

Application Guideline for “Registration of Venture Capital Firms to
Partner in NEDO Technology-based Startup Support Program”

December 8, 2021

National Research and Development Agency
New Energy and Industrial Technology Development Organization

Innovation Promotion Department

Solicitation for “Registration of Venture Capital Firms to Partner in NEDO Technology-based
Startup Support Program”
(December 8, 2021)

As part of the “Research and Development Startup Support Project”, the New Energy and Industrial Technology Development Organization (NEDO) promotes a program to support seed-stage technology-based startups (hereinafter referred to as “ STSs ”) to commercialize specific technology seeds, in order to promote investment and commercialization assistance activities by venture capital firms, seed accelerators, and other venture investment firms (hereinafter referred to as “VCs” collectively) for those STSs.

This program consists of two solicitations. This solicitation is for VCs that will support STSs. NEDO will issue a separate solicitation for STSs that wish to be supported. VCs that are interested in participating in this program need to apply in accordance with these application guidelines.

It should be noted that, as this program will be implemented using a government budget, the implementation plan for the program may be modified or changed to reflect changes in government policy as appropriate.

I. Program Name

Solicitation for “Registration of Venture Capital Firms to Partner in NEDO Technology-based Startup Support Program”

II. Program Synopsis

1. Program Objectives

The Japan Revitalization Strategy and Venture Challenge 2020 states that Japan should aim to establish a venture ecosystem in which startups are spontaneously and consecutively created.

As an STS project, NEDO has registered VCs that provide hands-on business management and commercialization support to seed-stage technology-based startups willing to take risks of establishing new businesses with the aim of creating and fostering startups that have the potential to become large-scale startups in the future and of systemizing and strengthening a startup ecosystem. Support has been provided to such startups in cooperation with the registered VCs. As a result, the project has achieved a certain level of pump-priming effect by attracting investment in seed-stage research and development startups.

The main targets of the program have been VCs based in Japan. However, this requirement is removed this time to invite overseas-based VCs to join this program to provide stronger support for global STS activities.

2. Program Description

(1) Overview

First, NEDO will publicly solicit the participation of VCs and register them. Then, NEDO will solicit the participation of STSs which obtained a letter of intent (LOI) of investment from VCs that have been registered by NEDO (hereinafter referred to as “registered VCs”) and provide grants to STSs that have been selected after review by NEDO.

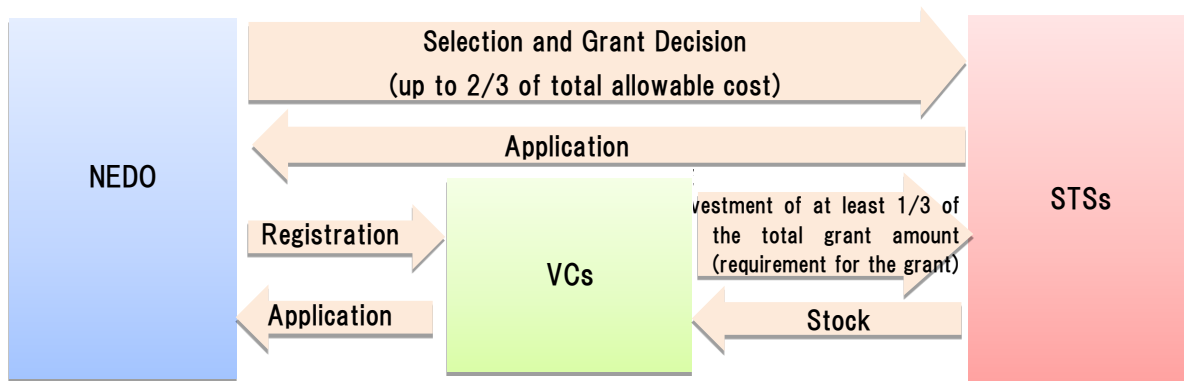


Figure 1. Overview of the program scheme

(2) Process for Registration of VCs and Selection of STSs Grant Awardees

The solicitation process for this program is divided into two parts.

(Process I) NEDO solicits VCs that support STSs through a solicitation and determines whether to register VCs based on review.

(Process II) NEDO solicits STSs that have obtained an intention to invest (have been issued confirmation of investment intent) from registered VCs and then selects STSs to award grants based on a review.

This solicitation is to determine registered VCs for Process I.

Process I: Solicitation of Registered VCs

i) Solicitation

- NEDO makes an open call for VCs which have the capability to provide hands-on support to STSs in need of commercialization assistance.
- During the solicitation period, VCs submit application documents to NEDO.

ii) Selection of Registered VCs.

- Once NEDO confirms that the application complies to the application guideline for the solicitation, external experts will thoroughly evaluate the application based on the evaluation criteria. NEDO makes a comprehensive judgment of applications, and then selects and announces the registered VCs.

Process II: Solicitation of STSs

i) Solicitation

- NEDO opens a call for STSs which have business plans utilizing specific technology seeds that have already had their business plans reviewed by registered VCs and have secured their LOI of the investment.
- STSs must submit the investment intention of a registered VC to NEDO as part of application documents.
- Public call for STS projects will be held several times a year.

ii) Selection of STSs and Determination of Grants

- Once NEDO confirms the application meet the requirements, which will be announced in detail in separate application guidelines for STSs, external experts will thoroughly evaluate the application based on the evaluation criteria. NEDO

does a comprehensive review of applications, and then selects and announce STSs that will receive grants.

- With regards to selecting STSs, it is required that registered VCs invest more than 1/3 of the total grant amount that NEDO has decided to provide and that the investment is done within 30 days after the award selection date.
- NEDO will reimburse STSs for the allowable cost incurred based on a performance report submitted by the STS each fiscal year. Also, NEDO will be able to make provisional payback based on past payment records as needed.

(3) Terms and Conditions for Registered VCs.

i) Duration of registration: from the registration date to March 31, 2024

ii) Application Eligibility for Registered VCs.

- The applicant must be a corporation that, as a business, has a venture capital and/or seed accelerator operations.
- The applicant must have “hands-on” ability to support seed-stage technology-based startups that aim to start businesses in the target technologies (see Appendix 1) of the STS support program.
- In particular, the applicant must have a concrete, broad network in markets, including access to sales channels.
- The applicant itself must not have received investment from any foreign government.
- The applicant is not an antisocial force and has no association with individuals who are associated with such forces.
- The applicant must agree to the Code of Ethics.
- This public call is for applicants who do not have location(s) in Japan at a moment from which to provide business development support for STSs. Applicants who have location(s) in Japan are to apply to another public call instead of this public call. Further information for another public call will be found on the NEDO homepage.

iii) Terms and Conditions of Registered VCs during STSs Support Period

- As a rule, the ownership percentage of registered VCs regarding STSs they choose to support should be less than 50% for the duration of the project period (furthermore, it will not be allowed to invest in STSs with lower corporate valuation than the company’s pre-investment value).

iv) Obligation to make efforts

- With respect to the STS they support, the applicant shall execute hands-on support to advance the business development of the STS in accordance with the support plans they have submitted.
- The applicants must ensure the sound financing and capital policy of the STS they support during the STS program period (to avoid an influence of a funding shortfall on the business) to lead to the next phase of financing.
- For NEDO to select applications from STSs, the applicant must appropriately submit the information required by NEDO, including a description of the financing

- conditions and a hands-on financing plan for seed-stage technology-based startups and must cooperate in the review process in response to any requests from NEDO.
- The applicant must report the progress of hands-on support to NEDO on a regular basis (or by request from NEDO).
 - The applicant must cooperate with the disclosure of information via questionnaires by the Ministry of Economy, Trade and Industry and NEDO, and posting of corporate information and activities on websites (e.g., list of contact addresses of NEDO's registered VCs).
 - *Before officially releasing the information, the applicant will be contacted separately to confirm the content to be posted.
 - With the respect to the STS they support, the applicant should not charge or collect any fees from STSs for hands-on support or any other guidance or services connected to assisting STSs.
 - The applicant must discover and support startups aiming to start businesses in the target technologies and strongly promote proposals of STS projects.
- v) Conditions for cancellation of Registered VCs
- If they no longer satisfy the eligibility requirements of ii above.
 - If they no longer satisfy the terms and conditions of iii above.
 - If it is observed that they have not fulfilled their responsibilities as described in iv) above.
 - If it is discovered that false information had been included in their application documents.
 - If a letter of intent (LOI) of investment has not been submitted (or investment has not been provided) and the STS project has not actually been used for a certain period.
 - If they are deemed to have conducted any act in noncompliance with the Code of Ethics.
 - Apart from the situations described above, if NEDO makes a judgment that registration is not appropriate.

(4) Overview of Grants to STSs: NEDO Technology-based Startup Support Program

Please refer to an appendix 2.

III. Application Process

After filling out the application form in accordance with this guideline and checking the three-page application guideline checklist, submit the application by following the submission procedure below by the deadline.

(1) Deadline

Upload must be completed by noon on December 21 (JST), 2021.

* Applications by hand delivery, fax or e-mail will not be accepted.

- (2) Submission: Attach the application form to a e-mail and submit it to the following address:
nedo-sug-entrypage@nedo.go.jp
- (3) Submission method and notes
- Please Write (1) the name of the applicant, (2) name of the contact person, (3) contact number and (4) contact e-mail address in the e-mail, The document to be submitted must be in a zip file format produced as instructed in the application guidelines (up to 14 MB. Note that over 14MB file will be rejected due to our mail system restriction.).
 - The file name must be VC22 + the applicant's name excluding "Co., Ltd.," "Inc.," etc. E.g., VC22_NEDO.zip
 - The mail title must be "Submission: + VC22 + the applicant's name" excluding "Co., Ltd.," "Inc.," etc.
e.g., Submission:VC22_NEDO
 - If resubmission is necessary due to an unavoidable reason, please attach the number of the submission (2 for the second time it is submitted) at the end of the zip file name and submit the entire document again.
e.g., VC22_NEDO2.zip
 - In such cases, the mail title must be similar manner:
e.g., Submission:VC22_NEDO2
 - Upon receipt of the submitted application, an application receipt number will be e-mailed to the contact person.
- (4) Acceptance of the application and incomplete applications
- Applications by persons who do not satisfy the application requirements and incomplete applications will not be accepted.
 - The submitted application form and other documents will not be returned.
 - If an application is incomplete and is not corrected by the deadline, the application will be deemed invalid.
- (5) Confidentiality
- The application document is used only for the purpose of VCs registration and is strictly managed by NEDO. Although the information obtained from the application is intended for the review process, NEDO may use some information as part of processed statistical data in a state that does not identify the individual applicant. Information you provide will not be used for any other purposes than those stated above (unless NEDO has been asked to provide the information by law).
- (6) Language
- The application documents must be written in Japanese or English.

IV. Selection Process

(1) Review Process

NEDO's review to determine the registration of VCs will proceed as follows:

- i) First level of review of submitted documents by external experts
- ii) If necessary, a second level of review through interviews.
- iii) NEDO's internal review and decision process

NEDO will make a final decision on whether or not to register a VC based on the results of the first (and second) level reviews. If necessary, NEDO may ask applicants to submit additional documents.

Because the selection process is not open to public, please be forewarned that NEDO shall not be able to respond to inquiries regarding the selection process, such as the progress of the selection.

(2) Review Criteria

- Sourcing ability
 - Sourcing scheme and results, lead investment results, investment consideration status, etc.
- Hands-on ability
 - Hands-on system, experience/achievements of hands-on members, continuous support for businesses, etc.
- Ability to handle financing
 - Investment capacity for seed- and early-stage startups, fund portfolio, etc.
- Fitness for the purpose of the project
 - Characteristics as a VC, investment indicators, STS project support policy, etc.

(3) Announcement and Notification of Registration Result

Announcement of Registration Result

- Corporate names of registered VCs will be announced on NEDO website. NEDO also will notify the applicant of their result.

Announcement of Names of External Experts

- Affiliations and names of the external experts chosen will be announced on NEDO website after the award selection.

Condition for Registration

- NEDO may impose various conditions for registration.

(4) Schedule (JST)

December 8, 2021	: Solicitation period begins
Noon on December 21, 2021	: Submission deadline
February 2022	: Review (interviews will be held if necessary)
February 2022 (Scheduled)	: Selection of Registered VCs

V. Miscellaneous

(1) Recommendation by VCs located in Japan (referred as domestic VCs herein).

In this program, certain preferential treatment during the screening process for VCs recommended by domestic VCs and selected via an external screening committee. Those subject to recommendation should submit a letter of recommendation prepared by a

domestic VC using the NEDO-designated form.

[Inquires]

For inquiries about this solicitation, please contact us via e-mail at:
Innovation Promotion Department,
New Energy and Industrial Technology Development Organization,

E-mail: nedo-sug-entrypage@nedo.go.jp

[Application Documents Form]

Instructions for Preparing Application Documents,
Attachment of Application Documents

APPENDIX 1: Targeted Technologies for support

Targeted Technologies: The technology must satisfy the following conditions i)- iii).

- i. Mining and industrial technology under the jurisdiction of the Ministry of Economy, Trade and Industry (Examples: robotics, artificial intelligence, electronics, IoT, clean technology, materials, medical devices, life sciences, biotechnology, aerospace. However, nuclear-related technology is excluded.)
- ii. Specific technology seed that is believed to need further research and development for commercialization. For example, projects which lack significant technological elements (such as coding software for the purpose of smartphone application development) or which only use existing products (purchased goods) are considered outside the scope of the program.
- iii. Technology which can lead to innovation to strengthen competitiveness.
Technologies that are in the demonstration stage but are deemed to have an element of technical development are also included in the target technologies. Target technologies do not include development related to drug discovery (drug development) in principle, but include the development of drug discovery support technologies, and complex technologies related to mining and manufacturing technologies under the jurisdiction of the Ministry of Economy, Trade and Industry, such as medical equipment and testing technologies.

APPENDIX2 : Overview of Grants to STSs

◆ Project Duration:

- Course 1 (referred to as STS): up to 1.5 years in principle
- Course 2 (referred to as STS2): up to 2 years in principle

◆ Cost Sharing Rate: NEDO will cover up to 2/3 of allowable costs

◆ Grant Amount:

- STS: up to ¥70 million in principle
- STS2: up to ¥200 million in principle

◆ Allowable Costs:

- The following costs pertaining to research and development as well as feasibility studies necessary to promote commercialization are eligible for coverage by this program:
 - Machinery and equipment expenses
 - Labor costs
 - Joint research expenses
 - Other costs directly related to and necessary for completing the grant project (including expendable supplies, travel expenses, outsourcing costs, advising fees, conference registration fees, patent application expenses, sample manufacturing costs, expenses directly related to essential research and development work)
- Costs not deemed directly related to and necessary for the project, such as advertising and entertainment expenses, are excluded.
- NEDO will pay out funds for each fiscal year after it reviews whether expenditures from the relevant year were eligible expenses, verifies the validity of the amount, and determines the amount of allowable cost. However, depending on the progress of the project, payments may also be made on a quarterly basis based on rough estimates. That means some cases require STSs to raise funds by e.g., financing.