

ESTONIAN JAPAN TRADING COMPANY AS



COMPANY DESCRIPTION

25 FEBRUARY 2021

FOR SHARE ADMISSION ON NASDAQ
BALTIC FIRST NORTH MARKET

Corporate Responsibility Statement

We, members of the Management Board of **Estonian Japan Trading Company AS** (hereinafter also the **Company** or **EJTC**), understand that we have a critical role in setting the culture and values of the Company.

We hereby confirm that the information provided in this Company Description gives a true and fair view of the Company's intentions, goals and financial forecasts. We represent that, there are no concealed facts that might affect the meaning of the information provided herein.

We are honoured to announce that Japanese investors have found the Baltic region and we are eager to see our investor base becoming more diverse.

At EJTC we are committed to implementation of a dynamic CSR strategy and acting in a socially responsible way. We make sure that our corporate behaviour and our staff to be mindful of the effect of their actions concerning the environment.

Our standards of business conduct

We recognise that good CSR embraces all aspects of sustainability and the way we affect people. We aim to operate in a way that safeguards against unfair business practices. We believe that a responsible approach to developing relationships between companies and the communities they serve, global or local, is a vital part of delivering business success. We aim to be a good employer expanding our business and developing our staff.

Our Corporate Governance

We are committed to ensuring that our business is conducted in all respects according to rigorous ethical, professional and legal standards.

We endeavour to ensure that all potential shareholders are taken into consideration in the decision-making and management processes of our services. All groups and individuals with whom we have a business relationship will be treated in a fair, open and respectful manner. We review and develop our management processes to ensure that environmental factors are considered during planning and implementation.

Equality and Diversity

We eliminate discrimination on any grounds and promote equality of opportunity throughout our organisation. We will ensure that our customers and contractors work together in confidence and are treated with respect by each party.

Sustainability

We aim to apply a best practice approach to all our processes that support the principles, policies and procedures on which sustainable business activity is based. We seek to minimise the adverse environmental effects of people travelling.

Customer Relations

We deal responsibly, openly and fairly with our customers and potential customers. We ensure that all our documentation about the business and its activities are clear, informative, legal, decent, honest and truthful. We are open about our products and services.

Ethics and Ethical Trading

We will ensure that contractors uphold our standards and behaviours consistent with the Company's requirements. We will use contractors taking into consideration their environmental performance and policies.

Chairman of the Management Board

Hideki Onuki

Tallinn, 25. 02. 2021

Member of the Management Board

Cätlyn Toomere

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DISCLAIMER

This Company Description or any information contained herein does not form a part of any offer to sell or a solicitation of an offer or invitation to purchase or subscribe for the shares of the EJTC. There is no public offering of the shares of the EJTC.

This Company Description has been drawn up and made public solely for share admission of the EJTC's shares on the multilateral trading facility **First North** operated by **Nasdaq Tallinn** and may not be used for any other purposes. This Company Description is not published with an aim of attracting investors to invest into business of EJTC.

This Company Description may not be copied, reproduced, or distributed without the express written consent from the EJTC.

Important Information

Company Description

This Company Description has been drawn up by the Management Board of EJTC, an Estonian public limited company (in Estonian *aktsiaselts* or AS), incorporated and operating under the laws of Estonia for share admission on Nasdaq Baltic First North. The Company Description has been drawn up in accordance with the Nasdaq Tallinn Rules of Multilateral Trading Facility First North (hereinafter also the **Rules**).

The Company Description does not constitute a prospectus within the meaning of Article 3 of the European Union (EU) Directive 2003/71/EC and has not been prepared in accordance with the provisions of the European Commission Regulation (EC) 809/2004.

First North

First North is a Nordic-Baltic multilateral trading facility (an alternative securities market), operated by the different exchanges of Nasdaq. First North does not have the same legal status as a regulated market. Companies whose shares are admitted for trading at First North are subject to the Rules of First North and not the legal requirements for the admission to trading on a regulated market. Companies on the alternative marketplace face less stringent requirements compared to those on the regulated market. Therefore, an investment in a company that is traded on First North may encounter more risks than an investment in a company which is traded on a regulated market.

All companies with shares admitted to trading at First North have a certified adviser that monitors the company's compliance with the Rules. The approval of admitting to trading on First North is in the competence of Nasdaq Tallinn Aktsiaselts.

Applicable Law

This Company Description has been drawn up in accordance with the laws of the Republic of Estonia and the Rules as adopted by Nasdaq Tallinn Aktsiaselts.

Presentation of Information

Currency:

In this Company Description, financial information is provided in euro (EUR).

Third-party information:

The Company Description contains certain market and industry information that has been obtained from third parties. Although the information has been accurately reproduced and the Company has confidence in its accuracy, the Company has not been able to independently verify the information and therefore, cannot guarantee the reliability and integrity of the information. To the best of the Company's knowledge, no information has been omitted in such a way that would render the reproduced information inaccurate or misleading.

Time of the information:

This Company Description is based on the information available at the time of its preparation and where not indicated otherwise, all information should be interpreted accordingly.



Certified Adviser

The Certified Adviser for the Company is **NJORD Advokaadibüroo OÜ** (register code in the Estonian Commercial Register 11176771, registered address Telliskivi 60/2, 10412 Tallinn, Estonia). NJORD Advokaadibüroo OÜ has been awarded a status of a Certified Adviser by Nasdaq Tallinn Aktsiaselts.

The person providing Certified Adviser services to the Company is Virgi Nael, Head of Banking and Finance at NJORD Advokaadibüroo. The agreement between the Company and NJORD Advokaadibüroo OÜ has been concluded for an indefinite term.

Independence of the Certified Adviser No Conflict of Interest

The Certified Adviser or persons providing Certified Adviser services to the Company do not hold shares or voting rights in the Company. Neither are the persons representing the Certified Adviser or its employees' members of the managing bodies of the Company or its auditors.

Liability Statement of the Certified Adviser

NJORD Advokaadibüroo OÜ as the Certified Adviser to the Company, has advised the Management Board of the Company in the preparation of this Company Description and has reviewed the information provided. NJORD Advokaadibüroo OÜ is not responsible for the correctness or completeness of the information provided.

Corporate Information

General corporate information

The business name of the Company is Estonian Japan Trading Company AS. The Company is registered in the Estonian Commercial Register with the register code 16053837.

The Company has been established and is operating under the laws of the Republic of Estonia in the form of a public limited company (in Estonian aktsiaselts or AS). The Company has been established for an indefinite term.

The contact details of the Company are as follows:

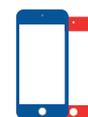
Estonian Japan Trading Company AS

Address: Ristiku tn 12, 10612 Tallinn, Estonia

E-mail: info@ejtc.ee

Webpage: www.ejtc.ee

Phone: +372 5302 5710



Articles of Association

The Articles of Association of the Company were adopted on 05.08.2020.

The Articles of Association are available of the Company's website.

Share Capital and Shares

The registered share capital of the Company at the date of submission of this Company Description is EUR 120 000, which is divided into 1 200 000 shares with the nominal value of EUR 0.10. The shares are registered in the Estonian Central Register of Securities under ISIN code EE3100008996.

The Company has issued no other securities than the ordinary shares described above.

Bank Account

The Company has a bank account nr EE762200221074621171 in Swedbank (Estonia). Swedbank is aware of EJTC company structure.

Auditor

The auditor firm of the Company is TPMM Nordic OÜ (registry code in the Estonian Commercial Register 10793450, activity license nr 70).

Management and Shareholders

Management structure

The management of the Company is structured as a two-tier system.

The Management Board is responsible for the day-to-day management of the Company. Only the Management Board members are eligible to represent the Company.

The Supervisory Board of the Company is responsible for the strategic planning of the business activities of the Company and supervising the activities of the Management Board.

Management Board

The Chairman of the Management Board is Mr. Hideki Onuki. Hideki-san graduated from the Graduate School of Science and Engineering of Nihon University in 1989. He has worked as a freelance film producer, with a wide portfolio of movies to his name.

In 2006, Hideki-san started work as the CEO of Honda Entertainment. He has operated as the CEO of J&K, Ink since 2016. In the same year, he was also appointed as a director of MBK., Co Ltd. Hideki-san is not a shareholder of the Company.

A member of the Management Board is Mrs Cätlyn Toomere. Cätlyn-san combines her unique background of expertise in Japan and the Japanese culture with the experience and knowledge of business in Estonia. Cätlyn-san is proficient in the Japanese language and has previously appeared on a Japanese TV program introducing Estonia and the Estonian digital solutions.

Cätlyn-san has a bachelor's degree from Tallinn University in Asian studies, specialising in Japanese language and culture. She is currently finishing her master's degree from Tallinn University in Asian studies.

She has experience in introducing Japanese products to the Estonian market, organising local cultural events, as well as experience as a small-business owner, operating a restaurant in Tallinn. Cätlyn-san has contributed to the work of the Estonian Chamber of Commerce and Industry by writing an article describing business options in Japan. Cätlyn-san is not a shareholder of the Company.



Hideki Onuki
Chairman of the
Management Board



Cätlyn Toomere
Member of the
Management Board

Supervisory Board

The Chairman of the Supervisory Board, Mr Shum Ka Po was born in Hong Kong and graduated from the Japan Academy of Visual Arts in 1989.

He started work with Golden Harvest, a film production, distribution and exhibition company based in Hong Kong, which is now known by the name of Orange Sky Golden Harvest Entertainment Holdings.

In 1992, Shum-san moved to Asia Television Limited and in 1998 to Same Way Production Limited, working as a manager in the field of film production. In 2008, Shum-san joined Dragon Star Film Limited as a Director. He has been with MBK Asia Limited as a manager since 2017 and from 2020 he is also a Director of MBK Co., Ltd. Shum-san is not a shareholder of the Company.



Shum Ka Po
Chairman of the
Supervisory Board

Member of the Supervisory Board, Mr Kaido Höövelson, also known as Baruto Kaito, is a former Estonian sumo wrestler and likely the most well-known Estonian in Japan. Kaido-san is from the Lääne-Virumaa region of Estonia. Before starting his sumo career in Japan he was a national judo champion in Estonia. Kaido-san made his professional debut in sumo in Japan in 2004.

His fighting name, Baruto, refers to the Japanese name for the Baltic sea. Kaido-san's rise through the sumo ranks in Japan was rapid and he made

his debut in the highest division of professional sumo in Japan, makuuchi, already in May 2006, only 2 years after his debut in Japan.

Kaido-san capped a successful sumo career by reaching the rank of ōzeki, which is the second highest rank a wrestler can achieve. It is notable that during his career, Kaido-san defeated wrestlers with the highest rank of yokozuna.

Following a remarkable sumo career in Japan, Kaido-san returned to Estonia where he became involved with several business ventures both in Japan and Estonia as well as developing sumo in Estonia. Kaido-san's business ventures include advancing tourism from Japan to Estonia and developing the local agricultural sector.

In 2018 Kaido-san was appointed to the supervisory board of Enterprise Estonia (EAS), where his main goal was to assist Estonian companies in expanding their business to Asia. In 2019, Kaido-san was elected to be a member of the Estonian Parliament. In the Parliament, Kaido-san is a member of the Estonian-Japan parliamentary group. It is not an exaggeration to say that Kaido Höövelson is among the Estonians with the most experience and with the largest number of connections in Japan. Kaido-san is not a shareholder of the Company.



Kaido Höövelson
Member of the
Supervisory Board

Member of the Supervisory Board, Mr Masatoshi Takasaki is the Director, CFO and General Manager of the Finance and Accounting Department of MBK Co., Ltd. He graduated from the Faculty of Economics of Keio University in 1990 and joined Kokusai Securities Co (current name Mitsubishi UFJ Morgan Stanley Securities Co) in the same year. Masatoshi-san joined Art Port, Inc in 2003 and became the CEO of Art Port Real Estate, Inc (current name Art Port Invest, Inc) in 2013.

In 2014 he joined MBK Co., Ltd as the General Manager responsible for the Investment Business Department and in 2015 became the Director and Executive Officer in the Investment Division. He has held his current position with MBK since 2016.

Masatoshi-san is also the Director of Baltic FinTech Holdings Co., Ltd, the company which owns the shares of O'Pen Eesti OÜ, sole shareholder of the Company. Masatoshi-san is not a shareholder of the Company.



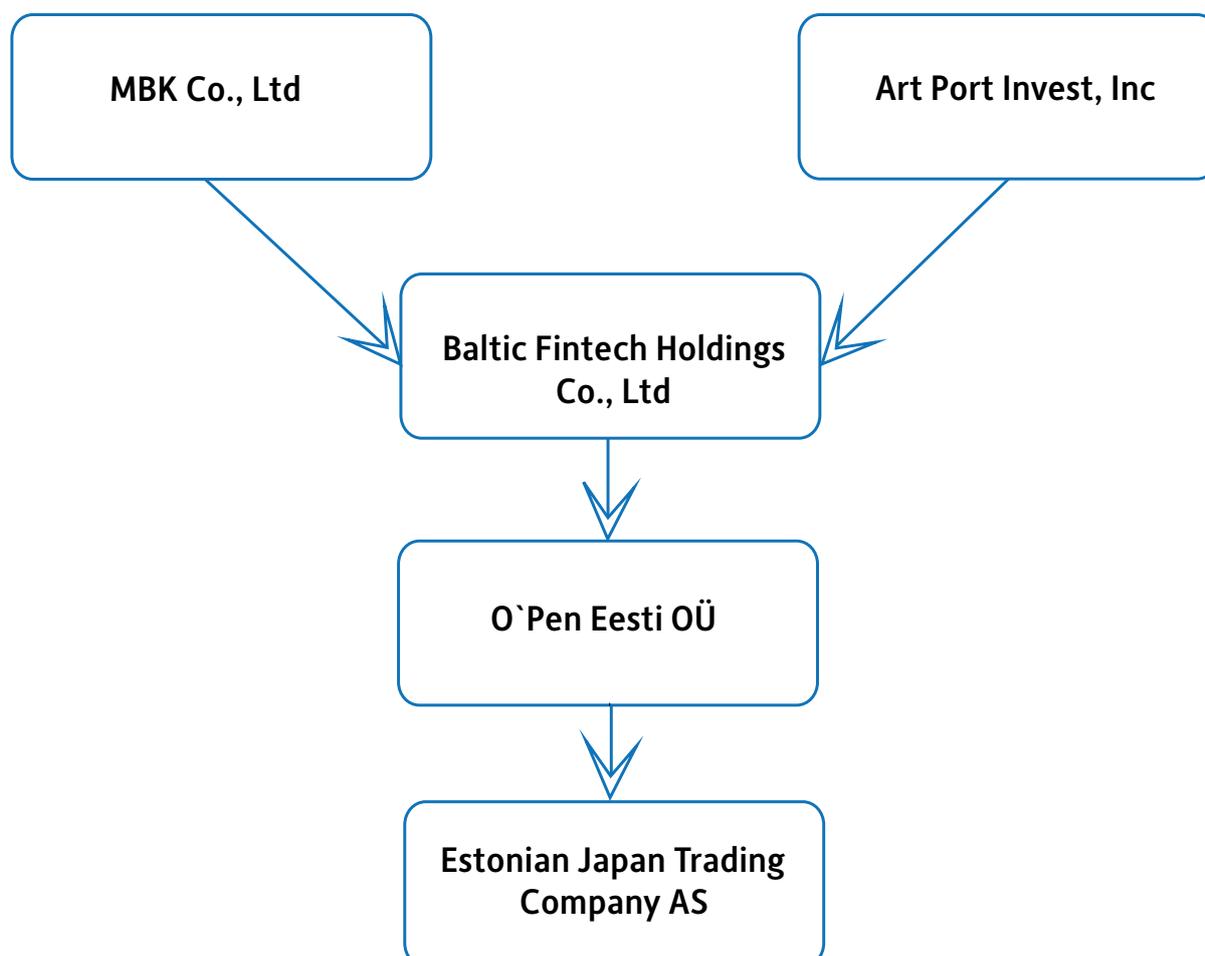
Masatoshi Takasaki
member of the
Supervisory Board

General Meeting of Shareholders

The highest governing body of the Company is the General Meeting of shareholders. The shareholders are entitled to take part in the corporate governance of the Company through the General Meeting of shareholders, where they can exercise their powers to decide on certain important corporate matters, such as amending the Articles of Association, increasing and decreasing share capital, issuing convertible bonds, the election and removal of the members of the Supervisory Board and the auditor, approval of the annual accounts and distributing profits, the dissolution, merger, division or transformation of the Company and certain other matters.

Shareholders

The shares of the Company at the date of this Company Description are 100% owned by Estonian private limited company O`Pen Eesti OÜ. The shares of O`Pen Eesti OÜ are owned by Japanese limited liability company Baltic FinTech Holdings Co., Ltd.,





One of the shareholders of Baltic FinTech Holdings Co. Ltd is Japanese limited liability company **MBK Co., Ltd.** MBK Co., Ltd. was founded already in March 1947. In June 1949, the company was listed on Fukuoka Stock Exchange. Currently, MBK Co., Ltd. is listed on the Tokyo Stock Exchange 2nd section.

The activity of MBK Co., Ltd. in Japan is the provision of equity investment and debt finance for corporate and real estate projects, fund management and advising on merger and acquisition transactions. MBK Co., Ltd. mainly operates through two business segments – Merchant Banking and Operations. Merchant Banking is involved in investing in domestic and foreign businesses and real estate. The Operations segment is involved in the operation and management of lodging, dining and entertainment facilities.

MBK Co., Ltd. owns hotels and other properties all over Japan, including properties in Tokyo, Kyoto and Osaka, with a combined value of over 10 billion JPY.

MBK Co., Ltd. has also expanded its operations to include companies with ambitions for rapid growth, especially in the fields of AI, regenerative medicine and FinTech.

The unique experience and network MBK Co., Ltd. possesses in Japan provides an exciting opportunity for Estonian businesses to expand their business and reach a much bigger market.

Share-based incentive programs

At the date of this Company Description, the Company does not have any active share-based incentive programs.

Material transactions

As of this Company Description, the Company has not concluded any transactions with the owner of the Company nor the members of the Management or Supervisory Boards of the Company or their connected persons.

Significant contracts and subsidiaries

As of this Company Description, the Company has not concluded any contracts or other agreements which have a value exceeding 10 per cent of the consolidated owner's equity of the Company. The Company, as of this Company Description, does not have any subsidiaries.

Disputes, legal and insolvency proceedings

Estonian Japan Trading Company AS is not a party to any legal disputes, legal proceedings or arbitration proceedings. The Company is also not a party to any bankruptcy petitions, bankruptcy proceedings or reorganisation proceedings.

No member of the Management Board, Supervisory Board or other senior officers of the Company have been involved with any legal proceedings in connection with fraud or other criminal offence.



The vision of the EJTC was drawn down by the investors in late 2018, right after the Convention for the Avoidance of Double Taxation came into force between Estonia and Japan. Desiring to further develop trading and investing between Estonia and Japan, the EJTC was established in 2020.

The EJTC is a company with a mission to create different investment lines between the Baltic region and Japan. Admission to trading of Company's shares on First North will be the next step to achieve EJTC's mission.

EJTC will take a wide approach to the investment opportunities in Estonia and the Baltics, ranging from technology start-ups to small businesses producing handicraft products of local origin. The potential targets for EJTC to invest in and assist them to take their operations to the next level are also technology companies, which focus on innovative and novel technologies.

Japan is one of the foremost countries in the world when it comes to the development of artificial intelligence products. EJTC can bring Estonian artificial intelligence teams to the Japanese market for expertise and potential clients.

EJTC does not limit its investment decisions to any specific field or technology. The most important is that the team shows that they have what it takes to create innovative and interesting products, which in turn creates value for EJTC and its shareholders.

The focused business lines of the Company will be the following (please also see more detailed description below):

- **Traditional trade between Estonia and Japan:** EJTC will operate to enable the Estonian and Baltic handicraft and design products to find its way to the Japanese market. The Company's plan is to create an e-commerce platform and to trade with well-selected products at Japanese market.
- **Equity investments in Estonian start-up companies** that have a potential to expand its business model to Asian, especially Japanese market.
- **Equity and mezzanine investments in Estonian companies** that are active in the field of digitalization of services and application of a range of electronic and digital technologies to communities (so-called Smart-City development).
- **Real-estate investments in the Baltic States.**

Vision and Mission

Reasons for Admission to Trading on First North

The Company is not issuing its shares to investors yet. The Company aims to admit to trading the existing ordinary shares at First North and no new shares will be issued as public float. In the first stage, the Company's goal is not to immediately raise capital by issuing new shares. That said, it must be emphasized, that it is the Company's intention to issue public float shares, in total value of EUR 1 500 000 in QIII 2022, after the Company and its management has gathered some experience working as public company. Another issue of free float shares is planned to QIV 2023.

The reasons for the admission of the shares of the Company at First North are:

- increasing reliability and transparency of the Company regarding its partners;
- increasing reputation and recognition of the Company regarding its potential investors;
- the admission to trading of the Company's shares at First North gives the EJTC's shareholder and management an excellent opportunity to get used to operating the Company as publicly listed company;
- a potential broader international outreach;
- an improved outlook for the Company on the credit markets.

"We found strong local partners and resources to develop the brand locally and according to the investors' philosophy," President and CEO of the MKB CO., Ltd. Shigeru Ikki said.

Estonian Japan Trading Company AS will apply for admission to trading at First North for 1 200 000 ordinary shares of the Company with the nominal value of 0.1 EUR per share. These shares were registered in the Nasdaq CSD SE as of 11.08.2020 and an ISIN code EE3100008996 was allocated.

Business Description of the Company

Traditional relations between Estonia and Japan

Estonia and Japan are two countries divided by nearly 8000 kilometres. Whilst the distance between the countries is an undeniable geographical fact, the people and the cultures of the countries are more similar than one might presume. These two countries are also united by a strong belief in education and innovation.

The historical relations between Estonia and Japan go back to the time when Estonia became independent for the first time in 1918. Japan officially recognised the independent Republic of Estonia de facto on 6 March 1919 and as a member of the Supreme Council of the Entente de jure on 26 January 1921. However, even before an independent Estonia became reality, the Estonian born explorer Adam Johann von Krusenstern led an expedition from the Russian empire which made its way to Japan in the early 19th century.

Following the Restoration of Independence in Estonia on 20 August 1991, Japan officially recognised the independence of the Republic of Estonia on 6 September 1991. In January 1993, Japan's embassy in Tallinn was opened and in March 1996 the Embassy of the Republic of Estonia was opened in Tokyo.

In modern times the synergy between Estonia and Japan has largely depended on our common experience and fascination with technology. The first Japan – Estonia Cyber Dialogue was held in Tallinn in December 2014, followed by a second one that was held in Tokyo in December 2015. These dialogues enabled the Japanese and Estonian participants to have lively discussions on topics, which included cybersecurity. Furthermore, the former Prime Minister of Japan, Shinzo Abe, is among the most notable Estonian e-residents.

Though the economic relationship between Estonia and Japan is exciting, there is still so much more room for flourishing. Estonian companies have potential but may lack the necessary capital or the market to make the most of that. The goal of the EJTC is to create a more substantial harmony between Estonia and Japan whilst creating value for its own shareholders.

The history between Estonia and Japan is rich and varied. The goal of Estonia Japan Trading Company AS is to expand on that history and leave its own mark.

The focused business areas of the Company

Beside the traditional trading, the primary focus of EJTC is facilitating investments to innovative Estonian and Baltic region companies with exciting growth opportunities and scalable business models.

EJTC invests in companies with the potential aiming to take their business to the next level and thereby creating value for EJTC and its shareholders. EJTC is looking for start-ups that need between EUR 100 000 to EUR 2 000 000 in capital injection. EJTC is ready to take both short term as well as long term equity positions.

EJTC will be technically structured as a holding company, administrating the activities of the EJTC group companies. The intention is to structure each business-line of the Company under a separate subsidiary of the Company, we also do not exclude opening subsidiaries in other jurisdictions, as the case may be. EJTC reviews the operations of its group companies as a business portfolio and leads the day-to-day management of investments and activities.

EJTC operates simultaneously as the entity responsible for the supervision over the entire group as well as managing the execution of investment transactions. EJTC operates and performs most of its corporate management transactions in Estonia, taking advantage of the Estonian digital ecosystem, the investment opportunities in the Baltics and strong know how about the Japanese market.

In deciding on the companies to invest in, EJTC values experienced and capable management teams, with a clear ambition. EJTC is an opportunity for the companies in the Baltics to gain access not only to Japanese capital, but also the Japanese market.

The purpose of EJTC is to empower founders and companies to develop their business with access to additional capital and market opportunities, without becoming overbearing and limiting their creativity.

The business endeavours of EJTC will include (while not being strictly limited to) the following:

- **Facilitating traditional trade between Estonia and Japan:** EJTC will operate to enable the Estonian and Baltic handicraft and design products to find its way to the Japanese market.
- **Equity investments and possibly mezzanine loan investments into Estonian start-up companies** that have a potential to expand its business model to Asian, especially Japanese markets. Special focus is put on the companies dealing with MedTech, HealthTech and regenerative medicine.
- **Equity investments and possibly mezzanine loan investments in Estonian or Japanese companies that are active in the field of digitalization of services** and application of a range of electronic and digital technologies to communities (so-called Smart-City development).
- **Real-estate investments** in the Baltic States.

Below we describe each contemplated business-line of EJTC in more detail and provide financial forecasts in relation to each of them.



Traditional trade between Estonia and Japan

The primary focus of that business-line will be on e-commerce. This means that we are not aiming at opening a physical shop somewhere in Japan. We do not exclude opening physical shop in the future but at this stage it will be easier and less costly to open online shop. Through operations of online-shop we will obtain valuable experience and gain information how responsive is Japanese market to Estonian products. It will be also easier to close online shop in case the business proves to be unprofitable. And last but not least, opening a physical shop in Japan is related to much more investments. That is why it is best to leave this option until it is well proven to be profitable.

The business-line will mainly be operated one-way, meaning that we do not aim bringing Japanese products to the Baltics but rather bringing Estonian/Baltic products to Japanese market and possibly to other Asian markets (China, South-Korea). We consider Baltic markets rather small. Beside we do believe that Estonian, Baltic and Scandinavian handicraft and design products may have great sales potential in Japan.

As said, the products that we target will be mostly of Estonian or Baltic handicraft/artisanal as well as design products. However, we do not exclude also having Scandinavian design products in our product list, especially those that have already proved their sales potential in the Asian markets.

The main actions that shall be taken when developing the business line of e-commerce of Estonian/Baltic products in Japan, are the following:

- **Market research** – [QIV 2020 – QII 2021] - the goal is to identify the categories of products that have the greatest sales potential in Japan.
- **Legal research** – [QI 2020 – QII 2021] - identifying the legal environment of the business, necessity of permits/licenses, technical necessities and best corporate structure for the operations.
- **Building up an e-commerce platform** – [QI 2021 – QIV 2021] - technical task with an aim to work out a simple and easy-to-use e-sales environment, taking into account the best practices of e-commerce. That task also includes identification and integration of best possible payment methods. Technical implementation of the platform will be outsourced from Estonian and/or Japanese IT company.
- **Establishment of a logistic support** – [QII 2021 – QIII 2021] - we need to work out the viable logistics for transportation of products, storing the products and delivery of the products.
- **Negotiating cooperation partners on the supplychain** - [QI 2021 – QI 2022] negotiations with suppliers - producers, designers, transportation companies, insurance companies etc.
- **Negotiating cooperation partners on the sales and marketing side** - [QIII 2021 – QI 2022] - transportation companies, identifying best effective marketing channels, planning sales campaigns etc.

Fortunately, within the development process we can rely on the resources and know-how EJTC has thanks to its strong connection with Japan through the majority shareholder, MBK Co., Ltd.

Contemplated cashflow projections for the business-line of e-commerce within the period of 2020 – 2024 is provided in **Schedule 1**. Additional explanations and milestones:

- Initial share capital injection in EJTC (EUR 120 000) is reflected as investment into this business-line.
- Another capital injection in amount of EUR 300 000 is planned for QII 2021 to cover expenditures and development until the business line starts to generate revenue. The said capital injection will be made in form of equity investment from the existing sole shareholder of EJTC, with a premium, no free float shares will be issued, or additional shareholders involved in 2021.
- It is planned that the e-commerce platform will start generating the revenue in QIII or QIV 2021, not sooner. Within 2022 the sales revenue should grow rather rapidly in volumes reaching EUR 350 000 in QIV 2022. Average net sales are planned to amount EUR 300 000, with a slight increase in each QIV due to Christmas season.

Currently we have already started negotiations with some Estonian artisan artists and designers. Together with Japanese partner we are working heavily to create a pool of products that may have a potential at the Japanese market. We have also met Estonian Enterprise and learn possibilities to cooperate with a project called **ehe*Estonia***, that is supported by Estonian Enterprise. This project did have pop-up showrooms/stores in Tokyo in 2020.**

We are currently also working towards the structure of the e-commerce: whether it is best to start our own e-shop or to establish our presence at Japanese most popular e-department store Rakuten - <https://www.rakuten.co.jp/> . Unfortunately, Covid19 pandemic has slightly slowed down our planned meeting schedules but we are firmly doing some progress. Our mid-term plan is also to cooperate with Estonian Enterprise in creation of Estonian stand at Expo2025 at Osaka, Kansai, Japan.

*<https://www.facebook.com/ehe.estonia>

**<https://www.idee.co.jp/shop/news/202010/secret-of-estonia.html>

Investments into Estonian start-up companies

EJTC investments into Estonian start-up companies is only made in case the company has a potential to expand its business to Asian, especially Japanese markets. We target companies in early and growth development stage with a well-developed minimum viable product worked out.

Investments will be made in form of equity injection through duly established special purpose vehicles with an exit-strategy within 5-6 years, however, we do not exclude short-term investment projects. Value of a single investment may vary from EUR 100 000 up to EUR 2 000 000, in case of leveraged investments. We deem it possible that EJTC will raise funds for potential investments at First North.

EJTC will not directly engage into a business that requires a financial institution licence, investment firm licence or any other licence from Estonian Financial Supervision Authority or Financial Intelligence Unit. Although we do not prematurely exclude any field of business, the preferred business areas that EJTC is seeking to invest into will be the following:

- HealthTech / MedTech companies / regenerative medicine
- Digitalization and optimization of customer services and community services
- Artificial Intelligence and Robotics
- Smart-City innovations

To find investment opportunities, EJTC is eager to cooperate with universities, start-up associations, venture capitalist associations and other possible cooperation partners in the Baltic States, with a focus on Estonia for next 2-3 years.

The main actions that EJTC shall undergo when developing the business line of investing into start-up companies, are the following:

- **Establishing contacts with start-up communities** – the goal is to find right cooperation partners that help EJTC to identify the investment targets, not only in Estonia but also in the Baltics.
- **Establishing contacts with universities** – EJTC believes that universities may be very good cooperation partners to find talented and motivated young people with promising ideas. EJTC is planning to organize competition campaigns for the students with a same aim.

- **Identifying investment targets** – i.e. finding companies with a potential to invest into.
- **Establishing an investment pool** – depending on the specific project, EJTC may need potential co-investors.

Further actions depend on the specifics of the investment project and may possibly involve deployment of Japanese development team for taking the target to the Asian markets.

EJTC is planning to use professional assistance of local investment firms and other professionals when executing the investments. No investment is made without proper due diligence. Naturally, when investments are made into start-ups, certain level of risk-appetite is inevitable.

We do not have a certain roadmap nor timelines for that line of business. Search of suitable investment targets starts as of Q1 2021 and in 2021 we plan to process at least one start-up pitch competition together with one Estonian university and local start-up community.



Contemplated cashflow projections for the business-line of investing into start-ups is provided in **Schedule 2**. Additional explanations and milestones:

- A subsidiary of EJTC to focus on that business-line may be created in QII 2021. The form of the subsidiary will be private limited company (OÜ) and initial share capital shall be set to EUR 40 000.
- In 2021 we plan two additional capital injections in the total amount of EUR 500 000. The said capital injections will be made in the form of equity investment with a premium by EJTC existing shareholder. No free float shares will be issued at this stage. Exact timing and amount of capital injections depend on the target company's found.
- In QIII 2022 we plan to increase share capital through the issue of public float shares at Nasdaq First North. Free float shares are issued by EJTC (not by possible subsidiary). For cashflow projection purposes the value of the raised capital is taken EUR 1 500 000. We do not exclude issue of free float bonds simultaneously with share issue.
- Another capital raise through issue of shares to investors of EJTC is planned for QIV 2023 in the same amount. The real figures depend on the potential investment targets found.

Currently we are having negotiation with one of the universities in Estonia to organize in cooperation a start-up pitch competition for start-up companies in different development stage. The focus will be again made on the areas where EJTC is looking for investment targets: HealthTech, MedTech and SmartCity solutions. The idea would be to find 2-4 teams whose business model may be worth to take to Japan. COVID19 pandemic has slowed our progress a bit, however, the plan is to have the pitch-competition held in QIII or QIV of 2021.

Real Estate Investments

It might be difficult for EJTC to develop full-scale real-estate business in the Baltics. That is why the strategy of real estate investing of EJTC involves close relationship with a well-established real-estate companies, real-estate funds and/or real-estate developers. The highest potential we see in participating in the investment projects with a capital requirement of MEUR 25 or more.

While real estate Investments as such are definitely planned to be one of the business areas of EJTC, the management of the company has not set any goals regarding this business line timewise. That is why this Company Description does not prescribe any roadmap nor financial forecasts regarding this business line. The activities within this business line are picked up when the suitable opportunity has arisen.

EJTC has a strong international team to carry on the business lines in Estonia and Japan. The team includes both financial as well as business management experts. The Japanese team behind EJTC has been active in monitoring the Baltic markets within past two years. Now the final step of establishing its presence in Estonia has been taken.

Forecast of the Planned Financial Results 2021-2023

Forecasts of the planned financial results of EJTC are based on the cashflow projections attached to this Company Description. Forecasts are provided in the form of expected consolidated balance sheets on 31.12.2021, 31.12.2022 and 31.12.2023 provided in **Schedule 3**, as well as in the form of consolidated income statements of financial years 2021 – 2023 provided in **Schedule 4**.

Explanations to the forecasted financial results

Currently the share capital of the company is EUR 120 000.

The forecast of the planned financial results of the company consolidates financial results of the

company from two business-lines: (i) E-Commerce and (ii) Investments into start-up companies. The intention is to structure each business-line of the company under a separate subsidiary, fully owned by the company. No separation of business-lines is made in the purpose of the financial results although some explanations are provided herein below.

The forecast is made based on the professional experience of the company's shareholder and strategic partner in Japan, MBK Co., Ltd and its managers, in cooperation of the company's supervisory board members, especially Mr Kaido Höövelson.

Capital Injections

Besides the initial share capital contribution, there will be four capital injections made by the shareholder of the company in 2021:

Period	Amount	Comment
QII 2021	EUR 300 000	The funds are meant to cover expenditures related to building up E-Commerce structure in Japan
QII 2021	EUR 40 000	The funds are needed: 1. to cover expenditures related to business-line of investments. 2. to organize a start-up event together with one of the Estonian universities (possibly with involvement of TokyoTech). 3. for first equity investments.
QIII 2021	EUR 250 000	
QIV 2021	EUR 250 000	

The company also plans two capital injections through an issue of free-float shares to new retail investors:

Period	Amount	Comment
QIII 2022	EUR 1 500 000	Invested funds are meant for additional equity investments into Estonian companies with high potential at the Japanese market.
QIV 2023	EUR 1 500 000	

The issue of free float shares is made by the company, not by its subsidiaries.

Revenue

We have not planned any revenue related to the business-line of equity investments into Estonian companies for 2021. First investments shall take place in the end of 2021, after we have organized the start-up competition with one of Estonian universities. First revenue from the investments is contemplated in the end of 2022 in form of terminal cash flow from the initial investments. Further revenues from equity investments, in form of terminal cash flows shall happen in 2024 and afterwards.

It is planned that the business-line of E-Commerce shall start generating revenue in the end of 2021 (EUR 100 000). That revenue, however, shall occur most probably through the contemplated test sales or campaign sales in Japan intended to introduce Estonian products and the company at the Japanese market. In 2022 we slowly plan to launch the E-Commerce business in Japan, resulting with the total revenue of EUR 950 000 in 2022. We plan that the revenue will increase quarterly (respectively: QI 2022 – EUR 140 000, QII 2022 – EUR 210 000, QIII 2022 – EUR 250 000, QIV 2022 – EUR 350 000). In 2023 we predict the average revenue of EUR 300 000 in quarter, except in QIV, where we see that the Christmas period will help to rise the sales by approximately 20%. The following periods shall follow the same forecasts.

Expenditures

We do not predict high expenses related to business-line of investments into Estonian companies. Majority of expenses related to this business-line are related to administration as well as some external professional services (accounting, auditing, legal services, etc). That said, in 2021 we do plan some expenses that relate to the start-up companies' competition that we plan to be held in cooperation with one of the Estonian universities, with potential involvement

of TokyoTech. Situation with COVID-19 pandemic may make corrections into time-line of our plans but currently we plan to have this competition in QIII or QIV 2021. That is planned as a launch of the company's investment business. In total, expenses related to the business-line of investing amount to EUR 60 000 in 2021 and EUR 20 000 thereafter.

The biggest expenditure related to business-line of E-Commerce is development cost of the sales portal and, of course, marketing. We will follow the market trends in Japan and we will be ready to react quickly on the potential changes on the market. Development and maintenance costs amount to EUR 100 000 in 2021 and to EUR 120 000 in the following years.

Naturally, one of the biggest expenditures of the company will be the labour cost. Currently, remunerations are accounted and paid to one management board member and one supervisory board member. In the end of 2021, the company plans to hire additional staff, to strengthen and accelerate development of E-Commerce operations in Japan. In 2021 the total labour cost amounts to EUR 140 280 and further years the contemplated labour costs will amount to EUR 200 280. Some functionalities of the business-line we plan to cover on account of contracted cooperation partners (logistics, transportation, IT, customer support, etc).

Compliance with laws

The company shall always follow the capitalization requirements in the Estonian Commercial Code and other relevant financial regulations. In case of potential threat of non-compliance of any capitalization-requirement relevant appropriate measures shall be taken by the management and shareholder. MBK Co., Ltd. is dedicated to make the additional capital injections in case the capitalization level has dropped below the required minimum threshold.

Summary of financial results of the company

In 2021 the company's profit will be negative: EUR -421 280.00. The negative result in 2021 is predicted and foreseeable. That will be the result of heavy development costs during the first full financial year of the company with an aim to launch the two contemplated business-lines. The negative result will be covered on account of equity contributions by the sole shareholder of the company, minimum required thresholds in the law shall be always followed.

In 2022 and afterwards the company's results will be positive. In 2022 it is planned to reach a profit of more than EUR 800 000 on account of first terminal cash flow from one of the first investments. Also, the business-line of E-Commerce shall turn profitable in 2022. In 2023 both planned business-lines of the company shall be profitable as initial heavy investments are substituted by expenditures necessary to maintain and develop the ongoing business.

Market Overview

Japanese market in general

Japan's economy has been famously sluggish over the last two decades, but the market here remains vast and the present government has implemented a number of far-reaching reforms that are designed to bolster that recovery even further.

The three-pronged strategy introduced by former Prime Minister Shinzo Abe – inevitably dubbed “Abenomics” – has stabilised the yen exchange rate, fattened the stock market, boosted corporate investment and encouraged the public to go out and spend.

In its most recent economic growth reading, released in early June 2014, Japan's gross domestic product grew at an annualised rate of 6.7 percent for the January-March quarter, the sixth consecutive quarterly expansion.

Those figures mean that Japan is continuing to build on a number of impressive statistics – including that the economy of Tokyo is bigger than that of all Russia, while the Chubu region of central Japan is worth more than the GDP of South Korea.

Mr Abe has also expressed a strong desire to further develop Japan's international economic ties, including through an economic partnership agreement with the European Union.

With 1.9 million Japanese millionaires – the most in Asia – there is clearly a large pool of people with money to spend. And the Japanese are, without doubt, fans of both cutting-edge new technologies and services and high-quality imported products. This is perfect for Estonian and EU companies with expertise in those areas.

Many consumers today are those who made their money during Japan's rapid economic ascent and have now retired and are looking to enjoy the fruits of their labours. The over-60s have high levels of disposable income and are not shy about spending it on themselves or their families. The amount of personal wealth is high: \$12.8 trillion in net financial assets is held by households (this is almost equivalent to the value of US GDP).

Japan as market for Estonian products and Estonian digital culture

Japan has always been and definitely still is one of the forerunners if it comes to automation, automotive industry and electronics. However, digitalization at the community level and digitalization of services in Japan is still far behind to what people are used to in Estonia or even in European Union in general. EJTC is of the opinion that considering the size of the market (over 126 million people), high education level and rather high living standard in Japan, Japanese market may offer an enormous potential. With strong Japanese team onboard, we do believe that EJTC can discover the high potential of Japanese market.

We also bring out that one of the reasons why EJTC is focusing on HealthTech, MedTech, Smart-city innovation and digitalization of services is the fact that Japan is one of the most rapidly aging countries in the world. According to 2014 estimates, 33% of the Japanese population is above the age of 60, 25.9% are aged 65 or above, and 12.5% are aged 75 or above. EJTC is hoping to bring to Japanese market products that are targeted to elderly middle-class people.



Risk Factors

Limited operational history

Whilst the team behind the Company holds a wealth of experience both in Estonia and Japan, the Company itself is only just beginning its business activities. Therefore, the Company has yet to amass a professional and operational capital which would give additional assurances to its shareholders.

Operating risk

The planned activities of the Company focus on investing in start-ups. Investments always carry an element of risk but investing in start-ups is known for being an especially high-risk, high-reward type of activity. When investing in a start-up, there are no guarantees that the business model of the company is successful and that the investments pay off.

Market risk. Competition

Japanese customers can be very demanding. Therefore, it might be inevitable to redesign or redevelop products in order to succeed with Japanese customers. Because of Japan's size, substantial investments are necessary, and therefore the inherent risks are also large: you either win big or lose big.

Japan has many very strong local companies. As an example, eBay lost in Japan against local competition and withdrew from Japan. Japanese companies also will not usually welcome a new competitor. EJTC must be prepared for such competition with thorough market research and strategy development. EJTC strategy will not be competing with big players on the market but rather to cooperate with them.

Accounting and taxes

The financial statements of the Company are prepared in accordance with the generally accepted accounting principles in Estonia. The Company's Japanese ventures will be prepared in accordance with the Japanese accounting principles. Changes to these principles could affect the reported financial results of the Company.

Operating in various jurisdictions also creates an added risk regarding taxation. Changes in tax legislation could influence the financial results of the Company.

Risks regarding the key employees

The operations of the Company are dependent on making wise and calculated investment decisions. These decisions will be made and carried out by the key employees and management of the Company. Therefore, the performance of the Company relies on the experience, vision, and diligence of the key employees. There is no guarantee that these individuals will continue to be related to the Company forever. The loss of service of a key employee could materially affect the performance of the Company.

Currency risk

The reporting currency of the Company is euro (EUR). Therefore, the Company has a currency risk related to the operation and administration of investments in Japan, which operate and report in Japanese yen (JPY).

Financial Instruments to be Admitted to Trading

The type of the Company's financial instruments to be admitted to trading on First North is shares (in Estonian aktsia). The issue currency is the euro.

The shares applied for admission to trading on First North entitle the shareholder to:

- participate in the General Meeting, which is the highest governing body of the Company;
- participate in the distribution of profits (dividend) in proportion to the total of the nominal value of the shares;
- in the event of the dissolution of the Company, participate in the distribution of the outstanding assets of the Company.

The currency of the issue is euro and the total volume of shares applied for admission to trading on First North is 1 200 000 shares with the nominal value of 0.1 EUR per share.

Important Information for Investors

No new shares will be issued for subscription by investors in connection with the admission for trading of EJTC shares. No prospectus will be registered with the FSA with regard to the current admission. This Company Description does not constitute an invitation to acquire, subscribe to, or in any way trade in shares or any other securities in EJTC.



Schedule 1

Estonian Japan Trading Company AS, Financial Forecast (EUR)

Business line: Traditional E-Commerce

Summary of 2020 - 2024

Revenue (Sales)	QIV 2020	QI 2021	QII 2021	QIII 2021	QIV 2021	QI 2022	QII 2022	QIII 2022	QIV 2022
Sales net revenue	0	0	0	10 000	90 000	140 000	210 000	250 000	350 000
Other revenue (capital injection)	120 000	0	300 000	0	0	0	0	0	0
Total net revenue:	120 000	0	300 000	10 000	90 000	140 000	210 000	250 000	350 000

Expenses:

Sales expenses

Goods, materials, services bought	200	7 000	11 000	15 000	20 000	15 000	15 000	15 000	20 000
Miscellaneous operating expenses	0	6 000	6 000	6 000	6 000	15 000	15 000	15 000	15 000
Marketing/Promotion costs	0	0	0	10 000	30 000	6 000	6 000	6 000	30 000

Operating expenses

Development costs	0	20 000	60 000	0	20 000	30 000	30 000	30 000	30 000
Labor costs	10 704	20 070	20 070	50 070	50 070	50 070	50 070	50 070	50 070
Other operating expenses	0	3 000	3 000	30 000	30 000	20 000	25 000	20 000	25 000
TOTAL :	10 904	56 070	100 070	111 070	156 070	136 070	141 070	136 070	170 070
Cash accumulation	109 096	53 026	252 956	151 886	85 816	89 746	158 676	272 606	452 536

Revenue (Sales)	QI 2023	QII 2023	QIII 2023	QIV 2023	QI 2024	QII 2024	QIII 2024	QIV 2024
Sales net revenue	300 000	300 000	300 000	350 000	300 000	300 000	300 000	350 000
Other revenue (capital injection)	0	0	0	0	0	0	0	0
Total net revenue:	300 000	300 000	300 000	350 000	300 000	300 000	300 000	350 000

Expenses:

Sales expenses

Goods, materials, services bought	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000
Miscellaneous operating expenses	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000
Marketing/Promotion costs	6 000	6 000	6 000	30 000	6 000	6 000	6 000	30 000

Operating expenses

Development costs	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000
Labor costs	50 070	50 070	50 070	50 070	50 070	50 070	50 070	50 070
Other operating expenses	20 000	25 000	20 000	25 000	20 000	25 000	20 000	25 000
TOTAL :	136 070	141 070	136 070	165 070	136 070	141 070	136 070	165 070
Cash accumulation	616 466	775 396	939 326	1 124 256	1 288 186	1 447 116	1 611 046	1 795 976

Schedule 2

Estonian Japan Trading Company AS, Financial Forecast (EUR)

Business line: Investments in Estonian Start-Up Companies

Summary of 2020 - 2024

Revenue (Sales)	QIV 2020	QI 2021	QII 2021	QIII 2021	QIV 2021	QI 2022
Revenue (Terminal Cash Flows)	0	0	0	0	0	0
Capital injection	0	0	40 000	250 000	250 000	0
Total net revenue:	0	0	40 000	250 000	250 000	0
Expenses						
Goods, materials, services bought	0	0	3 000	3 000	3 000	3 000
Miscellaneous owperating expenses	0	0	3 000	3 000	3 000	3 000
Campaigns. Events.	0	0	0	60 000	0	0
Operating expenses						
Legal costs and other outsourced professional services	0	0	10 000	0	10 000	30 000
Labor costs	0	0	0	0	0	5 000
Investments (equity/loan)	0	0	0	100 000	0	0
TOTAL :	0	0	16 000	166 000	16 000	41 000
Accumulation of funds	0	0	24 000	108 000	342 000	301 000

Revenue (Sales)	QII 2022	QIII 2022	QIV 2022	QI 2023	QII 2023	QIII 2023
Revenue (Terminal Cash Flows)	0	0	600 000	0	0	0
Capital injection	0	1 500 000	0	0	0	0
Total net revenue:	0	1 500 000	600 000	0	0	0
Expenses						
Goods, materials, services bought	3 000	3 000	3 000	3 000	3 000	3 000
Miscellaneous operating expenses	3 000	3 000	3 000	3 000	3 000	3 000
Campaigns. Events.	20 000	0	0	0	20 000	0
Operating expenses						
Legal costs and other outsourced professional services	30 000	10 000	20 000	20 000	30 000	20 000
Labor costs	5 000	5 000	5 000	5 000	5 000	5 000
Investments (equity/loan)	100 000	400 000	400 000	400 000	0	500 000
TOTAL :	161 000	421 000	431 000	431 000	61 000	531 000
Accumulation of funds	140 000	1 219 000	1 388 000	957 000	896 000	365 000

Cash Flow Projections (EUR)

Business line: Investments in Estonian Start-Up Companies Summary of 2020 - 2024

Revenue (Sales)	QIV 2023	QI 2024	QII 2024	QIII 2024	QIV 2024	
Revenue (Terminal Cash Flows)	0	0	0	0	600 000	
Capital injection	1 500 000	0	0	0	0	
Total net revenue:	1 500 000	0	0	0	600 000	
Expenses						
Goods, materials, services bought	3 000	3 000	3 000	3 000	3 000	
Miscellaneous operating expenses	3 000	3 000	3 000	3 000	3 000	
Campaigns. Events.	0	0	20 000	0	0	
Operating expenses						
Legal costs and other outsourced professional services	20 000	20 000	10 000	10 000	10 000	
Labor costs	5 000	5 000	5 000	5 000	5 000	
Investments (equity/loan)	500 000	500 000	0	0	0	
	TOTAL :	531 000	531 000	41 000	21 000	21 000
Accumulation of funds	1 334 000	803 000	762 000	741 000	1 320 000	

Schedule 3

Consolidated Balance Sheets by 31.12.2021 / 31.12.2022 / 31.12.2023

	2020		2021		2022		2023
ASSETS							
CURRENT ASSETS E-Commerce	110 177	-23 280	86 897	366 720	453 617	671 720	1 125 337
CURRENT ASSETS Investments	-		342 000	1 046 000	1 388 000	1 346 000	2 734 000
Other investments / shares and securities			100 000	900 000	1 000 000		1 000 000
TOTAL ASSETS	110 177	-23 280	528 897	2 312 720	2 841 617	2 017 720	4 859 337
LIABILITIES							
TOTAL SHORT-TERM LIABILITIES	4 004						
EQUITY							
Share capital and premium E-Commerce	120 000	300 000	420 000		420 000		420 000
Capital injection Investments	-	540 000	540 000	1 500 000	2 040 000	1 500 000	3 540 000
Accounting year profit (loss) E-Commerce	-13 827	-319 276	-333 103	366 720	33 617	671 720	705 337
Accounting year profit (loss) Investments		-98 000	-98 000	446 000	348 000	-154 000	194 000
TOTAL EQUITY	106 173	422 724	528 897	2 312 720	2 841 617	2 017 720	4 859 337
TOTAL LIABILITIES	110 177		528 897		2 841 617	2 017 720	4 859 337

Schedule 4

Income Statements 2021 / 2022 / 2023

	2021	2022	2023
Business revenue E-Commerce	100 000	950 000	1 250 000
Revenue (Terminal Cash Flows) Investments		600 000	
Total revenue	100 000	1 550 000	1 250 000
Expenses			
<i>Sales expenses</i>			
Goods, materials, services bought (E-Commerce)	53 000	65 000	60 000
Goods, materials, services bought (Investments)	9 000	12 000	12 000
Miscellaneous operating expenses (E-Commerce)	24 000	60 000	60 000
Miscellaneous operating expenses (Investments)	9 000	12 000	12 000
Marketing/Promotion costs (E-Commerce)	40 000	48 000	48 000
Campaigns, Events (Investments)	60 000	20 000	20 000
<i>Total sales expenses</i>	<i>195 000</i>	<i>217 000</i>	<i>212 000</i>
Operating expenses			
Development costs (E-Commerce)	100 000	120 000	120 000
Legal costs and other outsourced professional services	20 000	90 000	90 000
Labor costs (E-Commerce)	140 280	200 280	200 280
Labor costs (Investments)		20 000	20 000
Other operating expenses (E-Commerce)	66 000	90 000	90 000
<i>Total operating expenses</i>	<i>326 280</i>	<i>520 280</i>	<i>520 280</i>
<i>Total business expenditure</i>	<i>521 280</i>	<i>737 280</i>	<i>732 280</i>
BUSINESS PROFIT (LOSS)	-421 280	812 720	517 720
NET PROFIT (LOSS)	-421 280	812 720	517 720