

Japan Investment Corporation
JIC Venture Growth Investments Co., Ltd.

JIC establishes JICVGI Opportunity Fund No.1 Investment Limited Partnership

- JIC affiliate JIC VGI sets up new fund (fund size: JPY40 billion)
- Will have direct secondary strategy and provide growth capital to listed startups
- Will contribute to the development of the domestic secondary and growth markets

Tokyo, July 31, 2023 – Japan Investment Corporation (JIC) has announced the establishment of the JPY40 billion JICVGI Opportunity Fund No.1 Investment Limited Partnership (OPF1), which will be managed by subsidiary JIC Venture Growth Investments Co., Ltd. (JIC VGI).

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.

To achieve its mission, JIC invests in policy-relevant strategic business areas through LP investments in funds under JIC's umbrella and in private funds.

JIC VGI has been investing in startups through JIC Venture Growth Fund No.1 Investment Limited Partnership (VGF1), established in September 2020, and JIC Venture Growth Fund No.2 Investment Limited Partnership (VGF2), established in December 2022. By forming OPF1, JIC VGI will engage in investment activities to support the creation of unicorns and the sustainable and rapid growth of listed startups – one of the JIC initiatives included in the government's "Startup Development Five-year Plan" released on November 28, 2022.

About establishment of OPF1

(1) JIC investment criteria

JIC's investment criteria* identifies "Creating unicorn startups" as one of its focus areas. This activity requires the supply of long-term, large-scale risk capital to unicorns (unlisted companies with an enterprise value of USD1 billion or higher) that aim to grow competitively and sustainably in the global economy.

* <https://www.j-ic.co.jp/en/investment/criteria/>

(2) Current status of investment area

The domestic market provides a limited supply of the large-scale risk capital that growth/late-stage startups require to fully grow their businesses, and the number of domestic VC funds that will reach maturity is expected to increase in the future. On the other hand, the secondary market, where primary investors trade their equity stakes in startups, has not developed sufficiently in the domestic market, and this is one of the reasons behind the relatively small number of startup IPOs. In the domestic market, startups have limited exit options (M&A, etc.) other than IPO. Therefore, it is expected that the need for secondary funds will increase for startups that wish to grow and expand their businesses while remaining unlisted.

In addition, startups that conduct relatively small and early IPOs in the domestic market may face difficulties tied to structural issues, such as difficulty in attracting investment from domestic and foreign institutional investors due to factors that include market capitalization (too small) and market liquidity (too low). Collectively, these factors make it difficult to sustainably increase share prices and raise funds for growth following listing.

Nevertheless, some of these startups have the potential to accelerate their organic growth if they can raise a reasonable amount of capital, or are able to realize discontinuous growth through M&A and other means.

(3) About OPF1

OPF1 is an investment fund established with JIC VGI, an authorized fund and JIC affiliate umbrella, as the fund management company.

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

VGF2 (fund size: 200 billion yen), which invests primarily in expansion, growth/late-stage startups from Series B onward that require growth capital, also invests in early stage and beyond startups in the deep tech and life science fields.

In addition to the "direct secondary strategy," through which OPF1 directly acquires existing shareholder interests in middle- and later-stage startups that are expected to IPO within a few years and then supports their growth into unicorns, OPF1 has an "after-market strategy" to support the sustainable and rapid growth of startups that face challenges in raising growth capital following IPO.

Through both strategies, OPF1 plans to push the growth curve of startups to the next level, create unicorns, and support the sustainable and rapid growth of promising listed startups. OPF1 also aims to attract private investment funds and contribute to the revitalization of the domestic secondary and growth markets, as well as to the strengthening and expansion of the overall startup ecosystem in Japan by creating successful investment cases in the direct secondary and aftermarket sectors.

Outline of OPF1

- (1) Name
JICVGI Opportunity Fund No.1 Investment Limited Partnership
- (2) Size of fund
JPY40 billion
- (3) Structure
- Unlimited liability partner (GP):
JIC Venture Growth Investments Co., Ltd. (JIC VGI)

 - Limited liability partners (LP):
Japan Investment Corporation (JIC)
VGF2-OPF1 Officer and Employee Investment Limited Partnership
(VGF2-OPF1 OEILP)
- (4) Duration
10 years (extension possible)
- (5) Investment areas
OPF1 is an investment strategy that preemptively captures issues in the capital markets (unlisted and listed, including those that may emerge in the future) and invests using appropriate methods to resolve them. In principle, there are no restrictions on the target industrial sectors. However, OPF1 will focus on investments in the following areas, which are listed in VGF1 and VGF2 as areas where risk capital is in short supply.

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

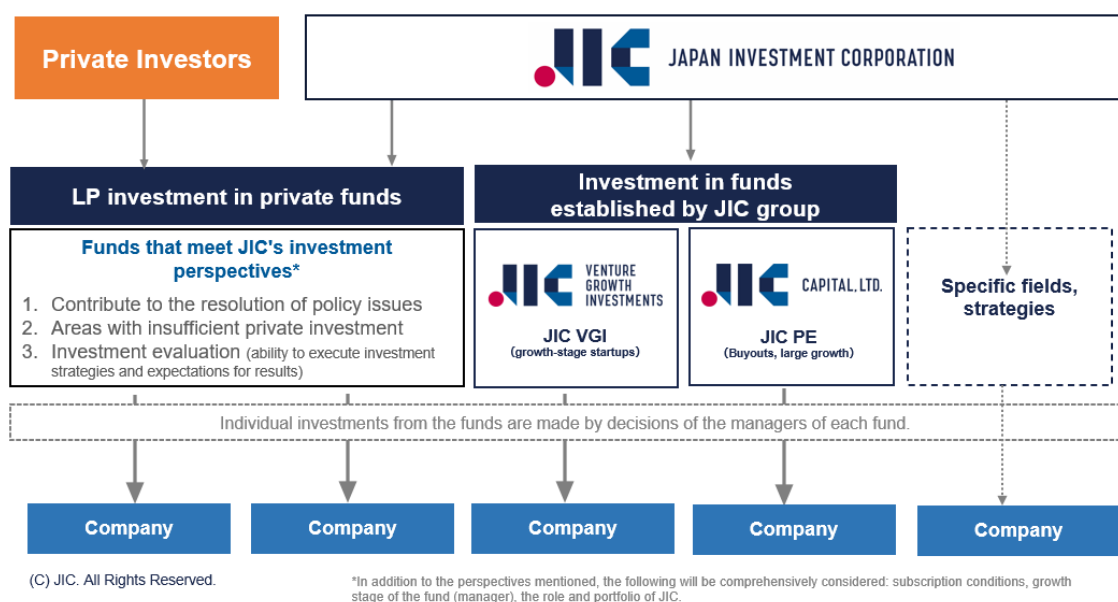
Overview of management company

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.



(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/>

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