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JPEA Private Equity Performance Measurement Survey (2018)

- Periodic internal rate of return -

March 2020

The Japan Private Equity Association
PricewaterhouseCoopers Arata LLC

JPEA The Japan Private Equity Association



Survey overview and considerations

I. Private equity funds within the scope of this report

Private equity funds, mainly invested in Japan, managed by 25 of the full members (hereinafter referred to as the "Participating Companies") of the Japan Private Equity Association (hereinafter referred to as the "JPEA"), which were in existence between January 2008 and December 2018 (including funds liquidated on or before 31 December 2018) (hereinafter referred to as the "Funds").

II. Method of survey

PricewaterhouseCoopers Aarata LLC (hereinafter referred to as "PwC Aarata"), commissioned by JPEA, calculated the internal rate of return (hereinafter referred to as "IRR") based on the data provided by the Participating Companies as follows:

- (1) The annualised IRR for one year (2018), three years (2016-2018), five years (2014-2018) and ten years (2009-2018) ended at the end of 2018 for each Fund is calculated.
- (2) All of the Funds are grouped according to the year of the Fund's first drawdown (vintage year) to calculate the IRR for each group.

III. Considerations for use of this report

- (1) This report is an excerpt of the "Periodic internal rate of return" from "JPEA Private Equity Performance Measurement Survey (2018)" issued to the Participating Companies.
- (2) This report does not disclose performance of any individual Participating Company or Fund, and the information used in the preparation of this report will not be disclosed to any other JPEA members and third parties other than PwC Aarata, a contractor for preparation of this report, except as set forth in the Confidentiality Agreement between PwC Aarata and each Participating Company.
- (3) The performance measurement made by PwC Aarata does not constitute an audit or assurance service, and PwC Aarata has not verified, validated or audited the reliability or accuracy of data obtained from the Participating Companies.
- (4) The Funds in scope of this report are mainly the funds that invest in Japan, but include also the funds that invest mainly in Japan but have some foreign investees. The Funds also include carve-outs from global funds that have investments in Japan. However, the Funds which invest in Japan as a small proportion of their investment portfolio in comparison to global territories, for which the Japan portion cannot be carved out, are therefore excluded from the scope of this report.
- (5) Valuation of investee companies are measured at fair value under International Financial Reporting Standards or U.S. GAAP, however, some Funds measure the investee companies at cost (minus impairment) or using certain valuation method specified in limited partnership agreements. The Funds also include the funds for which the investee's valuation is not audited by an external auditor.
- (6) The net asset value of each Fund at the end of each period used to calculate the IRR is after deduction of the estimated carried interest and additional costs that would be incurred if the investee were sold at the end of each period. However, these are not deducted for the Funds for which such data are not available.
- (7) The vintage year is generally defined as the year in which the first cash flow (initial drawdown) occurs. However, if it is impossible to calculate the IRR for the year, such as when the first cash flow is close to the end of the year and/or only costs and expenses are paid in the first year, then the year in which the IRR is first calculatable is the vintage year.
- (8) The IRR is not disclosed if the number of the Funds in each vintage year is less than three or if the number of the Funds in each vintage year is three or more, but all of these Funds are managed by a single Participating Company. In addition, if the IRR of another Fund can be estimated by disclosing the IRR, it is also not disclosed.
- (9) The IRR is calculated and presented on an annualised basis in principle. However, the IRR for the Fund with a measurement period of less than one year is not annualised.

Periodic internal rate of return

Annualised IRR of return by vintage year for each period ended in 2018^(*1)

Upper: IRR	Total number of Funds by vintage year ^(*3)	1 year: 2018	3 years: 2016-2018	5 years: 2014-2018	10 years: 2009-2018
Lower: Number of Funds ^(*2)					
Vintage year up to 2008	39	-8.72%	-0.93%	15.22%	12.58%
		8	17	23	39
Vintage year 2009	2	n/a ^(*5)			
		1	2	2	
Vintage year 2010	1	n/a ^(*5)			
		1	1	1	
Vintage year 2011	2	n/a ^(*5)			
		2	2	2	
Vintage year 2012	3	n/a ^(*5)	-12.43%	22.40%	
		2	3	3	
Vintage year 2013	8	18.25%	7.80%	22.37%	
		7	8	8	
Vintage year 2014	5	8.85%	15.21%		
		5	5		
Vintage year 2015	2	n/a ^(*5)			
		2	2		
Vintage year 2016	7	-10.28%			
		7			
Vintage year 2017	7	4.81%			
		7			
Vintage year 2018	7				
Total	83	6.04%	12.80%	18.22%	12.58%
		42	40	39	39
Reference: Return of TOPIX Total Return Index ^(*4)	-	-15.97%	1.00%	4.95%	7.92%

*1 The IRR for each measurement period includes the performance of the Funds which were in existence at the beginning of the measurement period - one, three, five, and ten years up to the end of 2018. For example, the three-year (2016-2018) rate covers the Funds which started before 2015 and includes the Funds that ceased operations before the end of 2018.

*2 Number of Funds: The number of Funds whose return is included in each IRR by vintage year and by measurement period. This includes the number of Funds that ceased operations before the end of the measurement period (i.e. the end of 2018).

*3 Total number of Funds by vintage year: The total number of all Funds included in each vintage-year group. This includes the number of Funds which ceased operations before the end of the measurement period (i.e. the end of 2018).

*4 Source of TOPIX Total Return Index: Bloomberg

*5 The IRR is not disclosed but presented as "n/a" if the number of Funds in each vintage year is less than three.

List of Participating Companies

Participating Companies (in alphabetical order)

Advantage Partners Inc.

Ant Capital Partners Co., Ltd.

Basic Capital Management, Limited

Carlyle Japan, L.L.C.

CAS Capital, Inc.

CITIC Capital Partners Japan Limited

CLSA Capital Partners (Japan) K.K.

Endeavor United Co., Ltd.

iSigma Capital Corporation

Iwakaze Capital, Inc.

J Will Partners, K.K.

J-STAR Co., Ltd.

KKR Japan Limited

The Longreach Group, Inc.

Marunouchi Capital Inc.

Mercuria Investment Co., Ltd.

Mizuho Capital Partners Co., Ltd.

New Horizon Capital Co., Ltd.

Permira Advisors K.K.

Ping An Japan Investment Co., Ltd.

Polaris Capital Group Co., Ltd.

Rising Japan Equity, Inc.

T Capital Partners Co., Ltd.

Unison Capital, Inc.

Yukon Capital Partners Co. Ltd.

Disclaimer

The data within this report was measured by PricewaterhouseCoopers Aarata LLC (hereinafter referred to as "PwC Aarata"), which was commissioned by the Japan Private Equity Association (hereinafter referred to as the "JPEA"), based on the data provided by the Participating Companies and the assumptions stated in "Survey overview and considerations". The JPEA and PwC Aarata do not assume any responsibility for any inaccuracy in the data included in this report nor for the accuracy of the underlying amounts submitted by the Participating Companies.

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