

## JIC publishes JIC Model Term Sheet

Tokyo, March 24, 2026 – Japan Investment Corporation (“JIC”) has released the “JIC Model Term Sheet,” a list of key terms for venture capital (VC) funds.

JIC has been working to promote a virtuous cycle of risk capital. To achieve such a cycle, it is essential that sufficient funding be supplied to startups, particularly in their growth stages, and that capital from large-scale institutional investors be expanded. These priorities have also been emphasized in various recent government initiatives. As a government-backed investment fund, JIC has been investing with the aim of expanding the number of VC firms that manage capital from institutional investors. As part of this effort, JIC has organized what it considers to be the key terms commonly required by institutional investors in limited partnership agreements (LPAs), and compiled them into the “JIC Model Term Sheet.”

This Model Term Sheet follows the “Investment Guidelines” published by JIC in March 2025. While reflecting the fundamental investment principles set out in those guidelines, it focuses more specifically on contractual terms from the perspective of attracting capital from institutional investors—both domestic and international—who invest on a purely commercial basis. The purpose of this document is to clarify the principles that JIC considers essential for ensuring sound governance and achieving appropriate alignment of interests between the General Partner (GP) and Limited Partners (LPs).

Investment in Japanese VC funds by domestic and overseas institutional investors remains limited. As a result, some LPAs contain contractual terms and conditions that may not be entirely favorable to LPs whose sole purpose is pure investment.

JIC believes that publication of this Model Term Sheet will help expand institutional investor commitments to domestic VC funds, and ultimately contribute to the sustainable development of Japan's startup ecosystem.

Please note that the Model Term Sheet may be revised or updated without prior notice to reflect actual practices, etc. When reviewing the content, please refer to the latest version available on JIC's website.

End

(Attachment) “JIC Model Term Sheet”

### **About Japan Investment Corporation (JIC)**

Japan Investment Corporation (“JIC”) was established in September 2018 under the Industrial Competitiveness Enhancement Act. JIC’s investment focus areas are creating a virtuous cycle of domestic investment and innovation; creating and fostering startups; leveraging promising untapped management resources lying dormant in local areas, including startups from academia and medium-sized companies; and promoting business restructuring in response to changes in market and business environments. JIC provides risk capital to these areas through funds independently established by JIC and LP investment in private funds to promote open innovation in Japan, strengthen the competitiveness of Japanese industries, and contribute to expansion of Japan’s investment ecosystem.

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

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# JIC Model Term Sheet

March 24, 2026  
Japan Investment Corporation

## Purpose and Objective of this Publication

- Japan Investment Corporation (“JIC”) has been working to promote a virtuous cycle of risk capital.
- To achieve such a cycle, it is essential that sufficient funding be supplied to startups, particularly in their growth stages, and that capital from large-scale institutional investors be expanded. These priorities have also been emphasized in various recent government initiatives. As a government-backed investment fund, JIC has been investing with the aim of expanding the number of VC firms that manage capital from institutional investors.
- As part of this effort, JIC has organized what it considers to be the key terms commonly required by institutional investors in limited partnership agreements (LPAs), and compiled them into the “JIC Model Term Sheet.”
- This Model Term Sheet follows the “Investment Guidelines” published by JIC in March 2025. While reflecting the fundamental investment principles set out in those guidelines, it focuses more specifically on contractual terms from the perspective of attracting capital from institutional investors—both domestic and international—who invest on a purely commercial basis. The purpose of this document is to clarify the principles that JIC considers essential for ensuring sound governance and achieving appropriate alignment of interests between the General Partner (GP) and Limited Partners (LPs).
- Investment in Japanese VC funds by domestic and overseas institutional investors remains limited. As a result, some LPAs contain contractual terms and conditions that may not be entirely favorable to LPs whose sole purpose is pure investment.
- JIC believes that publication of this Model Term Sheet will help expand institutional investor commitments to domestic VC funds, and ultimately contribute to the sustainable development of Japan's startup ecosystem.

## Additional Notes on the Content

- This Model Term Sheet has been developed with VC funds in mind. While the fundamental principles—such as conflict of interest management, protection of LP rights, and information disclosure—remain largely consistent for investments in buyout and similar funds, the structure and content of the clauses are not necessarily identical due to differences in investment strategies.
- The purpose of this Model Term Sheet is to outline key contractual terms and conditions. The absence herein of any particular provisions does not imply that JIC considers them unnecessary. Furthermore, given the environment surrounding VC investments and market trends, it may be necessary to modify the contractual terms set forth in this Model Term Sheet or introduce new contractual terms.
- This Model Term Sheet may be revised or updated without prior notice to reflect actual practices, etc. When reviewing the content, please refer to the latest version available on JIC's website.
- Please note that this Model Term Sheet intentionally omits any reference to tax-related matters. This is based on the understanding that tax treatment depends on an investor's individual attributes and circumstances, and therefore should be considered on a case-by-case basis.
- GPs intending to seek investment from JIC are encouraged to prepare an LPA aligned to the principles of this Model Term Sheet in advance.

## JIC Model Term Sheet

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**Fund-Related Economic Terms**

	Item	Contract Term
1	Distribution Waterfall	<ul style="list-style-type: none"> <li>The distribution waterfall shall follow the European model (whole of fund approach), where carried interest is distributed based on the cumulative distributions of the entire fund, rather than the American model, where carried interest is distributed on a deal-by-deal basis .</li> </ul> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>The distribution waterfall can be broadly divided into two types: the European type, which calculates carried interest based on excess returns on a cumulative distribution basis for the entire fund, and the American type, which calculates carried interest based on excess returns on an individual distribution basis linked to each investment deal that has been realized. In principle, since the recoup of cumulative investment amounts can be realized before the distribution of carried interest begins, the European-style model is considered more favorable for LPs, while the American-style model is seen as more advantageous for GPs. Although the American model is occasionally seen in VC investments, its applicability should be considered after taking into account factors such as the administrative burden, including the establishment of an escrow account to secure the clawback described below.</li> </ul>
	Distribution Waterfall	<p>(in the case of an American style waterfall distribution) A portion of the carried interest (30% or more) shall be retained in an escrow account.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>Under the American model, the GP receives carried interest each time an individual investment deal results in a profit, so if a subsequent investment deal results in a loss, the GP may be required to “return excess carried interest received.”</li> <li>To account for this clawback obligation, a mechanism should be considered whereby a portion of the carried interest is retained in an escrow account to prepare for potential losses in subsequent investment deals. (Establishing an escrow account ensures transparency and fairness in the distribution of funds, which can strengthen trust with LPs.)</li> </ul>
2	Priority Distribution	<p>Prior to any carried interest accruing to the GP, LPs shall receive priority distribution up to the full amount of their capital contribution (or the full amount of their capital commitment). Additionally, LPs should be entitled to a certain level of preferred return (e.g., approximately 8%).</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>Priority distribution to an LP for the purpose of principal recovery includes a mechanism that prioritizes distribution up to the full amount of the capital contribution made, and one that prioritizes</li> </ul>

		<p>distribution up to the full amount of the capital commitment made. Since the capital commitment cannot be less than the capital contribution, the latter mechanism provides greater priority in terms of LP distribution. However, market practice often assumes the former mechanism (the ILPA model LPA also assumes the former).</p> <ul style="list-style-type: none"> <li>• In addition to the above, some funds also establish preferred return (a mechanism whereby LPs have the right to receive a certain rate of return on their capital contribution before the carried interest occurs). Preferred return is relatively uncommon in VC investments, but should be considered depending on the investment strategy, such as growth equity.</li> <li>• It is understood, however, that some Japanese funds' LPAs occasionally include provisions allowing the GP, at its discretion, to suspend capital calls and recalculate carried interest based on the capital contribution actually made rather than on the capital commitment. Such conditions deviate from international standards, and such provisions should not be introduced.</li> </ul>
	Priority Distribution	<p>The preferred return shall be calculated over the period from the date the LP made the capital contribution to the fund (not the date the portfolio investment was executed) to the date the distribution was made.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• When a certain IRR is set as the preferred return, the IRR fluctuates depending on the cash flow starting date; however, as a general rule, the date on which the LP actually contributed funds is used as the starting date.</li> </ul>
3	Carried Interest	<p>Distributions that exceed the priority distribution shall be allocated as follows: LP: 80%, GP: 20%.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• The industry standard carried interest charged by GPs is 20%. Some Japanese GPs may propose rates exceeding 20%; in such cases, LPs should determine, based on the GP's track record, whether the net expected return after deducting the proposed carried interest would still be considered satisfactory.</li> <li>• Furthermore, if a clause allowing GP catch-up is introduced after the priority distribution, the above distribution ratios are intended to reflect the distribution after the GP catch-up.</li> </ul>
	Carried Interest	<p>Carried interest shall be calculated on a net basis after deducting fund-level expenses, not on a gross basis. That is, carried interest shall be calculated based on the amount actually distributed to partners, not on the amount recovered by the fund from its investments.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• The actual return for LPs is calculated after deducting fund-level expenses, so carried interest is calculated on the same basis.</li> </ul>
	Carried Interest	When potential carried interest occurs, the investors'

		<p>fund interest shall be calculated to reflect this and then reported to LPs .</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Even if carried interest has not been finalized and distributed to the GP, if potential carried interest occurs, then the economic value of investors' fund interest has effectively decreased. As such, the calculation and reporting of investors' fund interest should reflect the actual situation.</li> </ul>
4	Borrowing	<ul style="list-style-type: none"> <li>• The credit line shall be used primarily for the benefit of the entire partnership (to reduce administrative burdens or as bridge financing, and shall not be used to increase the GP's share of carried interest by improving the reported IRR).</li> <li>• Furthermore, the credit line shall not be used for the purpose of early distribution of funds.</li> <li>• The borrowing period and amount of the credit line shall be subject to certain restrictions, including a maximum term of 180 days and a cap of 20% of the total capital commitment or the unused portion of the total capital commitment, whichever is lower.</li> </ul> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Leveraging borrowed funds at the fund level to inflate investment capital leads to excessive risk-taking; therefore, the use of leverage at the fund level for investment purposes should not be condoned.</li> </ul>
5	Reinvestment	<p>Reinvestment shall not be unlimited and shall be subject to certain limitations (e.g., a reinvestment period is established and the reinvestment amount is limited to 125% of the total capital commitment of all partners).</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• While reinvestment is expected to contribute to improving net returns, it also exposes investors to the risk of missing out on returns that would have been enjoyed had the funds been distributed. Therefore, certain restrictions should be imposed.</li> </ul>
6	GP Clawback	<p>If the GP has received carried interest and the LPs have not received a cumulative distribution equivalent to their capital contribution (or capital commitment when it is the basis for carried interest occurrence; if there is a provision for preferred return, then this is also taken into account) that they should have received first, then the GP shall return the amount that LPs should have received through a clawback.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• If the cumulative amount of carried interest received by the GP exceeds the amount the GP should have actually received, then the GP shall be obligated to return the excess amount.</li> </ul>
	GP Clawback	<p>(in the case of an American style waterfall distribution)</p> <p>Clearly disclose to LPs the potential clawback amounts that could arise if the fund were liquidated at the end of the period. At minimum, disclose potential clawback amounts in the annual audited financial statements and, as GP, outline the policy for resolving any clawback</p>

		<p>obligation.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Even if excess carried interest received by the GP is returned via clawback at the time of liquidation, LPs should be in a position to understand the amount of the GP's clawback liability incurred prior to that point and the plan for its repayment.</li> </ul>
	GP Clawback	<p>The clawback amount shall be based on the amount of the carried interest received by the GP net of tax, and shall be distributed promptly after occurrence of the potential clawback amount has been recognized.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Following the recognition of a clawback, the risk that GP repayment will be delayed increases as time passes. Therefore, when a potential clawback is recognized, the clawback liability should be resolved within a specified period of time through subsequent distributions.</li> </ul>
	GP Clawback	<p>The repayment of clawback liability shall be jointly and severally guaranteed by GP members. Where it is not jointly and severally guaranteed by all GP members, the parent company or a specific group of GP members shall provide the guarantee.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Each GP member should be jointly responsible for fund management, and if any member fails to fulfill a clawback obligation, then the other GP members should bear joint and several liability for repayment. If obtaining joint and several guarantees from all GP members is difficult, then the parent company (management company) actually managing the fund or a specific group of GP members should provide guarantees.</li> </ul>
	GP Clawback	<p>The costs incurred to guarantee the clawback shall be borne by the GP, not the partnership.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• If costs are incurred to guarantee the clawback, then they should not be covered by partnership expenses since they have been incurred due to circumstances attributable to the GP.</li> </ul>
7	Management Fee	<p>As a general rule, the management fee rate shall be 2.0% or less.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• A management fee of 2.0% is the industry standard, but the appropriate rate should be established after taking into consideration factors such as the assets under management and fund size. The upper limit is 2.5%.</li> </ul>
	Management Fee	<p>GP-related expenses such as salaries for GP employees and related advisors or affiliates, travel expenses related to investment activities, and other costs, shall be covered by the GP from its management fees.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Expenses for fund operations and the operating costs of the GP/investment manager should be</li> </ul>

		clearly separated, with the latter covered by the management fee.
	Management Fee	<p>Management fees after the investment period ends shall be calculated based on the investment amount (remaining investment balance) allocated to the portfolio investments still held, not the amount of committed capital.</p> <p>In the event of an impairment loss, the “investment balance” shall be reduced by the amount of the impairment loss.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Management fees during the investment period are generally calculated based on the amount of committed capital, taking into account the GP’s contribution to sourcing and evaluating new investment opportunities.</li> <li>• However, to avoid excessive management fees after the investment period ends, management fees should be based on the actual amount under management rather than the amount of committed capital, and paid to the GP.</li> <li>• If the calculation basis for management fees after the end of the investment period is the same as during the investment period—i.e., the amount of committed capital—then the management fee rate will be reduced to the level it would be had the calculation basis been changed to the investment balance.</li> </ul>
	Management Fee	<p>Avoid cases where investment periods between the current fund and the successor fund overlap. In the event of overlap, the GP shall not receive the full management fee, which is calculated based on the committed capital amount from both funds.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Relatively high management fees are justified by the fact that more resources are spent on new investment activities during the investment period than after the investment period has ended. However, if the investment period of the successor fund begins during the investment period of the current fund, the resources that should be allocated to the current fund will be reduced. For this reason, high management fees calculated based on the amount of committed capital should not be used.</li> </ul>
	Management Fee	<p>The investment period shall be set at an appropriate length based on the investment strategy and the fund’s duration, and shall not be unnecessarily long.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• If the fund term is 10 years, then the typical investment period is 5 years.</li> </ul>
	Management Fee	<p>During the fund extension period, management fees shall be set to zero.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• To prevent the GP from extending the fund term unnecessarily in anticipation of receiving management fees, and to ensure portfolio companies are exited appropriately within the</li> </ul>

		original fund term, setting management fees to zero during any extension of the fund term is preferred.
8	Fee Income	<p>The GP shall not receive any fees (monitoring fees, transaction fees, director compensation, or other related expenses) from portfolio companies. Should fees be paid to the GP, an equivalent amount shall be deducted from the management fee.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Support for portfolio companies and ancillary services are core responsibilities of the GP. Since fee payments can potentially diminish portfolio company value, a GP receiving fees from portfolio companies constitutes a conflict of interest with the LPs. Therefore, GPs should generally not receive fees from portfolio companies. Furthermore, if a GP does receive such fees, an equivalent amount should be offset against the management fee.</li> </ul>
	Fee Income	<p>When fees are paid to GP affiliates, such as advisory firms or in-house consulting functions, by the fund or portfolio companies, such payments shall be reviewed and approved by the LP Advisory Committee.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• If GP personnel receive fees from funds or portfolio companies, such fees, including their amounts, should be disclosed to the LP Advisory Committee for review and approval to ensure they are reasonable.</li> </ul>
9	Partnership Expenses	<p>The organizational expenses associated with fund formation shall be expended from partnership expenses on an actual cost basis, within reasonable limits and subject to specified upper limits, such as a fixed percentage (%) relative to the fund size. Any costs incurred in excess of these upper limits shall be expended from the management fee (excess costs are borne by the GP).</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Establishing an upper limit prevents the organizational expenses borne by the LPs from becoming excessively high.</li> <li>• Setup costs are not compensation for the GP, so the principle is to pay based on actual expenses incurred.</li> </ul>
	Partnership Expenses	<p>Expense items that the GP can include as partnership fees shall be clearly defined in the LPA.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Examples of items that may be treated as partnership expenses include: costs for holding LP advisory committee meetings and annual investor meetings; fees for outsourcing administrative tasks to third parties (limited to those agreed upon by the LPs); travel expenses (limited to those incurred after a specific point in time, such as when a term sheet is approved for a particular investment candidate; these should be considered transaction costs), interest and fees paid on capital call facilities, audit fees, legal fees, indemnification expenses, insurance premiums, litigation costs,</li> </ul>

		<p>and regulatory compliance expenses (linked to specific investment transactions).</p> <ul style="list-style-type: none"> <li>• As a general rule, the GP should be responsible for entertainment expenses.</li> </ul>
	Partnership Expenses	<ul style="list-style-type: none"> <li>• Expenses incurred as the result of outsourcing to a third party services that are normally provided by GPs shall not be covered using partnership fees (and shall be paid from management fees).</li> <li>• Additionally, the LP Advisory Committee shall review the application of management fee offset and partnership expenses annually.</li> </ul> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Examples of expenses incurred as the result of outsourcing to third parties services that are typically provided by GPs include consulting fees, ESG-related expenses, placement agent fees, fees paid to operating partners, and unanticipated expenses.</li> </ul>
10	Distribution in Kind	<p>When implementing distributions in kind, the scope of distributions in kind shall be limited to liquid marketable securities.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• While distributions are generally expected to be made in cash, when distributions in kind are made using securities or similar instruments, illiquid securities should be avoided because they may be difficult to dispose of.</li> </ul>

**Other Fund-Related Basic Conditions**

	Item	Contract Term
11	GP Commitment	<p>The GP shall make a commensurate commitment in the fund (a minimum commitment of at least 1%).</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>Common industry practice is that the GP should have skin in the game, making a GP commitment in the fund to ensure alignment with LP interests.</li> </ul>
	GP Commitment	<p>The GP shall be restricted from transferring or assigning its GP investment interest or any share of the substantive economic benefits derived from such interest.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>A GP should manage funds while sharing the risk burden with LPs; as such, seeking to shift this risk burden by transferring its interest or the associated economic benefits to third parties is unacceptable.</li> </ul>
12	Fund Term Extension	<p>Extensions of a fund's term shall be permitted only on an annual basis and shall be limited to a maximum of two extensions.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>Extending the fund term for an unnecessarily long period is to be avoided, so the term extension should be reviewed and determined on an annual basis.</li> </ul>
	Fund Term Extension	<p>Extension of the fund term shall require approval by the LP Advisory Committee for the first year of extension, and approval by at least two-thirds of the LP interests (at least a majority of the LP interests) for the second year of extension.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>While it is desirable to seek LP consent for both the first and second year of extension, it is common industry practice to grant the first year of extension based on LPAC consent alone. And while it is preferable to require LP supermajority consent for the second year of extension, this should ultimately be considered on a case-by-case basis in consideration of the fund's circumstances.</li> </ul>
13	Alternative/Parallel Investment Vehicles	<p>If alternative/parallel investment vehicles exist that are managed by the GP or its affiliates as separate vehicles from the main fund, such alternative/parallel investment vehicles shall be governed by substantially the same terms of the main fund.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>Alternative/parallel investment vehicles are established to supplement the main fund from a legal, tax, and regulatory perspective. LPs should be granted assurances that the terms are substantially identical to those of the main fund, and any such vehicle should not provide additional economic benefits to the GP.</li> </ul>
	Alternative/Parallel Investment Vehicles	<p>Investments made through alternative/parallel investment vehicles shall generally be made at the same time and under the same terms and conditions as</p>

		<p>the main fund.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>Alternative/parallel investment vehicles are essentially operated as an integral part of the main fund, so the amount invested should be made proportionally from each fund based on their respective total amounts.</li> <li>Additionally, investment-related expenses and fee income should be allocated between the main fund and alternative/parallel investment vehicles in proportion to committed capital.</li> </ul>
	Alternative/Parallel Investment Vehicles	<p>The main fund and alternative/parallel investment vehicles shall, in principle, sell portfolio companies simultaneously and under identical terms and conditions.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>Alternative/parallel investment vehicles should be managed as an integral part of the main fund, and the sale of portfolio companies should be conducted simultaneously and under identical terms and conditions.</li> </ul>
14	Fundraising	<ul style="list-style-type: none"> <li>The fundraising period shall be a reasonable period after the initial closing—for example, within 12 months.</li> <li>Extension of the fundraising period shall only be implemented with LP consent.</li> </ul> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>The GP should focus on investment activities as soon as possible and not prolong the period dedicated to fundraising.</li> </ul>
	Fundraising	<p>If an additional closing takes place after the initial closing, the general rule is that funds paid in by subsequent LPs will be used for refunds to the existing LPs and adjustments to the unused portion of the committed capital amount shall be made.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>When additional LPs participate in the fund through additional closings and asset reallocation occurs between these LPs and existing LPs, the preferred approach is to make capital repayments to existing LPs and to adjust corresponding unused committed capital to prevent unnecessary funds from remaining in the fund.</li> </ul>
	Fundraising	<p>Interest shall be charged to subsequent LPs who commit after the initial closing. Furthermore, such interest paid shall be distributed pro rata to LPs who committed earlier, based on their respective commitment amount.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>Late-participating LPs should bear additional interest from the perspective of fairness among LPs, as they effectively received financial support via capital calls fulfilled by LPs who participated in the fund earlier.</li> </ul>
15	Investment Period	<p>The definition of the investment period shall be synonymous with the period during which new</p>

		<p>investments can be made, and it shall be consistent with other provisions, such as the calculation of management fees. Furthermore, new investments made after the end of the investment period shall be restricted to legally binding deals only.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• As stated above, the basis for calculating management fees should be adjusted depending on whether it is done before or after the investment period.</li> <li>• Even after the investment period ends, new investments may be permitted for deals for which legally binding commitments were made prior to the end of the period. However, such cases should be subject to restrictions, such as limiting investment to new deals expected to be executed within a certain period after the end of the investment period (e.g., within 120 days), notice of which was provided by the GP to the LPs at least 10 days prior to the end of the investment period. Furthermore, follow-on investments in existing portfolio companies should be permitted even after the investment period has ended.</li> </ul>
	Investment Period	<p>For example, clearly state the conditions for early termination of the investment period as follows:</p> <ul style="list-style-type: none"> <li>• Commencement of the investment period for the successor fund</li> <li>• If a key person event cannot be resolved by selecting a successor or other means within a certain period of time (for example, within three months) from the time such key person event occurred</li> <li>• 100% utilization of the capital commitment (including reserves for future additional investments and expenses)</li> <li>• Occurrence of an attributable cause in the GP</li> <li>• Upon agreement by an LP holding a certain interest in the fund, etc.</li> </ul> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• The fund should be designed to avoid overlapping investment periods with the successor fund, and it is desirable that new investments be suspended following the occurrence of a significant event.</li> </ul>
	Investment Period	<ul style="list-style-type: none"> <li>• New investments shall be automatically suspended upon the occurrence of a key person event or attributable cause (e.g., fraud, material breach of fiduciary duty, material breach of contract, malice, gross negligence, illegal acts, etc.), except for those legally required to be executed.</li> <li>• Furthermore, unless consent to resume new investments is obtained from LPs holding a specified supermajority percentage of interests, the investment period shall terminate upon the expiration of 180 days from the automatic suspension.</li> </ul> <p><b>【Explanation】</b></p>

		<ul style="list-style-type: none"> <li>• New investments should be promptly suspended upon the occurrence of a significant event such as a key person event and negligence by the GP.</li> <li>• However, regardless of whether the investment period is suspended or terminated, follow-on investments should be permitted to avoid impairment of portfolio company value due to cash shortages.</li> </ul>
16	Fund Size	<p>When establishing a fund, set an appropriate upper limit for the fund size based on factors such as the investment strategy and deal pipeline.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• In addition to investment strategy and adequacy of the deal pipeline, the upper limit on the fund size should align with the GP's team situation and capacity.</li> </ul>

• **Key Person Clause / GP Removal**

	Item	Contract Term
17	Key Person Clause	<p>The scope of individuals to be included as key persons shall be limited.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Key persons should be limited to individuals who play a central role in fund management (such as making their own GP commitment or holding decision-making authority on the investment committee); unnecessarily broadening the scope of who qualifies as a key person should be avoided.</li> </ul>
	Key Person Clause	<ul style="list-style-type: none"> <li>• LPs shall be notified immediately upon the occurrence of a key person event.</li> <li>• In addition, LPs shall promptly be notified of changes to any personnel other than key persons that may impact the fund performance.</li> </ul> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Especially for emerging managers, who often operate within small organizations, LPs should be promptly notified not only when issues involving key persons arise, but also when other personnel changes (including resignations) occur that have a certain impact on fund operations.</li> </ul>
	Key Person Clause	<p>Changes to the Key Person Clause shall be approved by at least a majority of the LP interests.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Given the importance of the Key Person Clause, and from the perspective of fairness among LPs, any changes to the clause should require approval by at least a majority of the LP interests rather than by the LP Advisory Committee alone.</li> </ul>
	Key Person Clause	<p>Key persons shall dedicate substantially all of their business time to the fund, to prior and successor funds employing the same strategy, and to parallel investment funds.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Key persons should refrain from engaging in businesses or activities unrelated to the management of funds under the same strategy and should focus solely on maximizing the returns of the funds they manage.</li> <li>• Particularly for emerging managers and other small-scale organizations, side businesses unrelated to fund management should be avoided; key persons should focus on building their investment track record. Should side businesses be considered, careful dialogue with LPs is required.</li> </ul>
	Key Person Clause	<p>The key persons stipulated in the LPA shall not serve as a GP for any other fund within the same firm that has substantially equivalent investment objectives and policies until the investment period has ended or the allocation of funds is effectively determined, such as through commitments to potential investee companies or the reservation of investment amounts.</p> <p><b>【Explanation】</b></p>

		<ul style="list-style-type: none"> <li>The key persons should be fully committed to managing the fund during the investment period and should not be permitted to serve as GP for another fund that employs effectively the same strategy, including successor funds.</li> </ul>
	Key Person Clause	<p>A key person event or early termination of the investment period shall be triggered when a key person (if there are multiple key persons, their combined total) no longer controls the GP in terms of economic interest or voting rights (e.g., total falls below 50%), or when a key person's right to receive carried interest falls below a certain percentage (e.g., 75%).</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>These are known as change-of-control provisions. In order to properly manage a fund, it is desirable for key persons who play a central role in fund management to have an appropriate level of control over the GP/investment manager and to receive appropriate incentives.</li> </ul>
18	GP Removal	<p>If a "for cause" event attributable to the GP occurs, a resolution shall be passed by a majority of LP interests to terminate the investment period, remove the GP, or commence liquidation of the fund.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>A majority vote should be sufficient to pass a resolution when an attributable cause arises.</li> </ul>
	GP Removal	<p>Even in the absence of an attributable cause, a resolution passed by a supermajority (e.g., two-thirds) of LP interests shall be used to remove the GP or commence liquidation of the fund.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>Even though the threshold for these resolutions is somewhat higher than for cases of attributable fault, LPs should be able to dismiss the GP or initiate liquidation of the fund through LP voting.</li> <li>This provision allows for immediate action even when the GP incurs a legal liability, such as in a situation where proving liability would take a considerable amount of time.</li> <li>The required ratio for resolutions should be set at a level that prevents a specific LP from holding veto power, and resolutions requiring unanimous consent should be avoided.</li> </ul>
	GP Removal	<p>Regardless of whether a cause exists or not, dismissal of an existing GP shall result in meaningful reductions to its carried interest.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>To ensure sufficient incentives for the successor GP, dismissal of the previous GP should be accompanied by a reduction of its carried interest (e.g., 50% in case of a "for cause" event, 25% in case of non-fault).</li> </ul>
	GP Removal	<p>(for non-Japanese limited partnerships)</p> <p>To dismiss an existing GP and appoint a new GP, a resolution shall be passed by a supermajority (e.g., two-</p>

		<p>thirds) of LP interests. Situations where a specific LP holds veto power, and resolutions requiring unanimous consent, shall be avoided.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"><li>· For Japanese limited partnerships, the appointment of a new GP requires the consent of all LPs under the governing law; therefore, this provision applies to funds domiciled overseas.</li></ul>
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**Fund Governance**

19	Fiduciary Duty	<p>The GP shall not engage in any action that creates or may create a conflict of interest between the fund, other investment vehicles, the GP, or persons related to the GP without prior approval from the LP Advisory Committee.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>When the GP undertakes actions that may constitute a conflict of interest with the fund, it should first seek approval from the LP Advisory Committee.</li> </ul>
20	Fund Management	<p>From the perspective of portfolio diversification, certain restrictions shall be stipulated regarding investment content.</p> <ol style="list-style-type: none"> <li>① Restrictions on investment concentration in a single company (e.g., for VCs, the limit is 10% of the total committed capital)</li> <li>② Restrictions on industry concentration</li> <li>③ Restrictions on investments outside the target region (e.g., when domestic investment is the primary strategy, overseas investment should generally not exceed 20% of the total committed capital)</li> <li>④ Investment restrictions on listed stocks and assets (excluding take-private deals and assets that became listed after investment)</li> <li>⑤ Investment restrictions on funds (as a general rule, investment in funds that incur management fees or carried interest is prohibited; when there is a high strategic necessity and LPs approved it at the time of fundraising, the upper limit is 5%)</li> <li>⑥ Investment restrictions on digital assets (cryptocurrencies, etc.)</li> <li>⑦ Restrictions on the use of leverage</li> <li>⑧ Restrictions on the use of derivatives (transactions for hedging purposes are permitted)</li> <li>⑨ Annual capital call amount and percentage (where the GP's strategy makes it advisable to do so)</li> <li>⑩ Other: Investment restrictions on tangible assets such as movable property, real estate, crude oil/natural gas resources, forest resources, etc.</li> </ol> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>The specific investment restrictions to be introduced may vary depending on the fund's investment strategy, but they should be established on the basis of expected LP returns and acceptable risk tolerance.</li> </ul>
	Fund Management	<p>The GP shall undertake to direct all appropriate investment opportunities to the fund during the investment period.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>The GP should prioritize investing in the fund during the investment period and, in principle, all sourced investment opportunities should be given top priority for consideration within that fund (ensuring first-look rights).</li> <li>For investment management firms with multiple</li> </ul>

		products, the GP should proactively disclose to LPs an investment allocation policy that is reasonably designed to allocate opportunities fairly between the relevant fund and other investment funds.
	Fund Management	<p>Capital calls shall be made only for the amount required for the intended use, and excess cash in the fund shall be minimized.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>In Japanese funds, the number and amount of capital calls are occasionally stipulated in the LPA. However, this leads to excess funds sitting in the fund, resulting in lower capital efficiency. From the perspective of improving fund performance, such as IRR, it is preferable to make capital calls only for the minimum necessary amount each time, thereby enhancing operational efficiency.</li> </ul>
21	LPA Amendments	<p>Amendments to the LPA require approval by a supermajority (e.g., 2/3) of LP interests. Even if an amendment is approved by the LP Advisory Committee, it shall be disclosed to all LPs.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>From the perspective of protecting important terms regarding fund management, including economic terms, and the rights of all LPs, establishing a consent threshold higher than a simple majority is recommended for amendments to the LPA.</li> </ul>
22	Conflict of Interest Prevention	<p>The GP shall not co-invest in portfolio companies at their discretion for their own account.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>From the perspective of fairness to LPs and conflicts of interest, the GP should, in principle, be prohibited from cherry-picking portfolio companies for co-investment. Co-investment by the GP reduces the investment allocation to the fund that was originally allocated by the issuer to the fund, diminishing the fund's opportunity to generate returns. It also leads to the GP having a vested interest in specific deals.</li> </ul>
	Conflict of Interest Prevention	<p>The GP and GP affiliates may not transact, for their own accounts, investment opportunities that are consistent with the fund's investment strategy without the prior approval of the LP Advisory Committee.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>Where such transactions are consistent with the fund's investment strategy, the fund should be granted priority access to such investment opportunities, including both new investments and follow-on investments. Since the GP or GP affiliates depriving the fund of investment opportunities would constitute a conflict of interest from the perspective of LPs, such transactions should, in principle, be prohibited. Even when permitted in limited circumstances, approval by the LP Advisory Committee should be obtained.</li> </ul>
	Conflict of Interest Prevention	<p>A GP shall not establish another investment fund with a substantially similar investment strategy and whose primary purpose is to take over the investment opportunities of the fund until a sufficient percentage (e.g.,</p>

		<p>70%) of the total committed capital has been consumed.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• The establishment of so-called successor funds should occur only after the current fund’s committed capital has been sufficiently utilized. The threshold for establishment of the successor fund should be set while taking into account the investment strategy of the existing fund, including the extent to which reserves for follow-on investments are anticipated.</li> <li>• The amount deemed to have been consumed may include amounts invested and committed for investment (excluding amounts merely reserved for investment), as well as amounts paid or committed as fund expenses.</li> </ul>
	Conflict of Interest Prevention	<p>If a GP receives compensation for concurrent positions held, this shall be disclosed to the LPs.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• The amount of compensation should be disclosed to ensure it is appropriate, taking into account the GP’s concurrent employment status.</li> <li>• The ILPA reporting template includes a section titled “Affiliated Positions.”</li> </ul>
	Conflict of Interest Prevention	<p>As a general rule, transferring assets between funds managed by the GP shall be prohibited. Should asset transfers between funds occur, they shall require the approval of the LP Advisory Committee, subject to compliance with procedures required by the governing law.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• From the perspective of preventing conflicts of interest, the GP should generally avoid transferring assets between its funds. Should the GP seek to transfer assets from the fund to a successor fund, it should demonstrate to LPs a market-competitive and transparent valuation process for those assets. Furthermore, any associated carried interest should be paid to the GP in kind.</li> </ul>
	Conflict of Interest Prevention	<p>The GP shall, as a general rule, refrain from making cross-fund investments (including simultaneous co-investments) in portfolio companies of prior funds. Should such investments be made, they shall be approved by the LP Advisory Committee.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Cross-fund investments should generally be prohibited as they can lead to conflicts of interest from a variety of perspectives (e.g., valuation appropriateness, existence of rescue financing, exit conditions and timing). Even when executed on a limited basis, approval from the LP Advisory Committee should be obtained.</li> </ul>
23	LP Advisory Committee	<p>The LP Advisory Committee’s duties and authority shall be clearly stipulated in the LPA. Generally, this shall include matters such as evaluating conflicts of interest presented by the GP, and matters requiring amendment, approval, or interpretation of specific provisions within the LPA.</p> <p><b>【Explanation】</b></p>

		<ul style="list-style-type: none"> <li>• The LP Advisory Committee should not be viewed merely as an institution that receives operational reports concerning the fund</li> <li>• The main issues expected to be addressed by the LP Advisory Committee are as follows: <ul style="list-style-type: none"> <li>Submission of opinions on the valuation of investment securities, etc.</li> <li>Approval of conflicts of interest, including cross-fund investments, proprietary investments made by the GP outside of funds, and transactions between GP affiliates and the fund</li> <li>Review of valuation methods and changes thereto reported by the GP to the fund and the auditor</li> <li>Matters relating to the time and contribution of key persons to the fund's business, changes to key person provisions, or matters related to the departure of officers or employees who play a significant role in the fund's operations.</li> <li>Extension of the fund's term</li> <li>Potential violations of investment restrictions/investment guidelines regarding investment strategy, investment region, allocation-related matters and concentration limits</li> <li>LP default</li> <li>Reduction in fund size or increase in fund size upper limit</li> <li>Discussion of management fees and fund expenses</li> </ul> </li> </ul>
	LP Advisory Committee	<ul style="list-style-type: none"> <li>• The GP shall not be a member of the LP Advisory Committee.</li> <li>• Furthermore, if a person who directly or indirectly holds GP interests (e.g., a minority shareholder of a fund's management company) is a voting member of the LP Advisory Committee, the GP shall disclose to the LP Advisory Committee that such member directly or indirectly holds GP interests.</li> </ul> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• This provision should be established to prevent individuals who are GP stakeholders from participating in decision-making within the LP Advisory Committee (n.b., the GP is permitted to conduct the proceedings of the LP Advisory Committee).</li> </ul>
	LP Advisory Committee	<p>Meetings of the LP Advisory Committee shall be held at least once a year.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Even in the absence of conflict of interest matters that the LP Advisory Committee is required to approve, regular reporting (typically held concurrently with the annual Investor Meeting) is desired. Furthermore, to facilitate communication between the GP and advisory committee members, or among advisory committee members themselves, the LP Advisory Committee should be convened at least once a year.</li> </ul>
24	Investor Meeting	<p>The annual Investor Meeting shall be held at least once a year, but no deadline for its convening shall be set.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• In addition to regular reports from the GP, an annual Investor Meeting is essential for providing</li> </ul>

		<p>opportunities for communication between the GP and LPs, or among LPs.</p> <ul style="list-style-type: none"> <li>• However, setting a meeting date deadline based on the fund's fiscal year-end, etc. would: ① restrict the ability to hold a common investor meeting across funds with different fiscal year-ends, and ② concentrate investor meetings in certain months, potentially hindering communication opportunities between the GP and LPs. Therefore, it is preferable not to stipulate a meeting date deadline.</li> </ul>
25	Defaulting LP	<p>Regarding a defaulting LP's interest in the fund, the LPA shall stipulate forced sale by the GP with certain penalties, as well as the forfeiture of such interest and its allocation to other non-defaulting LPs.</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• The ILPA model LPA provides that the GP may forcibly sell the investment interest of a defaulting LP at a certain percentage (e.g., 50%) of the lower of either the LP's cumulative capital contribution or fair market value, and may confiscate up to 100% of a defaulting LP's investment interest without compensation and allocate it to non-defaulting LPs.</li> </ul>
26	LP Voting	<p>When conducting voting and decision-making as stipulated in the LPA, the LP investment interests held by the GP and its affiliates shall be excluded (except where permitted by applicable laws and regulations).</p> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• Given the potential for conflicts of interest between the GP and its affiliates and the LPs, the GP and its affiliates should not hold votes in voting and decision-making under the LPA (except where permitted by applicable laws and regulations).</li> </ul>

• **Fund Management-Related Reporting**

27	Quarterly Report	<p>The fund shall provide LPs with the following information on a quarterly basis (within 45 days of the end of the quarter):</p> <ul style="list-style-type: none"> <li>Unaudited quarterly income statement, including year-to-date results</li> <li>Unaudited balance sheet</li> <li>Capital account statement for each LP (including its interest in the fund after deducting the carried interest that would occur if unrealized investments were hypothetically exited at their current valuations)</li> <li>Information on significant changes in investments and expenses</li> <li>Summary of all capital calls and distributions, including the balance of unused capital commitment</li> <li>Explanation of valuation changes relative to the previous quarter (including changes in valuation methods)</li> </ul> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• The GP should report the status of the fund to LPs every quarter.</li> </ul>
28	Annual Report	<p>The fund shall provide the following information to LPs every fiscal year (within 90 days of the end of the fiscal year):</p> <ul style="list-style-type: none"> <li>Management letter explaining fund activities</li> <li>Audited financial statements (including an unqualified opinion from the auditor)</li> <li>IRR calculation prepared by the fund manager that clearly outlines the methodology used</li> <li>Details of and a history of carried interest already received by the GP</li> </ul> <p><b>【Explanation】</b></p> <ul style="list-style-type: none"> <li>• The GP should report the audited financial statements and other fund-related materials to LPs every year.</li> </ul>