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Introduction to Japan KIKAN Fund

A gateway for global investors into Japanese private equity opportunities

Japan KIKAN Capital

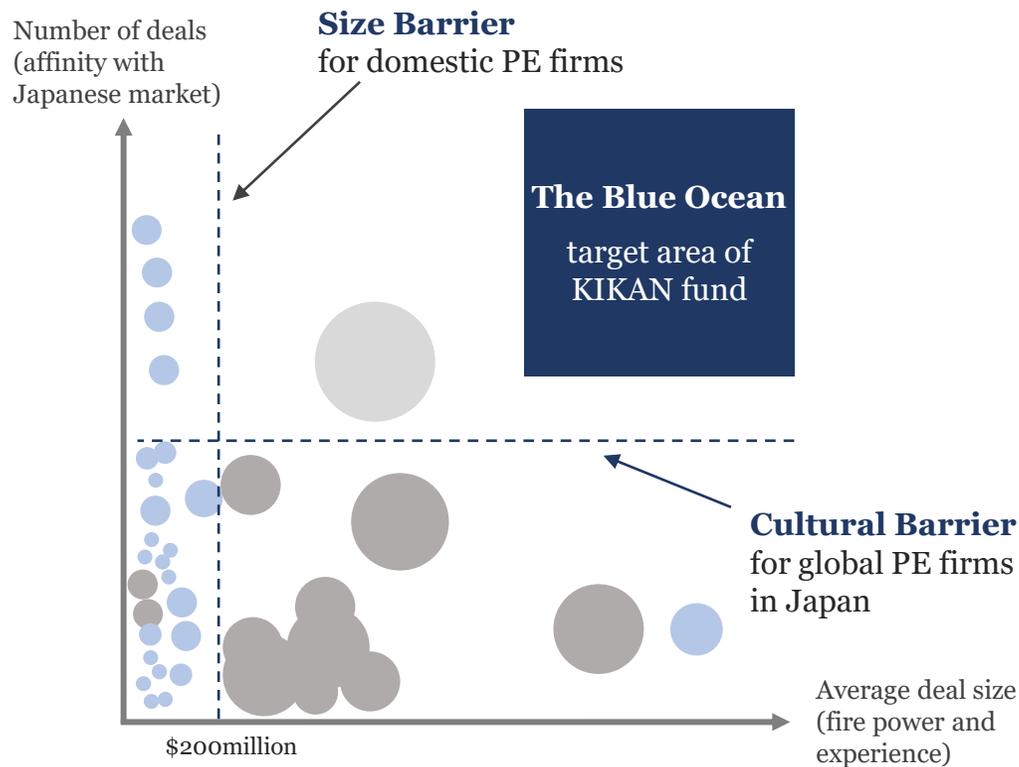
May 2020



THE CONCEPT

“As the *only* Japanese large-scale independent PE firm in Japan, we strive to capture unique investment opportunities arising from Japan’s structural reforms and industry consolidations in order to maximize returns to global investors and to serve as the world’s gateway for investments into Japan.”

KIKAN's Positioning and Target Universe



Size of circle indicates fund AUM.
Color indicates the following:

- Domestic PE ● Global PE in Japan
- Government PE (INCJ)

- Japan KIKAN fund to invest in the Blue Ocean zone by breaking through the size barrier and cultural barriers

Existing PE Funds in Japan	Main Issues
■ Domestic PE funds	Size + Independence
■ Global PE funds	Closing for certain deal types
■ Government PE funds	Independence + Performance

KIKAN's 3 Pillars of Investments

01 ■ Corporate Private Equity

New corporate governance codes have been implemented in 2014 and 2015 and, most recently, in April 2020. Top managements and shareholders are subject to stricter scrutiny by the market to restructure their business portfolio.

02 ■ Regional Banking

The FSA (Financial Service Agency) has changed its policy in 2020 to promote consolidation within the pathetic 0.2x PBR industry. Anti-trust laws have been amended in April 2020 specifically for regional banks to accelerate the paradigm shift.

03 ■ Business Successions

Japan has a 55% inheritance tax rate. During the past two decades, the average age of private owners shifted from 47 to 69. As a result of the aging top-management, there exists a significant incentive for smooth business succession to the next generation.

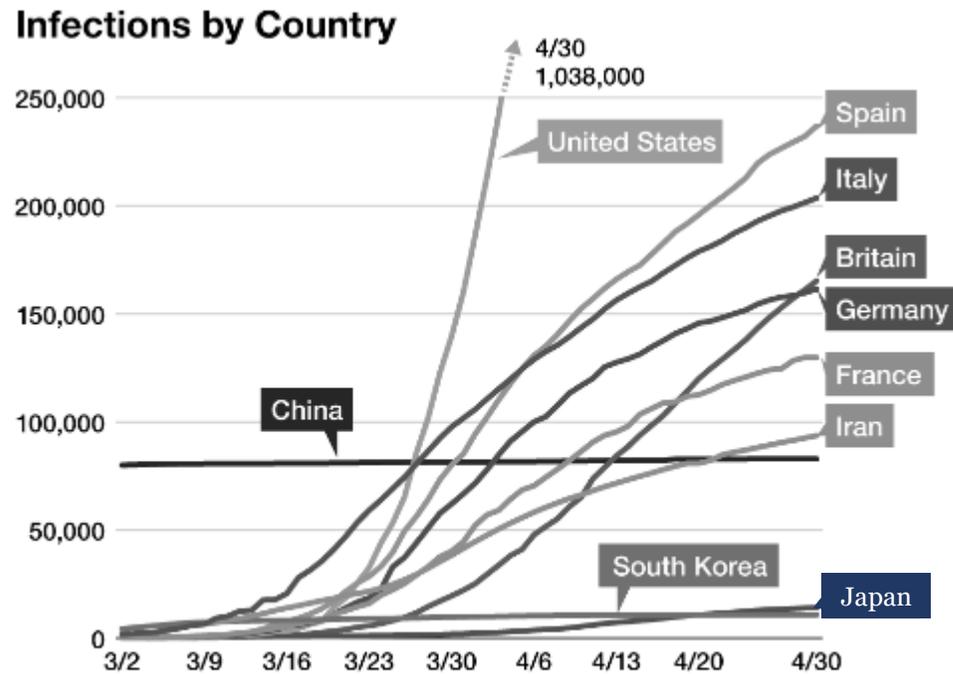
The New Post-COVID Era – Low valuations + Limited downside risk + Reshuffling of players



- The COVID hard hit the Japan stock market evidenced by the 30%+ plunge in TOPIX from 1,744 on Jan 22 (PBR 1.20x) to once 1,199 on Mar 17 (PBR 0.85x). The index recovered in part now at 1,464 on Apr 30 (PBR 1.01x).
- Historically, TOPIX has never recorded below 0.8x PBR. From a long-term perspective, a market crash brings forth a favorable investment opportunity with a relatively limited downside risk.
- For example, an investment in a 20% market crash in the S&P 500 has generally resulted in a 20%+ IRR return in 5 years. Therefore, KIKAN believes a strong vintage year for PEs in Japan for 2020 and the coming few years.
- In addition, leading players in the PE market in Japan have changed significantly since the 2008 adjustment phase resulting from the Global Financial Crisis (GFC). During the GFC, PE firms who were subsidiaries of larger groups suffered from the market as they were preoccupation with the damaged existing portfolio or even had to withdraw from financial impact of the parent.
- KIKAN believes the paradigm shift post-COVID will reshuffle the players in the Japanese PE market like the post-GFC in 2008.

The New Post-COVID Era (cont'd) — Resilience of the Japanese and Japan Inc

Japan's resilience to COVID19 (data as of April 30)



Created by Nippon.com based on data from the Ministry of Health, Labor, and Welfare. Dates are for MHLW announcements.

Japan's recovery from historical contingencies



Great Eastern Earthquake
2011 to 2012



Hanshin Awaji Earthquake
1995 to 1997



World War II
1945 to 2020



The New Post-COVID Era (cont'd) — Discipline of the Japanese and Japan Inc

THE WALL STREET JOURNAL.

“ Foreign observers have remarked on the discipline and solidarity of Japanese. No looting, no riots, no violence. It comes from the social conformity [but] also the result of an awareness, instilled by centuries of living with disasters, that what comes down can be rebuilt.”
– March 19, 2011



FUND TERMS

- Seek to raise \$3 billion to execute the targeted strategy
- Now in negotiation with several leading global investors as anchor LP
- Expect exclusive “inner circle” deals using KIKAN network
- Deploy capital in promising areas from Japan’s structural changes
- Capture post-COVID market opportunity including low valuation

Fund Terms

Fund name	Japan KIKAN Fund L.P.
Fund size	\$3 billion
Structure	Domestic + Offshore parallel fund
Fund term	Investment period 5 yrs + Value-add period 5 yrs + 1 yr extension twice (GP discretion)
Target IRR	Gross IRR 20%
1st closing date	2020 3Q-4Q (schedule)
Fees	2.0% management fee / 20% carry 5.0% hurdle rate
Investment pillars	1. Corporate Private Equity 2. Regional Banks 3. Business Successions
Deal structures	Carve-out, Turnaround, Delist, MBO, Industry Consolidation, Co-investment, Restructuring, Corporate Split, LBO, etc
Size and number of investments	- Maximum of 20% of commitment amount per investment - Expected number of investments: about 10 to 15
LP commitment	Minimum commitment of \$10 million

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