



JIC makes LP investment in Kepple Liquidity Fund 1

- Utilizing direct secondary investment to create unicorns
- Contributing to development of the domestic secondary ecosystem
- Attracting private investment funds and risk capital from institutional investors

Tokyo, August 10, 2023 – Japan Investment Corporation (“JIC”) has announced its decision to make an LP investment of JPY3 billion in Kepple Liquidity Fund 1 (“Kepple LF1”), which is managed by Kepple Group, Inc. (“Kepple Group”).

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.

About LP investment in Kepple LF1

(1) JIC investment criteria

JIC’s investment criteria* identifies “Creating unicorn startups” as a focus area. A long-term, large-scale supply of risk capital is required for the creation of unicorns—defined as privately held companies with an enterprise value of USD1 billion or more—that can grow their business sustainably with competitive global economic strength.

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

(2) Current status of investment market

In addition to the limited supply of large-scale risk capital for growth-stage startups, the domestic market is also expected to see an increase in the number of domestic VC funds reaching maturity. Meanwhile, an underdeveloped secondary market, where primary investors trade equity stakes in startups, is one of the reasons for the relatively modest scale of IPOs for startups in Japan and a barrier to the creation of unicorns. Finally, when it comes to exits, startups have limited access to options other than IPO (i.e., M&A, etc.), and the need for secondary funds for startups that intend to grow and expand their businesses while remaining unlisted is expected to increase.

Currently, few GPs in Japan have a secondary investment strategy, and the supply of private risk capital for secondary funds is also limited.

(3) About Kepple LF1

Most domestic secondary funds focus on secondary investments in LP interests as their main strategy, but Kepple LF1 focuses on direct secondary investment, especially in areas where

private investment capital is scarce. Kepple LF1 invests in mid- to late-stage startups that are expected to go public within a few years, directly acquiring existing shareholder interests in secondary investments. It is expected to function as a vehicle for further boosting the growth curve of startups that have been forced to exit through small IPOs, etc., and for creating unicorns.

JIC expects that the LP investment in Kepple LF1 will contribute to the creation of unicorns originating from Japan by enhancing Kepple LF1's investment activities in mid- and late-stage startups through secondary transactions. JIC also expects to contribute to the development of a domestic secondary ecosystem that will enable startups in deep tech and other areas to obtain long-term support to grow and expand their businesses while strengthening and expanding the entire domestic startup ecosystem. In addition, JIC intends to provide Kepple Group with risk capital and support for system development, etc., in order to attract private investment funds and promote increased fundraising from institutional investors.

About Kepple LF1

Name:	Kepple Liquidity Fund 1
Established:	2022
Duration:	7.5 years (with a possible extension of 2 years)
GP:	Kepple Liquidity Fund 1 Limited Liability Partnership

Overview of management company

Name:	Kepple Group, Inc.
Established:	2023
Address:	Shibuya-ku, Tokyo
Representative:	Representative Director, CEO, General Partner Takahiro Kanzaki

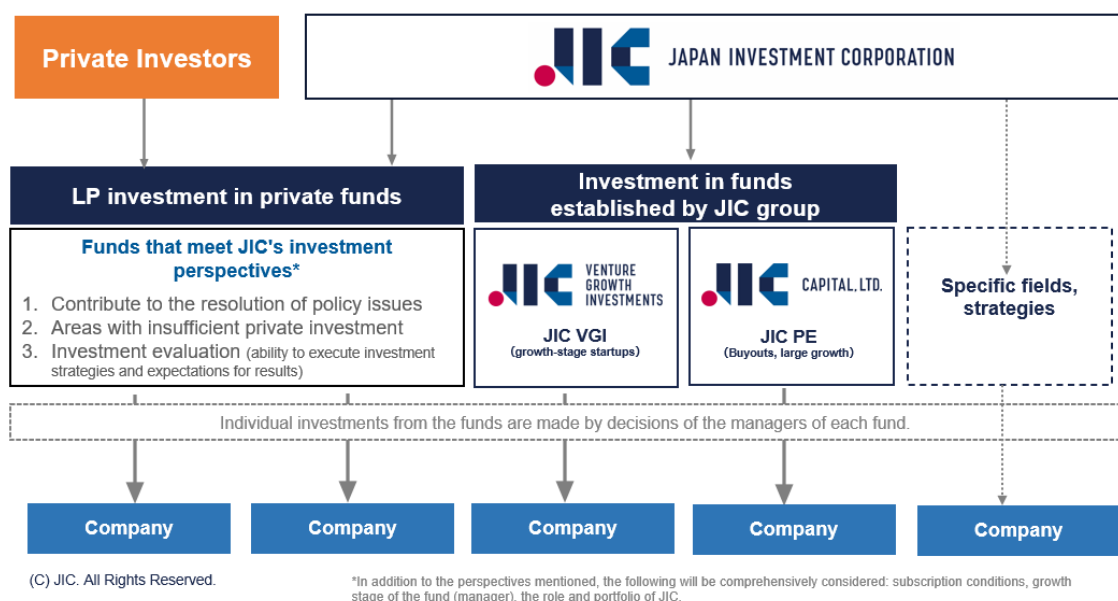
(For reference)

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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