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December 28, 2020

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Notice of the Medium-term Management Plan (from FY Mar. 2022 to FY Mar. 2024)

Japan Asia Investment Co., Ltd. (JAIC) hereby announces that, JAIC has formulated a three-year medium-term management plan from the fiscal year ending March 2022 to the fiscal year ending March 2024. .

JAIC will promote investment activities under the new medium-term management plan based on a core value of conducting “SDGs investment that contributes to the future of Japan and Asian based on venture capital investment and an unique Asian network.” JAIC will identify and support the growth of innovative businesses that will be developed in the post-corona society of Japan, which faces an aging and shrinking population.

Please refer to the attached presentation for the details of the contents.

(End)

Attachment: Medium-term Management Plan(FY Mar. 2022 – FY Mar. 2024)

Medium-term Management Plan (FY Mar. 2022 – FY Mar. 2024)

Japan Asia Investment Co., Ltd.
December 28, 2020



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※The figures in this document are based on a consolidated basis (Previous accounting standard is applied) unless otherwise noted.

This new Medium-term Management Plan was formulated amidst the new coronavirus (COVID-19) outbreak, which began in the end of 2019, and the sudden change of government. Our investment strategies promoted under the current Medium-term Management Plan are consistent with the outlook of the post-corona society, which includes an overpopulation of cities, regional revitalization, accelerated deregulation and industry structural reforms. The new Medium-term Management Plan is built on the current Plan and incorporates the above changes in the environment.

The basic elements that support the new are as below. Japan Asia Investment (JAIC) will promote investment activities under the new Medium-term Management Plan based on a core value of conducting “SDGs investment that contributes to the future of Japan and Asian based on venture capital investment and an unique Asian network.” By doing so, we hope to identify and support the growth of innovative businesses that will be developed in the post-corona society of Japan, which faces an aging and shrinking population.

1) Management policy

We will maintain the philosophy of current management policy to promote and manage investment activities. We will continue and maintain a policy of proactively carrying out investment activities and related businesses focusing on venture capital investment and our network in Asia, based on our policy of becoming an investment company that “contributes to the creation of more safe, secure, and higher productivity for aging society with fewer children.”

2) Basic investment strategy

We aim to generate stable revenue and earn high private equity (PE) investment income by quickly restoring damaged balance sheets by promoting strategic PE investment and Project oriented (PJ) investment based on our management policy. We will seek to add depth to promising venture firms and the profitable projects, which should be our core assets. Also, simultaneously, we will try to minimize risks of investment assets by diversifying various PJ investment business.

3) Goals and objectives of specific investment activities

We will aim to achieve substantial investment share through PE investment and enhance added value of investee companies as well as investment return through hands-on support using our entire resources. By thoroughly enforcing this investment method, we will improve our expertise and comprehensive strengths as an investment company. At the same moment, we are aiming to develop all of our investment professionals to “think and act” as same as the company’s managers.

4) Becoming an SDGs investment company as our core value

We will thoroughly carry out investment activities with a strong awareness of SDGs based on our management policy. We will aim to contribute to the development of SDGs-related businesses and improve profitability by identifying venture firms that contribute to providing solutions for the realization of a safe, secure and productive society.

5) Continuing investment activities that links Japan and Asia

We will contribute to maintaining the growth of the Japanese economy, which is facing sluggishness due to issues such as the shrinking and aging population, and that of the declining rural areas through investment-related businesses. We will contribute to the growth of Asia and incorporating Asia’s growth into Japan through investment activities by leveraging our skills in venture capital investment, our Asian network and our partnerships with regional financial institutions as a platform.

➤ Reviewing Current Medium-term Management Plan

Profits recorded for 5 consecutive periods (from 2016 to 2020). We estimate to record a profit in 2021 though the forecast is expected to be lower than the target.

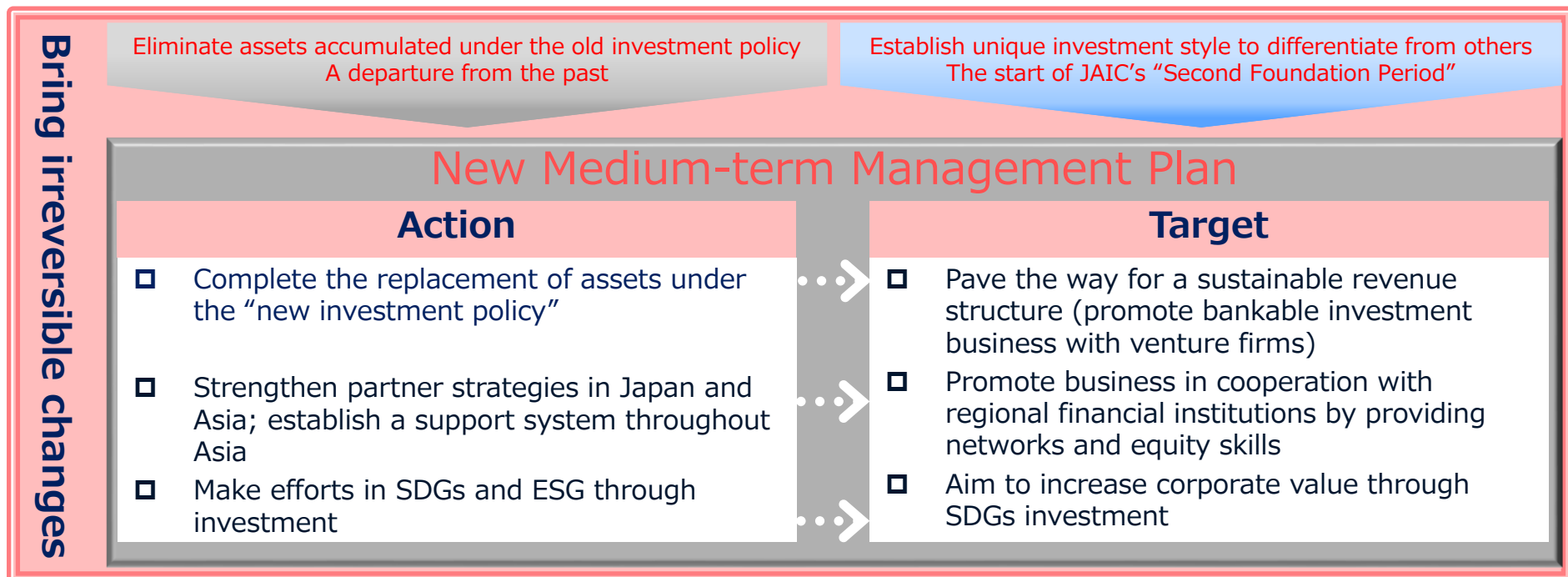
Basic Policy	<ul style="list-style-type: none"> Seek to replace assets by liquidating PE assets Create a profit plan without depending on the sale of mega solar PJ assets Increase PJ assets supported by bank loans. Diversify asset class Carry out strategic investments in partner companies Make efforts in FA business
Measures	<ul style="list-style-type: none"> Invest in vegetable plants, carry out project financing Enter into healthcare investment Enter into distribution center investment Aggressively increase high FIT mega solar PJ assets Execute investments in biomass/biogas projects Focus on finding new business partners and establish a foundation for expanding business
Review	<ul style="list-style-type: none"> There was progress in commercialization of vegetable plants as a key business after mega solar Progress was seen in investment in distribution centers The reduction of PE assets fell significantly short of target Profits were achieved through the sale of mega solar projects. While achieving profitability, the balance of Project assets fell short of target

Key goal indicator	FY2021 (Forecast)	FY2021 (Target)	fluctuation
Final profit	0.18 billion yen	0.7 billion yen	(0.52) billion yen
ROE	2.5%	9%	(6.5) %

Strategy	Measures	FY 2021 (Forecast)	FY 2021 (Target)	fluctuation
Expand stable revenue from PJ assets	Balance of PJ assets	5.5 billion yen	9.0 billion yen	(3.5) billion yen
	Balance between the sum of cash and deposits and PJ assets and borrowings	+2.4 billion yen	+5.6 billion yen	(3.2) billion yen
Replacement of PE assets	Promotion of early liquidizing and monetization of assets except strategic investments etc.	Balance of investment 2.7 billion yen (net of provisions)	Balance of investment 1.0 billion yen (net of provisions)	+1.7 billion yen
	<ul style="list-style-type: none"> Establishment of funds for new investments Implementation of strategic investments 	Balance of investment 1.2 billion yen	Balance of investment 1.0 billion yen	+0.2 billion yen

➤ Main Theme of The Plan

	Past	Today, future
Investment policy	<ul style="list-style-type: none"> ■ Minority/diversified investment based on “Law of Large Numbers” ■ Hands-off (advocates “hands-on” but only provides sporadic support due to dissipation of resources) ■ Dependence on IPO for exit (large impairment risk if IPO does not happen) 	<ul style="list-style-type: none"> ■ Strategic/carefully selected investment style that combines PJ investment ■ Hands-on (a full support system leveraging networks and resources) ■ Diverse exit policies that do not depend on IPO (exit through M&As is also possible)
Result	<ul style="list-style-type: none"> □ Unrealized IPO ➔ Accumulation of “living dead” assets □ Periodic income ➔ Uncontrollable 	<ul style="list-style-type: none"> □ Diversified exit strategies ➔ Avoids “living dead” assets □ Periodic income ➔ Controllable



➤ Overview of Numerical Plan

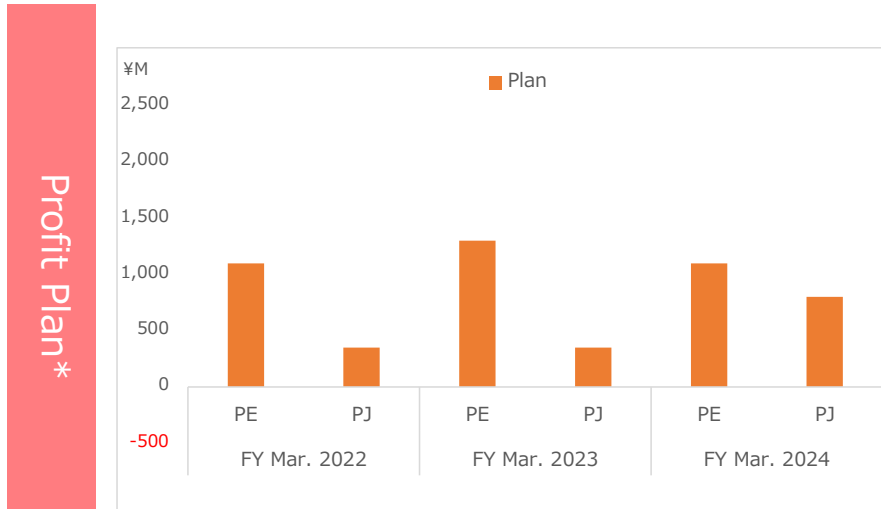
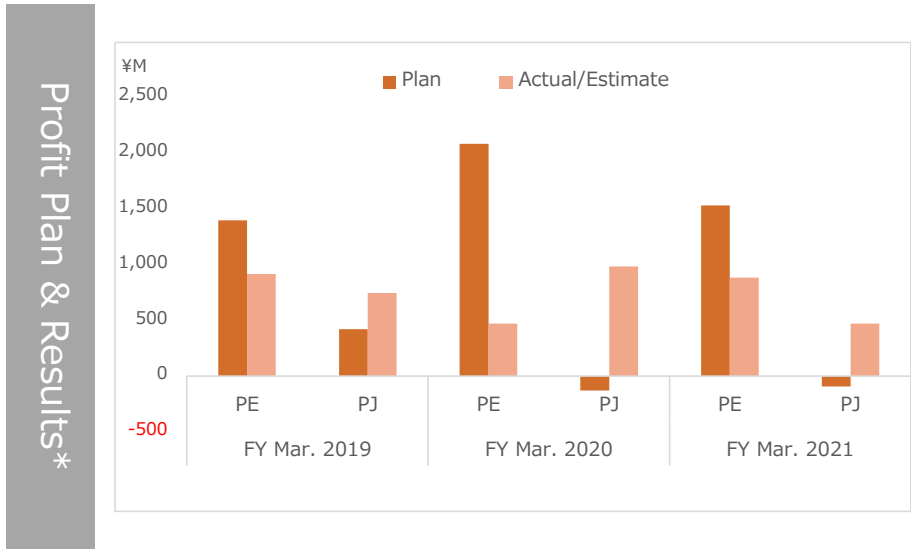
- The current Medium-term Management Plan focuses on finding partners for new businesses, mainly venture firms, and aims to establish a foundation for expanding the businesses. Although the PE investment business fell short of the target, the PJ investment business contributed to profits as we shifted funds and resources there. As a result, we recorded profits for five consecutive fiscal year starting from March 2016 to March 2020. We estimate to record a profit for the fiscal year ending March 2021.
- In the new Medium-term Management Plan, we will “eliminate assets under the old investment policy,” and complete the replacement of assets to those under the new investment policy. At the same time, we will pave the way for “establishing a sustainable revenue structure,” in which recurring expenses are covered by revenues of relatively high certainty by accumulating assets that are expected to generate stable profits and expanding new PJ investment assets with higher liquidity for possible trade sale.
- The corona crisis has brought about major changes in business, workstyles, and lifestyles. We reconsider our business strategy in view of these social changes and aim to add depth to each business.

2019 – 2021
Medium-term management plan dated May 18, 2018

2022 – 2024
New medium-term management plan dated Dec. 28, 2020

Plan based upon profit from PE business

Transition period to develop revenue structure based upon profit from PJ business



※Profit plans are gross profits. Results include other profits.

Current Medium-term Management Plan

Key elements are the aging and declining population, global warming, and Japan's energy issues arising from nuclear power plants

Individuals

(Previously)

- Long commute, long work hours, a male-dominated and membership-type corporate society

(Post-corona society)

- Changes in lifestyles, such as in schools, work and communication
- Changes in values and consumer behavior regarding goods and services
- Changes in awareness of work-life balance, diversification of workstyles, changes in required skills

Society

(Previously)

- Aging and declining population
- Inequality, poverty
- Global warming, Japan's energy issues arising from nuclear power plants

(Post-corona society)

- Decentralization to rural areas from urban areas
- Review of lifelong employment and seniority system; from membership-type to job-oriented employment
 - Review of school systems following the trend of remote learning
 - Accelerated changes in industry structures

Corona crisis

Accelerated changes

Companies

(Previously)

- Enhancement of corporate governance and compliance
- Improvement in corporate value, initiatives to expand business performance and achieve sustainable growth

(Post-corona society)

- Review of "shareholder first" thinking
- Initiatives in operating business that respects the interest of employees and local communities
- Expansion of working at home, acceleration of workstyle reforms, review of work customs
- Pursuit of productivity using AI and IT

Technology

(Previously)

- Utilization of AI, IT, Cloud Technologies, etc., progress of 5G and other next-generation communication systems
- Changes in distribution and logistics due to international dispersion of production bases
- Utilization of contactless systems and robots

(Post-corona society)

- Rapid spread of new technologies following restrictions on movement of people and goods (ex. work from home, remote learning, EC, auto pilot)
- Changes in lifestyles and industry structures

New Medium-term Management Plan

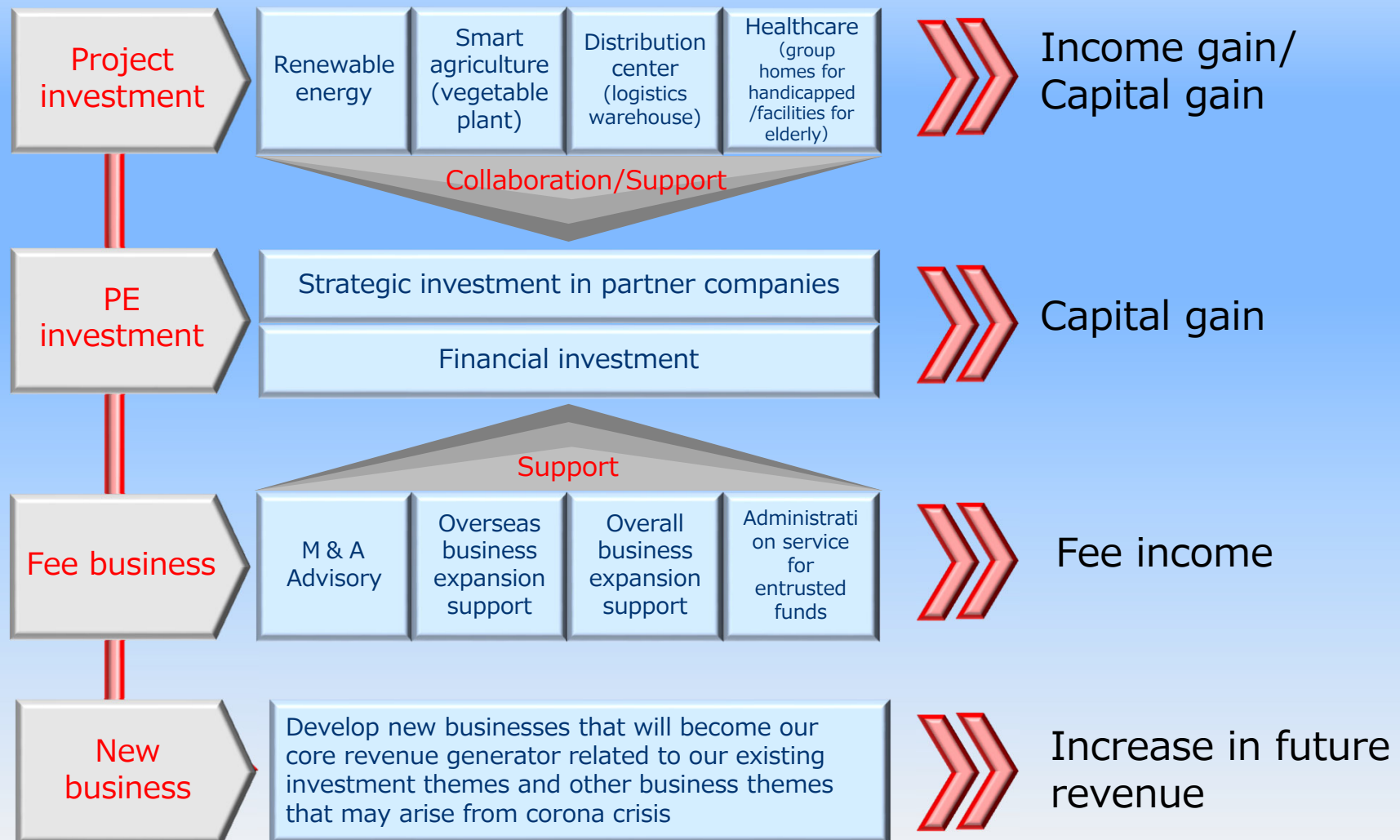
Addresses conventional issues as well as issues arising from the change brought by COVID-19

	Renewable energy	Smart agriculture (vegetable plant)	Distribution warehouse
Theme	<ul style="list-style-type: none"> # Clean energy # Safe & secure society 	<ul style="list-style-type: none"> # Global warming and aging of farming population # Changes in society by COVID-19 	<ul style="list-style-type: none"> # Expansion of EC # Lifestyle changes
Market environment	Power generation from renewable energy accelerating toward a decarbonized society. Globally, efforts for net zero CO2 emissions within the region are progressing.	The market for plant vegetables is expanding. Unstable supply and prices of vegetables grown outdoors due to unseasonable weather and natural disasters.	The warehouse vacancy rate of the Tokyo area is at a historical low and rent levels are at their highest since 2009 due to consolidation of distribution centers and the expansion of the EC market.
Core competence	<p>“Ability to approach wide range of transactions gained from an extensive network based on a partner strategy”</p> <p>We ensure a certain level of profitability amid changes to the FIT program, while diversifying investment targets to mega solar PJs, solar sharing, wind power, biomass, and biogas.</p>	<p>“The strength of our partner, Morihisa”</p> <p>Technological strength enables to produce high-quality vegetables that are highly rated by major companies.</p> <p>Morihisa succeeded in mass production of high-quality, pesticide-free plant vegetables with an extremely low viable bacteria count. The company has a track record of winning competitions, which led to business with major convenience store, etc., who switched from other companies’ vegetable plants.</p>	<p>“The strength of partner, KIC”</p> <p>Development skills to buy land avoided by major developers. They develop warehouse with low cost and lease out cheap.</p> <p>KIC has the skills of avoiding competition with major developers by purchasing land that is difficult to develop, such as land with bad relationship with frontal road or land in urbanization control areas, at a low price and putting in efforts to commercialize them.</p>
Business strategy	For solar power business, we will invest in Vietnam’s rooftop solar business as an initiative toward breaking away from FIT program. In Japan, we will search for a local production for local consumption model to conduct business that does not rely on the FIT program. In terms of other power sources, for biogas, we will cultivate suppliers of food residue mainly from food factories to support the project. We plan to invest new facility after confirming track record.	In addition to the Nagoya and Kyoto districts of major convenience store, with which business started in June 2020, business with the Chugoku and Shikoku districts began in October 2020. We aim to expand business to the Hokuriku region and eventually nationwide by increasing the plants. We will look for customer companies that handle home-meal replacements, such as delis at food supermarkets.	They will shorten the development period by strengthening cooperation with local governments and utilizing the Logistics Comprehensive Efficiency Act enforced in 2016. We support to obtain good tenant companies to increase their revenue opportunities. We will look for later-stage investors seeking for stable return to improve the investment result of JAIC, as we are investing from the earlier stage.

	(Healthcare) Group homes for the handicapped	(Health care) Facilities for the elderly	M&A Advisory Services
Theme	# Society that respects minorities # Safe & secure society	# Safe & secure society # Aging & declining population	# Aging & declining population # Successor problem
Market environment	Users of group homes have increased since the enforcement of the Act on the Comprehensive Support for the Daily and Social Life of Persons with Disabilities in 2013.	In Japan the elderly population increases while total population decreases. People aged 65 or older is expected to account for 30% by 2025.	M&As are increasing, especially among SMEs, due to successor problems and increase in companies' overseas expansion.
Core competence	<p>"The strength of partner, Social Inclu"</p> <p>Is in a leading position in the market that major players have not yet entered.</p> <p>Competition is still moderate despite an expanding market. Social Inclu leads the industry with one of the largest numbers of group homes operated in Japan.</p>	<p>"The strength of partner, AIP Healthcare Japan"</p> <p>They are involved in the operation of Japan's first listed REIT specializing in healthcare and has a broad network in the elderly care industry</p> <p>The company is recognized as a pioneer of the industry for its involvement in the establishment of Nippon Healthcare Investment Corporation and as an operation advisor.</p>	<p>"The opportunity to explore demands through investment activities and fund operation at home and abroad"</p> <p>We have a track record of more than 300 IPOs as potential client companies and are recognized for our long-standing investment activities in Asia.</p>
Business strategy	<p>We succeeded to arrange financing for the JAIC-developed project from regional financial institutions and established it as a bankable investment project.</p> <p>↓</p> <p>We will originate a private placement fund in cooperation with financial institutions and invest in 50 projects over three years.</p>	<p>They target the relatively wealthy class in urban areas that lack sufficient facilities for the elderly. They improved profitability by constructing as a complex facility.</p> <p>↓</p> <p>We carefully select projects and invest in projects with high profitability.</p>	<p>We will explore revenue opportunities in M&A and other FA operations by supporting companies' overseas expansion and business expansion leveraging our network in Japan and abroad.</p> <p>↓</p> <p>We aim to earn fee income of ¥150 million annually in FY Mar. 2024.</p>

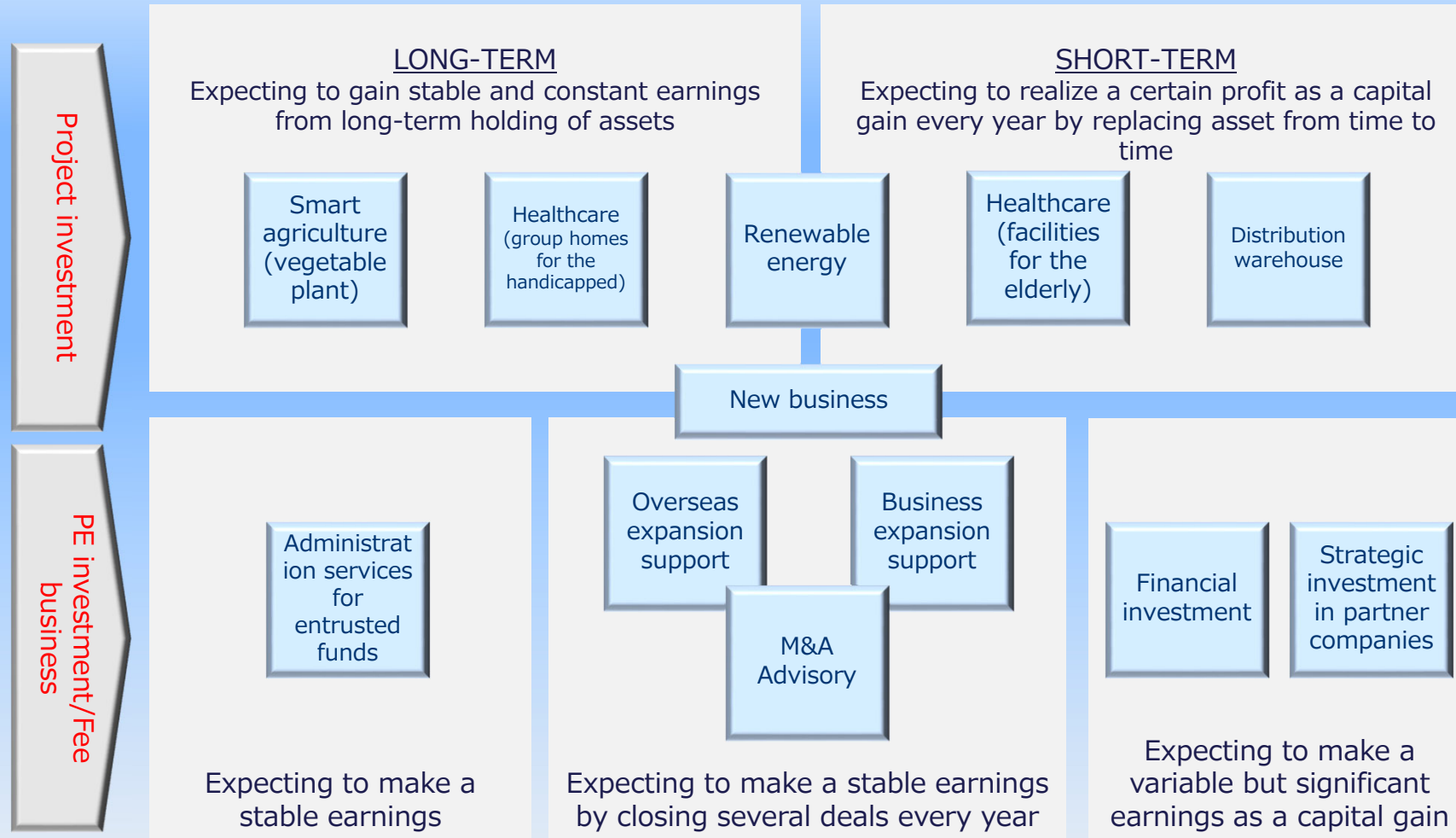
Business
policy

Stabilizing our basic revenue source by promoting Project Investment and fee business, while strengthening our additional earning power by increasing capital gain from PE investment aiming to enhance our corporate value and shareholder's value

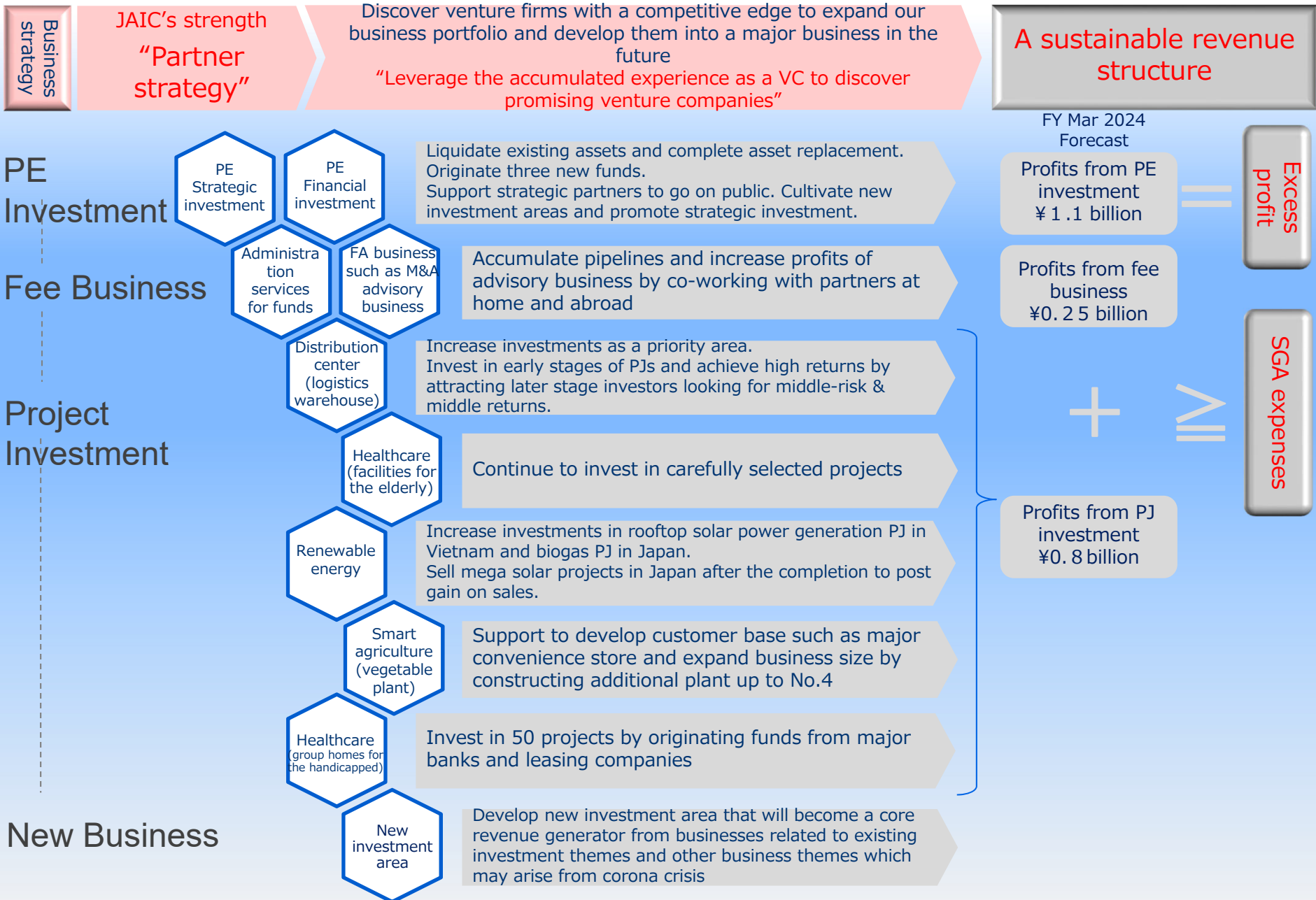


Business policy

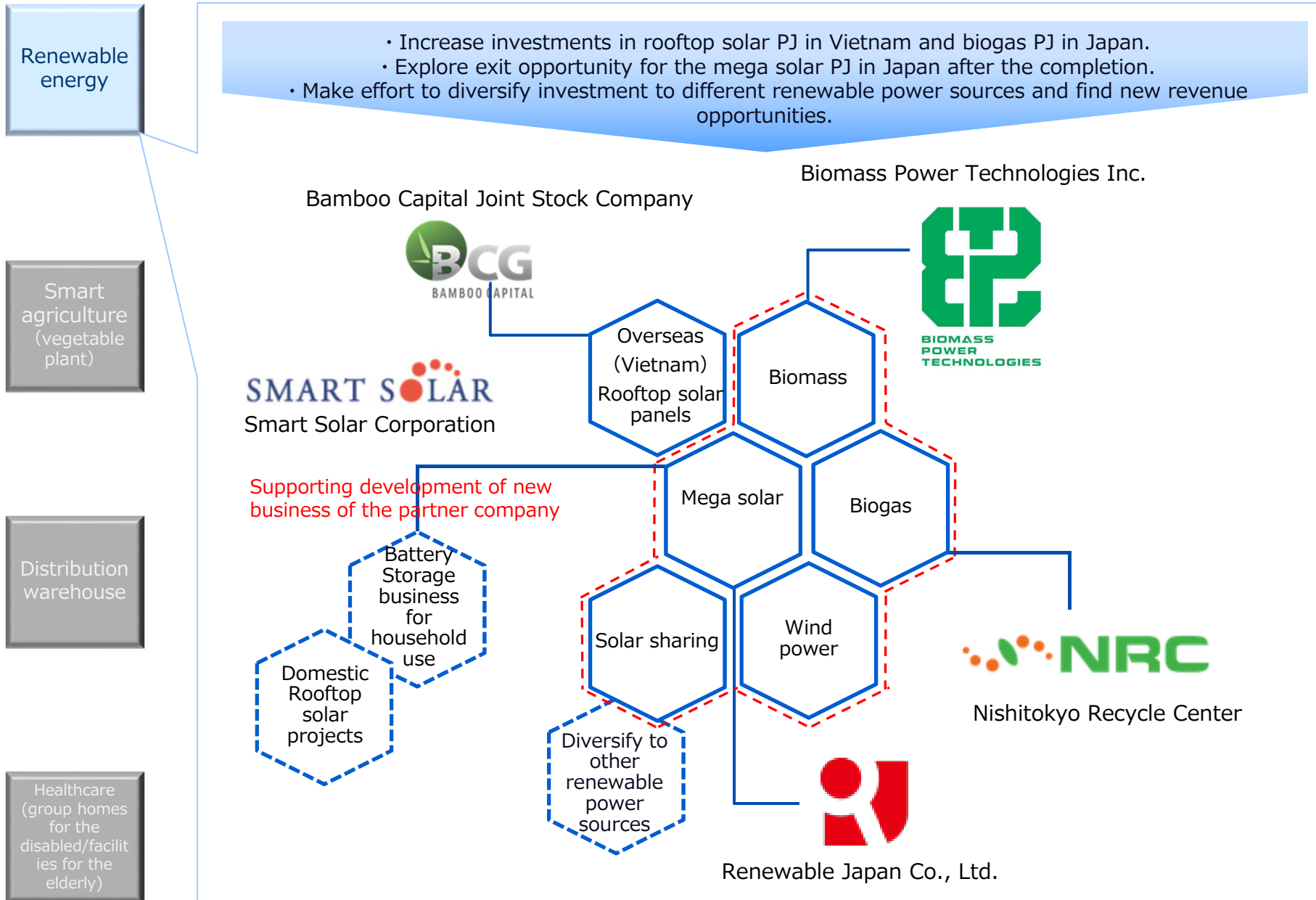
Classify business opportunities into "Long-term Stable Earnings" and "Short-term Variable Earnings". Aim to realize the optimum combination of the two, to establish sustainable earning & cash flow structure



Business Strategy



1. Project Investment



1. Project Investment

Renewable energy

Smart agriculture (vegetable plant)

Distribution warehouse

Healthcare (group homes for the disabled/facilities for the elderly)

- Increase customer base related to major convenience store Group.
- Expand operation up to Plant No.4 while expanding sales volume.
- Support to launch strawberry plant business for partner company.

Market size of strawberries grown in Japan

- Among major vegetables and fruits grown in Japan, strawberries have the highest wholesale unit price and the largest total wholesale value.
- The supply of strawberries grown outdoor is limited to a half year period between late November to early May.
- There is significant potential demand if strawberries can be supplied during the off season.

MDF
MD-Farm
Potential customers are luxury grocery stores etc.

Smart agriculture (strawberry plant)

Smart agriculture (vegetable plant)

MORIHISA
Morihsa Engineering Co., Ltd.



Support business launch by investee companies

- Customer companies are
- restaurant chains,
 - coffee shop chains,
 - family restaurants,
 - convenience stores and
 - food supermarkets.

1. Project Investment

Renewable energy

Smart agriculture (vegetable plant)

Distribution warehouse

Healthcare (group homes for the disabled/facilities for the elderly)

- Focus to construct warehouse on the land with difficulties to develop, where major companies hesitate to compete.
- Invest in early stages of the PJ to achieve higher returns by attracting later-stage investors seeking for middle-risk & middle-returns.

Investment Record



※Rendering
Koshigaya PJ

(Invested in Dec. 2019)
To be completed in Oct. 2021



※Rendering
Atsugi II PJ

(Invested in Dec. 2019)
To be completed in June 2022

Distribution center (logistics warehouse)



KIC Holdings Inc.

Investment Record



※Rendering
Ebina I PJ

(Partially invested in Oct. 2020)
To be completed in Mar. 2023



※Rendering
Ebina II PJ

(Partially invested in Oct. 2020)
The completion schedule is undecided.

1. Project Investment

Renewable energy

Smart agriculture (vegetable plant)

Distribution warehouse

Healthcare (group homes for the disabled/facilities for the elderly)

- Group homes for the handicapped: Originate special purpose funds with partners to invest in up to 50 projects.
- Facilities for the elderly: Invest in selected projects to secure profitability.

Investment Record

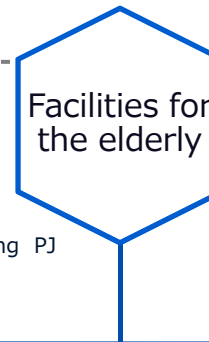


AIP Kachidoki Ekimae Building
(Dec. 2017: EXIT)



※Rendering

Shinonome 1-chome multipurpose building PJ
(Investment made in Feb. 2020)



Facilities for the elderly



AIP Healthcare Japan GK

Investment Record



※Photos are Hamamatsu PJ.

(Hamamatsu: Operation started in Aug. 2020)
(Hiroshima: Operation started in Aug. 2020)
(Utsunomiya: Investment made in Nov. 2020)



Group homes for the handicapped



Social Inclu CO., LTD.

2. PE Investment

- Support growth of strategic partner companies, expecting to increase gain from exit process.
- Cultivate new PJ investment areas and carry out strategic investment.

Strategic
investment
in partner
companies



Renewable Japan Co., Ltd.

Partner company in mega solar projects

Year of first investment: 2015



Smart Solar Corporation

Partner company in mega solar projects

Year of first investment: 2017



social inclu

social inclu CO., LTD.

Partner company in projects for group homes for the handicapped

Year of first investment: 2019



Morihisa Engineering Co., Ltd.

Partner company in smart agriculture projects (vegetables)

Year of first investment: 2019



MD-Farm

Partner company in smart agriculture projects (strawberries)

Year of first investment: 2019



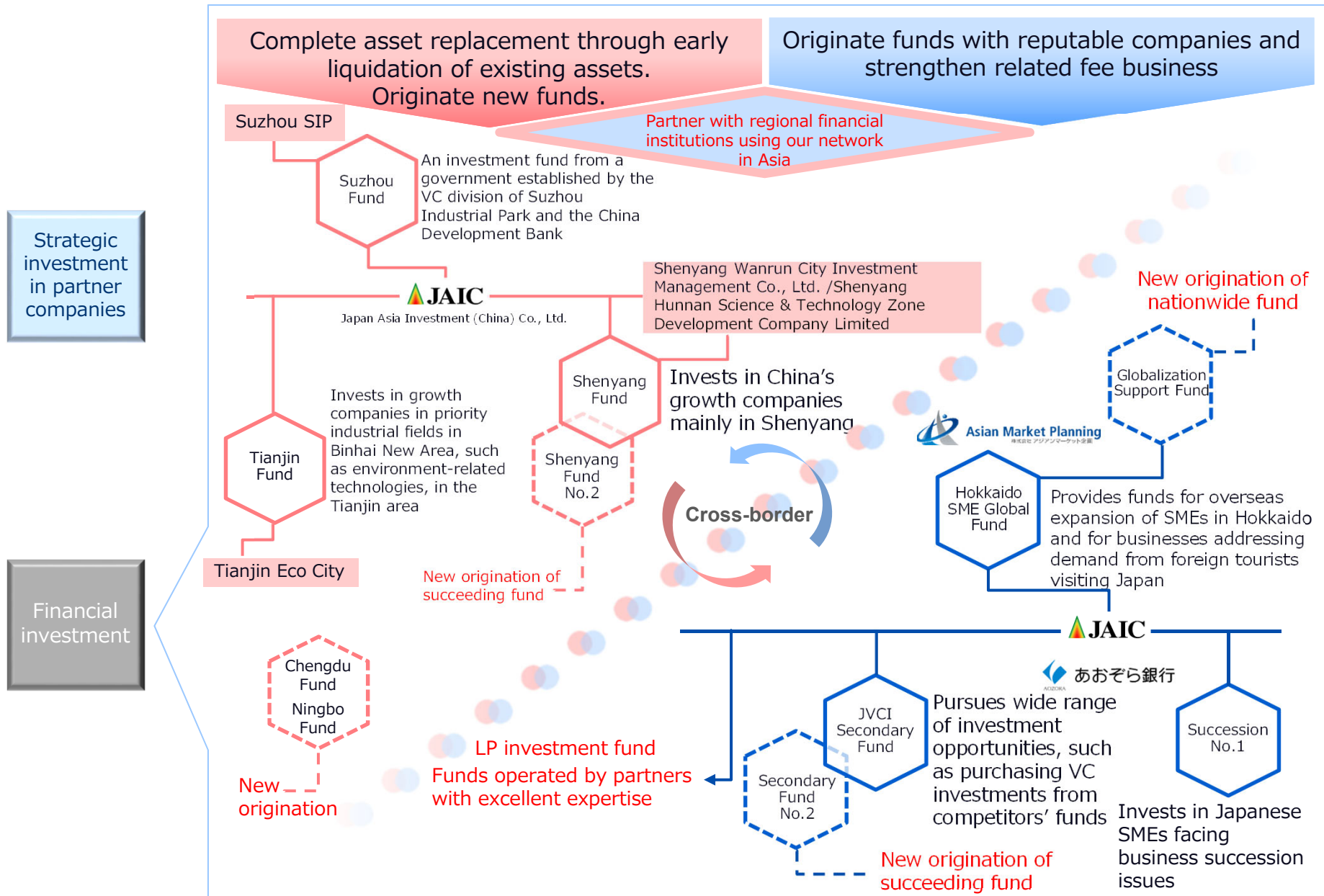
KIC Holdings Inc.

Partner company in distribution warehouse projects

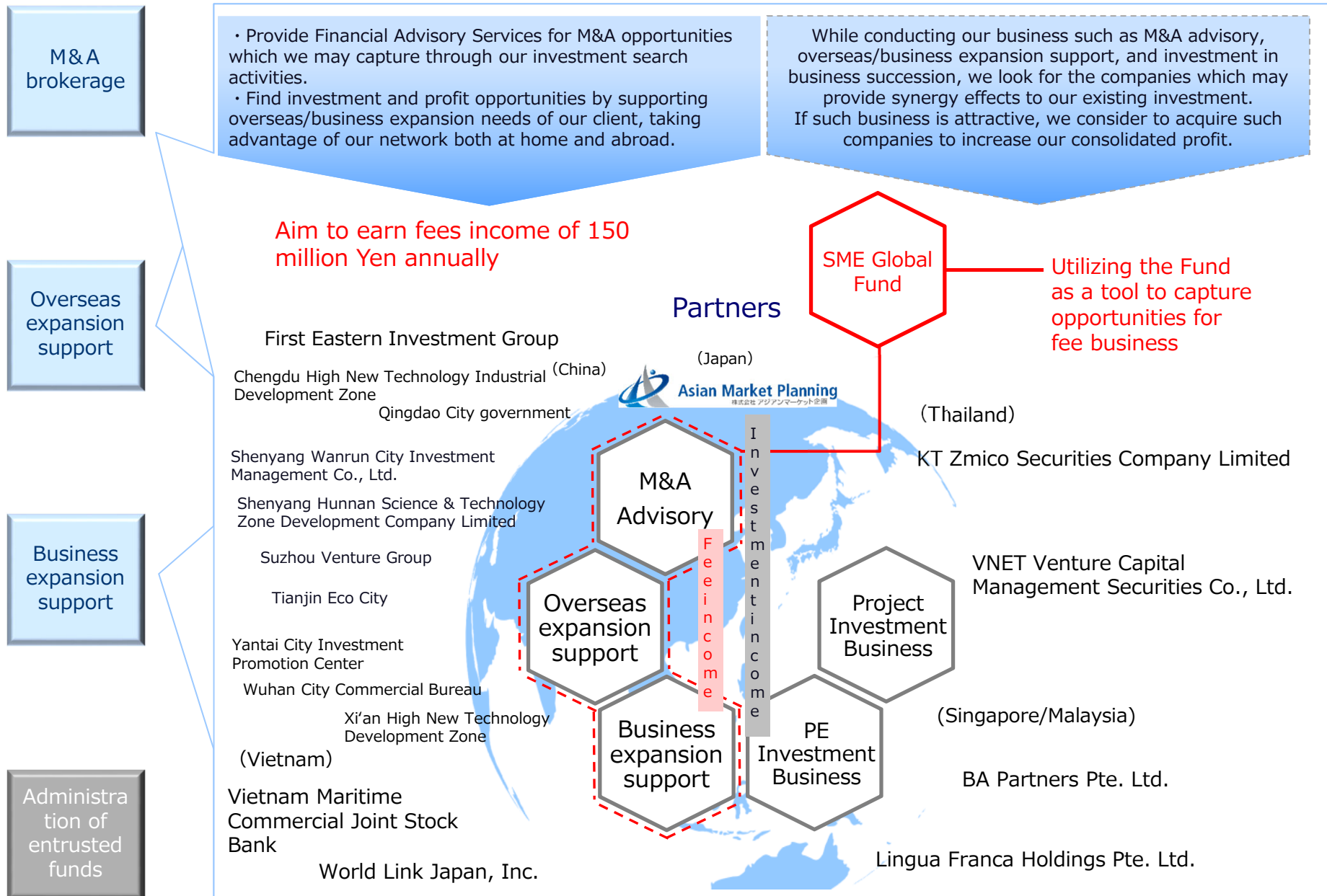
Year of first investment: 2020

Financial
investment

2. PE Investment



3. Fee Business



3. Fee Business

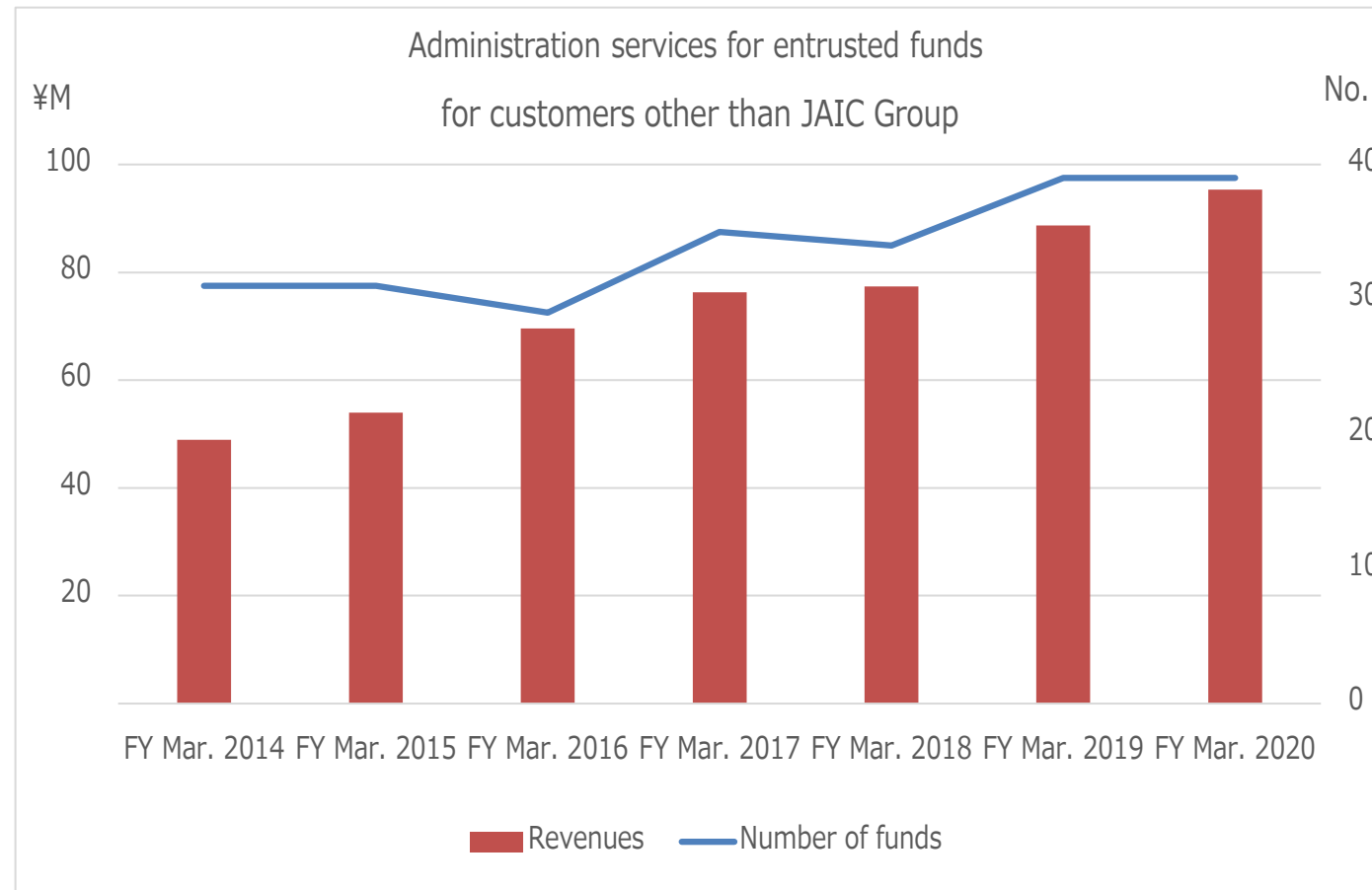
M&A
brokerage

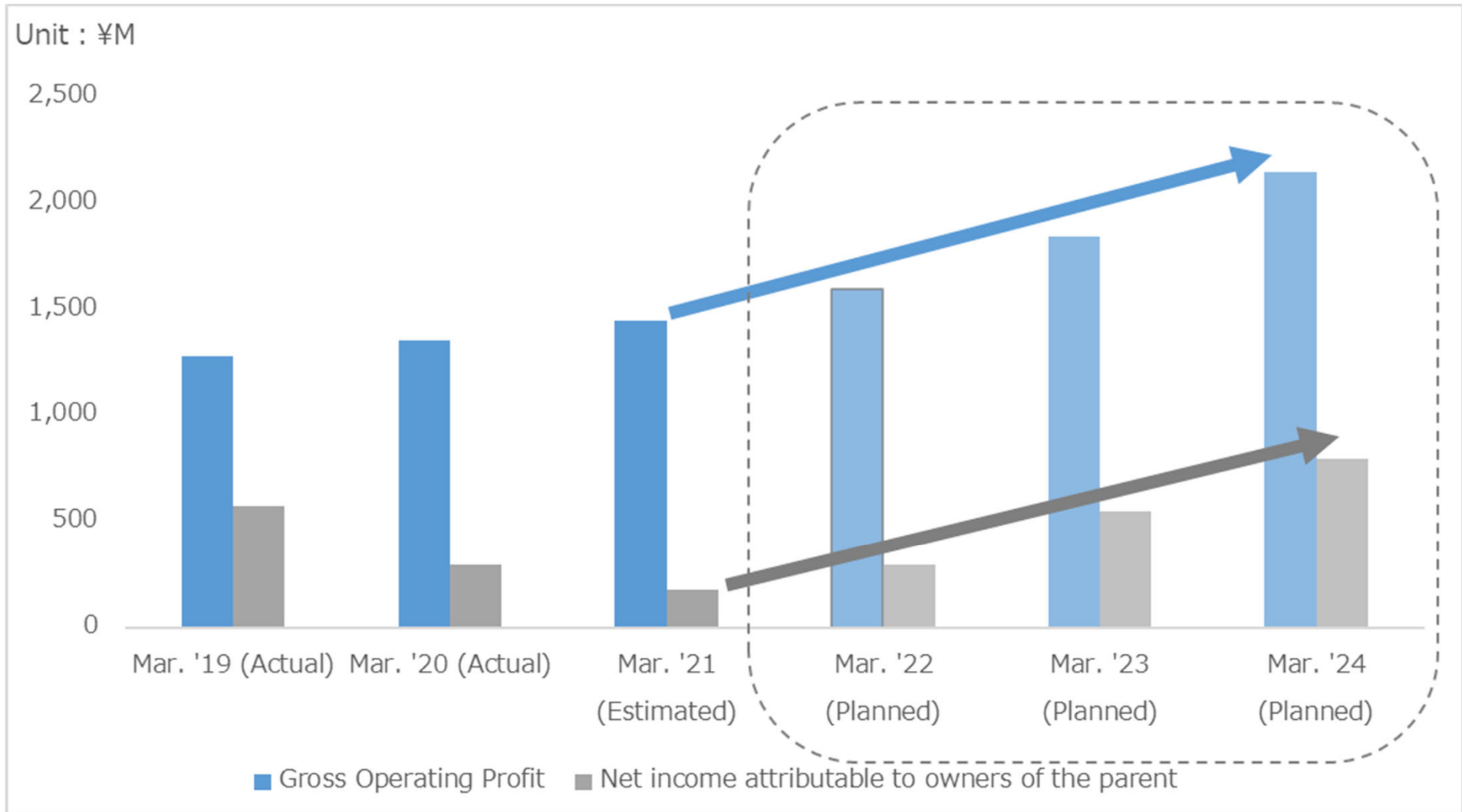
- Start adopting the new accounting system early to enhance operation.
- Accept entrustment of 2 to 3 additional external funds per fiscal year to earn annual revenue of ¥100 million.

Overseas
expansion
support

Business
expansion
support

Administra
tion of
entrusted
funds

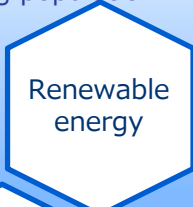




JAIC is fully aware of the importance of the SDGs and committed to fulfill our social responsibilities and to contribute to the society. JAIC endeavor to contribute to SDGs through investment activities, which is the most important task in our Management Policy.

[Management Policy] As an investment company that links Japan with the rest of Asian region, we are committed to contribute to the creation of more safe, stable and efficient future society under the circumstance of structural problem derived from declining birthrate and increasing aging population

Environment



We contribute to reducing the burden on the environment by investing in renewable energy projects and partner companies of the projects.



Social



We will provide solutions for the decline and aging of farming population, climate change and food safety through investments in vegetable plants.



We will contribute to achieve a productive society, revitalizing regional industries and creating employment through investments in the distribution center projects (logistics warehouse).



We will provide solutions for realizing an inclusive, safe and comfortable society through investments in healthcare projects (facilities for the elderly, group homes for the handicapped).



We will improve productivity and complement labor through innovations by supporting investee companies which revitalize existing businesses. We will also support to sustain basic industry by providing funds for SMEs with succession problem.



Governance



4 out of 7 directors are independent outside directors. / An independent outside director serves as chairperson of Board of Directors. / A voluntary "Evaluation Committee" evaluates personnel matters and compensation of executive directors./ Self-assessment of the effectiveness of the Board of Directors is conducted and its results are properly disclosed. / Audit & Supervisory Committee audits and internal audits are properly conducted.