

JIC Activities – Focus / Directions

December 18, 2024

Japan Investment Corporation

JIC

- Japan Investment Corporation is an investment company established in September 2018 under the Industrial Competitiveness Enhancement Act. Its primary aim is to contribute to the realization of policy objectives by strengthening industrial competitiveness through open innovation and expanding private sector investment.
- JIC provides risk capital for strategic areas through LP investments in funds under JIC's umbrella and in private funds.

JIC Group



INCJ, Ltd. (Established: September 2018)

Established via company split from Innovation Network Corporation of Japan. Transcending industrial and organizational barriers, INCJ, Ltd. engages in investment activities aimed at fostering and creating next-generation national wealth industries through open innovation.



JIC Venture Growth Investments Co., Ltd. (Established: July 2020)

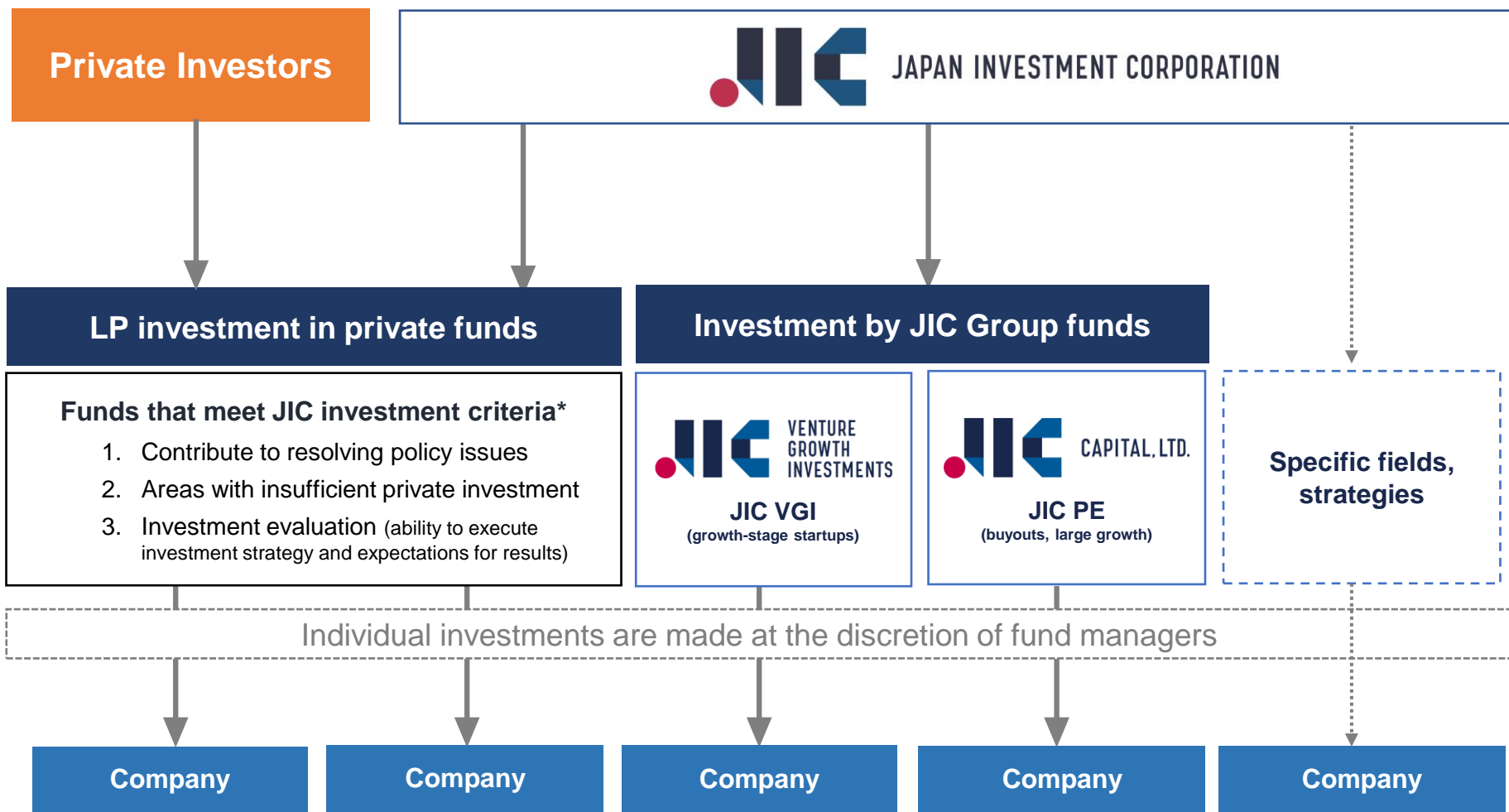
JIC Venture Growth Investments Co., Ltd. helps to improve Japan's international competitiveness by promoting innovation that helps resolve social and industrial issues in Japan.



JIC Capital, Ltd. (Established: September 2020)

JIC Capital, Ltd. provides risk capital for the creation of new industries to realize Society 5.0, the promotion of business restructuring to strengthen international competitiveness, and the construction of next generation social infrastructure and digital transformation (DX).

- In principle, JIC invests in funds, while JIC VGI and JIC Capital, which are under JIC's umbrella, invest in companies.



* In addition to the perspectives mentioned, comprehensive consideration will also be given to the subscription conditions, growth stage of the fund (manager), and JIC's role and portfolio.

Status of JIC Fund Investment Commitments (as of November 30, 2024)

- A management structure was initiated in December 2019, and subsequent to intensive system development and organizational restructuring, investment activity is now in full swing. JIC's investment commitments to private funds and funds managed by subsidiaries, JIC VGI and JIC Capital, are as follows:



Private VC · PE Fund

Funds: 43
Total commitments: JPY208.9 billion



VGF1: JPY120 billion (Sep. 2020)
VGF2: JPY200 billion (Jan. 2023)
Opportunity Fund:
JPY40 billion (Sep. 2023)



PEF1: JPY200 billion (Nov. 2020)
PEFJ1*: JPY900 billion
(Oct. 2022: decision to change)

Strategy	Region	No. of Funds	Pledged Amount
VC	Domestic	27	JPY94.5 billion
	Overseas	14 (*)	JPY80.4 billion
PE	Domestic	2	JPY34.0 billion

(converted using the exchange rate for Nov. 30, 2024)

*Invests mainly in overseas startups, considering policy objectives from the following perspectives:

- ✓ Promoting open innovation among domestic companies
- ✓ Leveraging overseas ecosystems to commercialize Japanese drug discovery seeds
- ✓ Strengthening collaboration between domestic VCs/startups and overseas VCs

* Includes dollar-denominated funds

- The amount of the co-investment fund was increased in response to the number of large-scale deals, which has been on a growth trend since the fund was established in 2020, and because JIC can be active when policy-related deals are included.

VC, Startup

- JIC focus areas are **Deep Tech, Life Science, Pre-Seed/Seed, Growth** and **Go Global**. JIC will continue to support VCs and startups, taking into account the government's "Startup Development 5-Year Plan (2022)." JIC will also be placing even greater emphasis on initiatives designed to develop an ecosystem for risk capital.
- ① Efforts to **strengthen collaboration between domestic VCs and startups and overseas VCs to introduce global standard practices to the domestic market** are progressing (Atomico co-hosted event, Transpose-related event).
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- ② JIC VGI will continue to invest in new industries, including **Deep Tech** and **Life Science**, while focusing on **growth investments**. **76 total investments have been made**: IPO: 5; M&A: 1; share transfer: 1 (as of end-Nov. 2024). JIC VGI's Opportunity Fund supporting the post-IPO startup growth won an award (Oct. 2024: Investment in Nxera Pharma Co., Ltd. by JIC VGI Opportunity Fund No.1 selected as "Financing Deal of the Year" at Citeline Japan Awards 2024)
 - ③ In the past, we have responded to the funding needs of local university-based ventures, etc., by focusing on "**utilizing promising technologies that lie dormant in local areas**". In light of the government's "Comprehensive Economic Measures for the Safety and Security of Citizens and Sustainable Growth (November 2024)," we will also work more proactively than ever before to **support local startups**.
 - ④ As part of our efforts to **develop an ecosystem** for risk capital, we held a **meeting for middle and back-office staff from JIC-invested funds to exchange opinions**.

PE

- Amid calls for the creation of new industries and the reform of industrial structures in response to technological innovation and market changes, such as DX and GX, JIC contributes to the strengthening of industrial competitiveness, focusing on PE investment by JIC Capital in the buyout and large growth fields.
- JIC Capital's main investment projects (JIC Capital will work on new projects while steadily implementing existing projects):
 - ① **JSR: Strengthening governance and monitoring** through the dispatch of two directors and one auditor by JICC, as well as the appointment of outside directors and outside auditors, etc., while supporting the implementation of growth strategies through structural reform and industry reorganization. In the Life Science business, we will support structural reform while leveraging its competitive advantage, and given that the Digital Solutions business, also a key focus of reorganization, is performing well, we will support efforts toward reorganization in the semiconductor materials industry.
 - ② **Shinko Electric Industries:** Strongly supporting the commercialization of advanced semiconductor packaging, contributing to the strengthening of the international competitiveness of Japan's semiconductor industry. The tender offer is expected to begin in late January 2025.



New Investment Themes

- Responding to trends in the domestic market and government policy, JIC will expand the themes it considers for investment.
 - ① **GX:** Investment being considered in funds providing growth capital for startups and medium-sized companies in Japan and overseas, and in funds that invest in buyouts and infrastructure.
 - ② **Engagement:** Investment being considered in an engagement fund. Support activities promoting medium- to long-term improvements in corporate value through a constructive and friendly approach.

(Excerpts from materials from JSR Corporation and JIC Capital's joint press conference on June 27, 2024)

① JSR's Current Environment

- The Japanese semiconductor materials industry is a **global niche** world where many companies are smaller than their European and American competitors.
- Today, Japan's semiconductor materials industry is highly competitive internationally, but it needs to **expand its scale and improve the quality of its products** if it is to compete with overseas companies tomorrow.

② Future Direction

- Amid the difficult conditions in the semiconductor and biotech markets, we will first implement structural reforms, and in the medium term, improve profitability.
- Semiconductor materials: Considering growth strategies and R&D investment with an eye toward industry reorganization.
- We agree on the direction for other businesses, including the life science business, display materials business, and synthetic resin business.

③ Significance of JICC Investment

- As a shareholder, JICC will become a **strategic partner**, promoting structural reforms and industry reorganization in a flexible manner so that JSR can smoothly and boldly implement strategic investments in the medium to long term without being constrained by impacts on short-term performance.
- Through this initiative, JICC will promote **business restructuring to strengthen the international competitiveness of Japan's semiconductor materials industry**.

- In June 2024, the Industrial Competitive Strength Enhancement Act was revised, and the **operational period of JIC was extended to the end of March 2050.**
- **With an eye on 2050, JIC will play a role in the growth and development of the ecosystem surrounding risk capital in Japan from a medium- to long-term perspective.**
- In the future, JIC will be tasked with longer-term missions, and will be taking on more initiatives that extend beyond individual projects to develop the ecosystem, **so in addition to project-based thinking, we will focus more on organizational management from a corporate perspective.**

[Examples of measures and initiatives toward 2050]

- ① **Management and organizational operations toward 2050, promotion of human resource recruitment and training, and strengthening of systems**
 - **Develop organization able to carry out its mission based on investment in new fields, extension of business**
Consider revising working conditions of investment professionals and other human resources, starting discussions toward long-term capital policy
 - **Secure level of governance suitable for the extended nature of the project**
Strengthen communication regarding large-scale projects, comprehensively review internal rules
- ② **Evolution of corporate culture and culture for long-term operation**
 - **Foster corporate culture that maximizes the value of JIC**
Review intra-group MVV in light of the extension of the operational period, promote exchange of opinions and collaboration with government and related organizations
 - **Evolve into a culture that allows staff to fully demonstrate their abilities**
Discuss internal DE&I initiatives, revitalize communication within the group (holding events, etc.)
- ③ **Support the growth of Japan's ecosystem from a global perspective**
 - **Strengthen ties with overseas countries through investment activities, etc., and share and communicate expected standards of behavior**
Give back to domestic ecosystem by strengthening collaboration with overseas VCs via joint events
Move to require investment targets to formulate anti-harassment policies and codes of conduct

- To contribute to the sustainable growth of the Japanese economy through the realization of a virtuous cycle of risk capital, JIC will promote DE&I in the risk capital ecosystem and will also promote DE&I across the JIC Group, which functions as the foundation for that ecosystem.
- JIC will continue to actively engage in ESG investment given its relevance to sustainable value creation.

Investment Activities / Public Awareness and Communication

- ① **PRI signature** (November 2023), meeting with PRI representative Atkin (March 2024)
- ② **Formulation of “Environmental, Social and Governance (ESG) Policy”** (October 2023)
- ③ **JIC investee monitoring/hearings** (FY2023; scheduled to be conducted periodically in future)
Confirming status of ESG and DE&I initiatives at VCs, other investees.
While ESG factors are increasingly being incorporated at the time of potential investment, DE&I results indicate that the percentage of female capitalists and decision-makers is low, even among target investees.
- ④ **PEWIN Annual Award** (Sep. 2024)
- ⑤ **Review of investment requirements (establishment of code of conduct, code of ethics, anti-harassment policy)** (Dec. 2024)
To improve governance in the startup and investment industries and promote DE&I, a code of conduct and code of ethics (8 items) and an anti-harassment policy (10 items) are now required for investment.
- ⑥ **Introducing portfolio companies that promote DE&I on our website, etc.** (since April 2024)

Internal Initiatives

- ⑦ **Revised Code of Conduct** (March 2024)
DE&I promotion is explicitly positioned in our Code of Conduct, etc., and reflected in personnel targets for executives and employees in FY2024.
- ⑧ **DE&I Promotion Committee discussions** (April 2024~)
An internal DE&I promotion committee and promotion team (4 teams / 26 staff members) was launched to discuss and consider issues related to DE&I promotion. In addition to internal and external initiatives, consider formulating a DE&I policy and KPIs.
- ⑨ **In-house training (LGBTQ seminar, ESG seminar, etc.)** (March 2024~)

- JIC DE&I Promotion Committee (December 11) formulated a DE&I Promotion Policy.
- Notice to stakeholders regarding JIC Group's common definition of Diversity, Equity & Inclusion, etc.

JIC Group DE&I Promotion Policy

~Taking on the challenge of structural innovation in society and industry~

DE&I is a way of thinking that emphasizes the need to incorporate diverse perspectives, induce innovation, and improve competitiveness in various fields.

To achieve a virtuous cycle of risk capital, the JIC Group will continue to promote DE&I initiatives with strong determination and without hesitation, based on our management philosophy and this policy.

Diversity: We aim to be an organization that makes the most of the diverse personalities of each individual and is not afraid to embrace new ideas.

Equity: We will eliminate unfair treatment based on gender, race, age, disability, etc., and provide everyone the opportunity to make the most of their abilities in the workplace.

Inclusion: Through recognition of each other's differences and active participation, we can bring out the best in each other to create even greater value.

DE&I Goals Related to Empowerment of Women

- The JIC Group has established **“promoting the active participation of women in the Japanese fund industry” as its immediate overall goal.**
- As a prerequisite for promoting the active participation of women, we have formulated **(1) targets to be achieved by domestic JIC Group investee funds*** and **(2) targets related to the composition of the JIC Group** (DE&I Promotion Committee, December 11).

*(*This target applies to investee funds as a group; achieving the target or appointing women to executive positions are not conditions for investment in an individual fund.)*

[JIC Group DE&I Promotion: Targets for Promoting the Advancement of Women]

① JIC Group **targets² for domestic investee funds as a group¹:**

¹ Domestic investee funds are funds that have investment bases in Japan.

² This cumulative target includes previous investments; to achieve our goal, new investments will need to have ratios higher than the current level.

- (1) In 10 years, **40% of the investee fund group’s investment representatives will be female**
- (2) In 10 years, **20% of the investee fund group’s decisionmakers will be women**

② Group-wide structure-related goals:

- (1) By 2030, the group-wide **ratio of women will be at least 40%**
- (2) By 2030, the group-wide **ratio of women in the front office will be at least 30%**
- (3) By 2030, the group-wide **ratio of women involved in management or investment decision-making will be at least 30%***

** Officers and Managing Directors, etc.*