JIC decides to set up JIC Venture Growth Fund No.2 Investment Limited Partnership

・JIC sets up second VGI fund (fund size: JPY200 billion)
・Will support growth/later stage startups to create unicorns
・Will target early stage and beyond deep tech and life science startups to promote Society 5.0

Tokyo, December 16, 2022 – Japan Investment Corporation (JIC) has announced its decision to set up JIC Venture Growth Fund No.2 Investment Limited Partnership (VGF2) for JPY200 billion yen with JIC Venture Growth Investments Co., Ltd. (VGI) as its fund management company.

JIC aims to stimulate a virtuous cycle of risk capital to support next-generation industries in Japan. To achieve this vision, JIC promotes open innovation as a means for supporting growth and enhancing the international competitiveness of businesses. JIC approaches these challenges by stimulating private sector investments in open innovation together with JIC's own investment, while fostering investment professionals.

VGI has been investing in startups through JIC Venture Growth Fund No.1 Investment Limited Partnership (VGF1), which was formed in September 2020. VGI will leverage the establishment of VGF2 to expand the domestic startup market and further engage in investment activities that contribute to solving market issues – one of the JIC initiatives included in the government's "Startup Development Five-year Plan" released on November 28, 2022.

About establishing VGF2

（１）**JIC investment criteria**
JIC's investment criteria* identifies "Driving the creation of new businesses for Society 5.0," "Creating unicorn startups" and "Leveraging promising untapped regional technologies" as focus areas.

"Creating unicorn startups" requires the supply of long-term, large-scale risk capital to unicorns (unlisted ventures with an enterprise value of USD1 billion or higher) that aim to grow competitively and sustainably in the global economy.

"Driving the creation of new businesses for Society 5.0" refers to the social implementation of Fourth Industrial Revolution technologies, such as AI, IoT and robotics, as well as biotechnology, drug discovery, healthcare, mobility, space, materials, electronic devices and other areas that might become internationally competitive and where a long-term and large-scale supply of risk money is needed.

As for "Leveraging promising untapped regional technologies," local university-launched startups are developing technologies that can be expected to generate significant profits when commercialized, but many have not yet had sufficient opportunities to grow as a business, lacking the necessary supply of risk capital to meet their capital requirements.
※https://www.j-ic.co.jp/en/investment/criteria/

（2） **Current status of investment area**
When it comes to creating unicorns, one of the challenges that the domestic market faces is an inadequate supply of the risk capital that growth/later stage startups rely on to fully grow their businesses.

Moreover, recent trends in international affairs and changes in the economic environment suggest that Japan's emerging equity markets will witness increasing demand for supplementary financing prior to initial public offering.

When it comes to creating new businesses for Society 5.0, two important sectors – deep tech and life science – often find it difficult to secure sufficient private-sector risk capital due to the long period of time and large-scale funding required from initial research and development through to social implementation. As such, a need exists for players who can continue to support the growth of startups, including local university-launched ventures, through consistent support from the early stage.

（3） **About VGF2**
VGF2 is an investment fund established with VGI, an authorized fund under JIC's umbrella, as its fund management company.

VGI's mission is to promote innovation in Japan, improve international competitiveness, and solve Japan's industrial and social issues through venture growth investment activities. The main strategy of VGF1 (fund size: 120 billion yen) is to use investment in promising growth/later stage startups to support their further growth prior to initial public offering.

VGF2 will continue to support the transformation of domestic startups into unicorns with a policy of investing in Series B and beyond expansion, growth and later stage startups in need of growth capital. Notably, VGF2 plans to allocate JPY30 billion for investment in early-stage and beyond startups in the deep tech and life science sectors, including startups originating from local universities, strengthening support for startups in these important sectors with the aim of realizing Society 5.0.

<u>Outline of VGF2</u>

（1） Name
JIC Venture Growth Fund No.2 Investment Limited Partnership

（2） Size of fund
JPY200 billion

（3） Overview of VGF2
・Unlimited liability partner (GP):
JIC Venture Growth Investments Co., Ltd.

・Limited liability partners (LP)：
Japan Investment Corporation (JIC)
VGF2 Officer and Employee Investment Limited Partnership (VGF2 OEILP)

（4） Duration
10 years (extension possible)

（5） Investment areas
To support the creation of new industries in Japan, VGF2 identifies industrial sectors where the supply of risk capital is insufficient and then selects areas for investment.

Priority investment areas are as follows:

Stage	Investment areas
Growth	Telecommunications
	Finance (Fintech, security technology, etc)
	Transportation and retail
	Manufacturing industries
	Service industries
	Education, medical, and welfare services (nursing care, childcare, etc.)
	Healthcare (ICT healthcare (hardware/software), testing equipment, etc.)
	Health and medical industries (drug discovery, medical equipment, etc.)
	Education (childcare/EdTech)
	Construction and utilities
	Materials chemistry
	Primary industries (agriculture, food, etc.)
	New industries (space, quantum, deep tech, etc.)
	Other areas that contribute to strengthening Japanese industrial competitiveness
	Other areas that contribute to addressing social issues in Japan

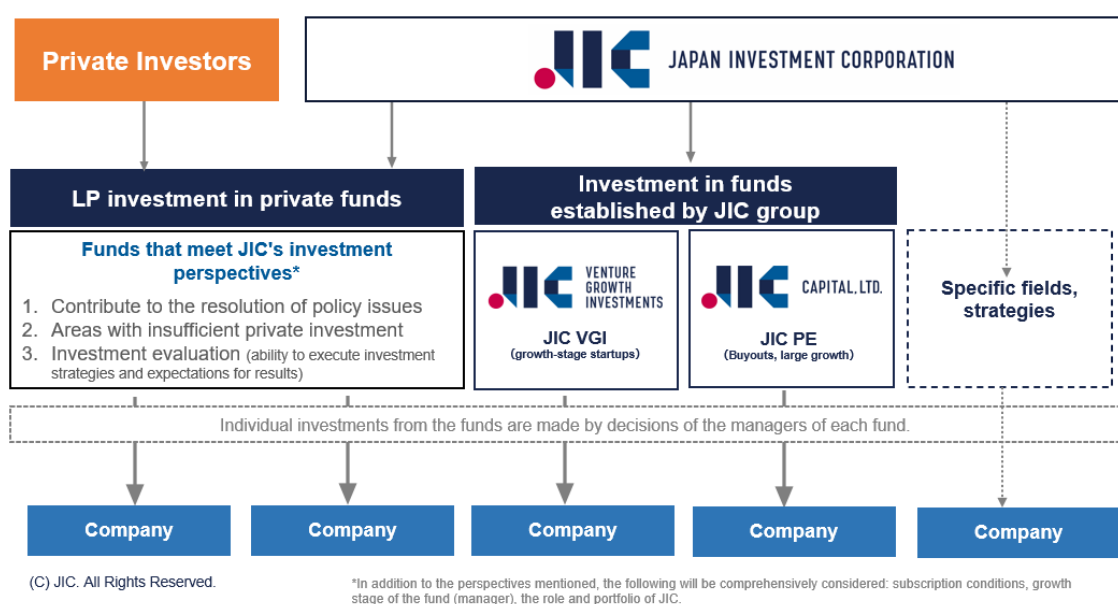| Stage	Investment areas	Technology areas
Early	Deep Tech	Intelligent technology (AI and other advanced information technologies)
		Robotics (mechanism design, perception recognition, motion control)
		Space technology (Earth observation, satellite applications)
		Quantum information technology (quantum computing, quantum algorithms)
		Human augmentation technology (Human Augmentation, AR/VR)
		Fintech/Distributed information technology (blockchain)
		New energy/Decarbonization technology (Cleantech)
		Other highly innovative technical areas
	Life Science	Development of products that fall under the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (Pharmaceutical Affairs Act)
		Services to support the development of products that fall under the Pharmaceutical Affairs Act or the technology that serves as the basis for such services

Overview of management company

Name: JIC Venture Growth Investments Co., Ltd.
Established: July 2020
Address: Minato-ku, Tokyo
President and CEO: Hideki Yarimizu

(For reference)
JIC's fund investment strategy

JIC's Fund Investment Strategy (overall)

株式会社産業革新投資機構

- JIC aims to provide risk capital to enhance the growth of next-generation companies and competitiveness based on its philosophy and its principle of complementing the private sector.
- JIC's investment strategy includes 1) investment in funds established under JIC's initiative and 2) LP investments in private funds.

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*In addition to the perspectives mentioned, the following will be comprehensively considered: subscription conditions, growth stage of the fund (manager), the role and portfolio of JIC.

(For reference)
Objectives of JIC's LP investments

1. Stimulate the supply of risk capital to help companies grow and to enhance their competitiveness
   JIC intends to provide capital to areas that are essential from the perspective of strengthening industrial competitiveness but lack private investment capital (investment strategies, sectors, stages, regions, etc.) with the aim of stimulating private investment capital in the short term and medium-long term.

2. Create diverse investment teams, professionals, and strategies to support a virtuous cycle of risk capital
   1) Investment teams
   JIC promotes growth of the investee funds as a leader in the intermediary of risk capital provided by institutional investors (pension funds, foreign investors, etc.) towards the establishment of future funds. This will be achieved by expanding experience and track records among its fund investment team (management company) and by further improving its ability to respond to institutional investors.

   2) Investment professionals
   With the cooperation of industry organizations such as JVCA, institutional investors, and investee managers, JIC supports the research and introduction of best practices of managers and the development of human resources serving as investment professionals.

   3) Investment strategy

JIC will add diversity and depth to the market by making an LP investment in funds even for those with strategies that are not common in Japan yet, in response to their fund raising, including at the time of its establishment.

About Japan Investment Corporation (JIC)

Japan Investment Corporation ("JIC") was established on September 25, 2018 under the Industrial Competitiveness Enhancement Act. JIC's investment focus areas are driving the creation of new businesses for Society 5.0, creating "unicorn startups", leveraging promising untapped regional technologies and promoting business consolidation across industries and organizations. JIC provides risk capital to these areas through funds independently established by JIC and LP investment in private funds to promote open innovation and contribute to strengthening the competitiveness of Japanese industries and expanding the investment ecosystem.

URL: https://www.j-ic.co.jp/en/

Press Contacts

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