment securities	13,423,443	11,850,509
Operating loans	594,850	711,865
Short-term loans receivable from subsidiaries and associates	520,000	520,000
Advances paid	113,452	183,206
Other	574,351	440,050
Total current assets	<u>18,843,472</u>	<u>17,696,300</u>
Non-current assets		
Property, plant and equipment		
Buildings, net	175,775	177,826
Tools, furniture and fixtures, net	17,179	19,553
Total property, plant and equipment	<u>192,954</u>	<u>197,380</u>
Intangible assets		
Software	1,388	2,102
Total intangible assets	<u>1,388</u>	<u>2,102</u>
Investments and other assets		
Investment securities	307,454	236,139
Leasehold and guarantee deposits	83,031	102,981
Deferred tax assets	538,432	509,807
Other	16,337	13,091
Total investments and other assets	<u>945,253</u>	<u>862,018</u>
Total non-current assets	<u>1,139,595</u>	<u>1,061,500</u>
Total assets	<u>19,983,067</u>	<u>18,757,800</u>
Liabilities		
Current liabilities		
Short-term borrowings	100,000	-
Current portion of long-term borrowings	130,000	-
Accounts payable-other	38,201	5,265
Accrued expenses	401,479	49,838
Accrued consumption taxes	30,527	37,642
Income taxes payable	388,734	240,148
Unearned revenue	-	36,109
Provision for bonuses	33,641	133,059
Other	58,256	66,138
Total current liabilities	<u>1,180,839</u>	<u>568,198</u>
Non-current liabilities		
Long-term borrowings	613,500	-
Provision for retirement benefits for directors (and other officers)	102,000	102,000
Provision for share-based remuneration for directors (and other officers)	180,294	189,044
Provision for share-based remuneration for employees	20,000	23,750
Retirement benefit liability	160,053	186,714
Long-term accounts payable-other	70,000	70,000
Long-term deposits received	19,407	25,050
Other	94,888	87,727
Total non-current liabilities	<u>1,260,143</u>	<u>684,286</u>
Total liabilities	<u>2,440,981</u>	<u>1,252,484</u>

	(Thousands of yen)	
	2022 (As of Dec. 31, 2022)	Second quarter of 2023 (As of Jun. 30, 2023)
Net assets		
Shareholders' equity		
Share capital	4,063,577	4,063,577
Capital surplus	4,516,845	4,516,845
Retained earnings	8,863,183	8,651,326
Treasury shares	(1,065,271)	(1,473,784)
Total shareholders' equity	16,378,334	15,757,964
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	111,274	391,564
Foreign currency translation adjustment	138,065	329,470
Total accumulated other comprehensive income	249,340	721,035
Share acquisition rights	83	83
Non-controlling interests	914,330	1,026,235
Total net assets	17,542,086	17,505,316
Total liabilities and net assets	19,983,067	18,757,800

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

(Thousands of yen)

	First six months of 2022 (Jan. 1 - Jun. 30, 2022)	First six months of 2023 (Jan. 1 - Jun. 30, 2023)
Operating revenue	2,293,847	3,394,894
Operating costs	53,168	1,830,413
Operating gross profit	2,240,679	1,564,481
Selling, general and administrative expenses	1,039,107	1,241,878
Operating profit	1,201,572	322,602
Non-operating income		
Interest income	807	20,511
Foreign exchange gains	192,829	102,926
Rent revenue	322	263
Share of profit of entities accounted for using equity method	-	51,014
Other	3,630	2,097
Total non-operating income	197,587	176,812
Non-operating expenses		
Interest expenses	3,623	4,202
Financing fees	3,000	13,500
Other	118	3,682
Total non-operating expenses	6,741	21,384
Ordinary profit	1,392,418	478,031
Profit before income taxes	1,392,418	478,031
Income taxes	356,975	103,229
Profit	1,035,442	374,802
Profit attributable to non-controlling interests	71,536	52,900
Profit attributable to owners of parent	963,906	321,902

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

	(Thousands of yen)	
	First six months of 2022 (Jan. 1 - Jun. 30, 2022)	First six months of 2023 (Jan. 1 - Jun. 30, 2023)
Profit	1,035,442	374,802
Other comprehensive income		
Valuation difference on available-for-sale securities	973,515	280,290
Foreign currency translation adjustment	385,380	265,940
Share of other comprehensive income of entities accounted for using equity method	(14,818)	(15,530)
Total other comprehensive income	1,344,077	530,700
Comprehensive income	2,379,519	905,502
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,210,489	793,597
Comprehensive income attributable to non-controlling interests	169,030	111,905

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of 2022 (Jan. 1 – Jun. 30, 2022)	First six months of 2023 (Jan. 1 – Jun. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	1,392,418	478,031
Depreciation	31,421	34,557
Borrowing related expenses	3,000	13,500
Increase (decrease) in provision for bonuses	85,758	97,117
Increase (decrease) in retirement benefit liability	35,817	26,082
Increase (decrease) in provision for directors' bonuses-stock	8,750	8,750
Increase (decrease) in provision for employee's bonuses-stock	3,750	3,750
Interest income	(807)	(20,511)
Interest expenses	3,623	4,202
Commission expenses	-	1,756
Foreign exchange losses (gains)	(40,269)	(12,315)
Share of loss (profit) of entities accounted for using equity method	-	(51,014)
Loss on retirement of non-current assets	-	1,462
Decrease (increase) in trade receivables	(45,679)	(31,190)
Decrease (increase) in investment securities for sale	(1,194,706)	2,167,174
Decrease (increase) in operating loans receivable	(126,823)	(143,598)
Decrease (increase) in other current assets	126	69,394
Increase (decrease) in other current liabilities	(451,633)	(362,363)
Increase (decrease) in other non-current liabilities	(13,930)	(9,734)
Subtotal	(309,185)	2,275,047
Interest received	617	12,851
Interest paid	(3,623)	(4,536)
Income taxes refund (paid)	79,519	(329,044)
Net cash provided by (used in) operating activities	(232,672)	1,954,318
Cash flows from investing activities		
Proceeds from withdrawal of restricted deposits	-	70,000
Purchase of property, plant and equipment	(18,352)	(24,580)
Purchase of intangible assets	(288)	(827)
Payments of leasehold deposits	-	(21,365)
Proceeds from refund of leasehold deposits	630	-
Loan advances to subsidiaries and associates	(118,000)	(4,060)
Net cash provided by (used in) investing activities	(136,010)	19,168
Cash flows from financing activities		
Repayments of short-term borrowings	-	(100,000)
Repayments of long-term borrowings	(65,000)	(743,500)
Dividends paid	(418,232)	(410,020)
Purchase of treasury shares	(79,812)	(410,269)
Proceeds from disposal of treasury shares	52	-
Net cash provided by (used in) financing activities	(562,992)	(1,663,788)
Effect of exchange rate change on cash and cash equivalents	82,521	71,303
Net increase (decrease) in cash and cash equivalents	(849,153)	381,000
Cash and cash equivalents at beginning of period	4,604,764	2,943,477
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(1,414)
Cash and cash equivalents at end of period	3,755,612	3,323,063

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Consolidated Subsidiaries during the Period

SR Target, L.P. was excluded from the consolidation in the second quarter of 2023.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

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

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

Segment and Other Information

Segment Information

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

Subsequent Events

Not applicable.

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