

Japan Emerging Nanotech VC Trend

- Innovation Engine Investment Strategy

Japan has been seen as a country of lack of entrepreneurship. But Japan is rising to nurturing new venture business culture particularly in the emerging technology areas such as Nanotechnology. There has been drastic changes in the venture business policy and culture in the past few years. Researchers in the national lab and professors are allowed to take positions in private companies since 2000. Government laboratories have been re-organized and now become independent administration since 2001. The Ministry of Economy, Trade and Industry (METI) launched new policy for promoting a thousand spin-offs from universities.

Founded in 2000, Innovation Engine has become the sole Venture Capital firm in Japan dedicated to investing in Nanotechnology ventures, unlike most of the VCs in Japan which invest in mid-stage companies and donot have strategy of investment on industries nor technologies. There are also a few VCs investing in early stage in Japan and most of them specialize in IT or Bio areas only.

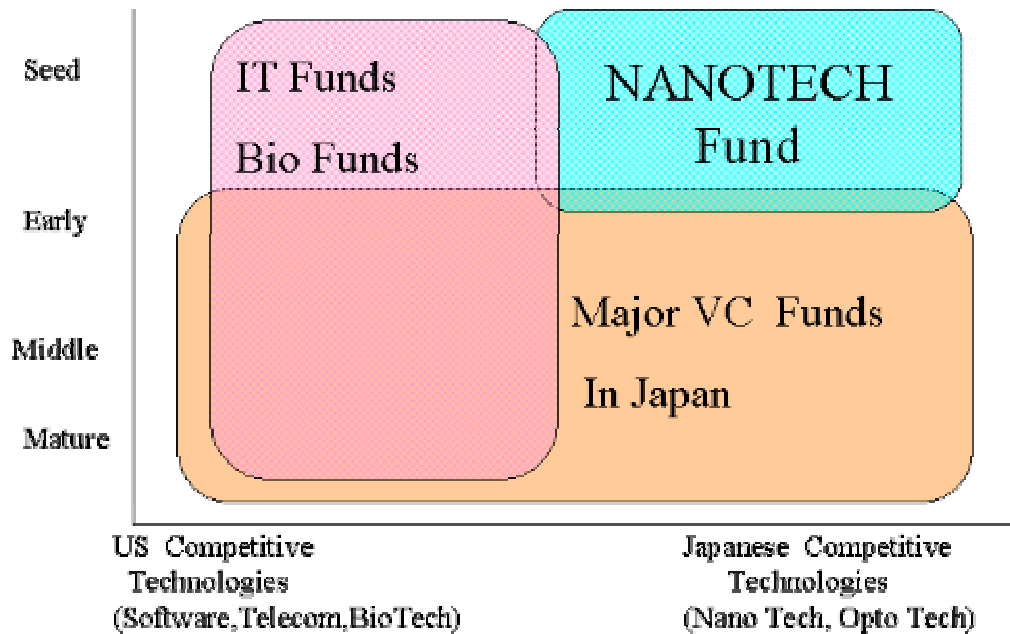
Innovation Engine is the creator of leading edge companies and is committed to become the engine for the revitalization of the Japanese economy through cultivation of Japanese advanced technologies. Its strategy is to concentrate on investment in the fields which are Japanese strength such as nanotech and opto-electronics in order to maximize the synergy among the invested companies. Its mission is to achieve a high return on investment in the medium-term and thereby attain a foremost position in Japan as the leader in advanced technology focused venture capitals. IE particularly stresses on collaboration between industry and academia.

The total investment fund of IE is about USD 40m (assuming 1USD=100 yen rate) for a 10-year term. 50% of the fund came from New Business Investment Corp. (NBI), a subsidiary of Development Bank of Japan (DBJ), and the rest came from major VCs (Shinko Investment, Capital Partners, Orix Capital, Mizuho Capital, Yasuda Business Investment and SBIC), companies (Marubeni, Fuji Electric, and Micronics Japan), and banks (Aozora Bank, Asahi Bank and Mizuho Bank) in Japan.

Recognizing Nanotechnology as a critical factor for Japanese industries to thrive in 21st century and encouraged by the government commitment in Nanotech R & D, IE is committed its unique strategy in investing manufacturing related areas including tools, materials and devices, as well as software. The average investment size if around USD2M per company. It targets to invest maximum 25 companies and so far it has invested in 17 companies. Its main deal sources are from universities, government labs, Private company labs, think tanks, and technology professionals in Japan and overseas. Its investment domain covers Bio, IT, Nanoprocessing technology, and energy.

The following figure (courtesy of Mr Sano, President of IE) demonstrates IE`s unique position in VC industry in Japan.

Unique Position in the VC Industry



IE has invested largely on manufacturing related tools and devices companies in Japan. Many of technologies invested came from the Japanese academia research results. The following table summarises the companies invested by IE since 2001.

Category	Bio	Devices and Components	Tool and Services	Software
Name	RIBM	Quantum 14	RIBM	Lattice Technology
	GNI	FiBest	OTI	
	ERI	Opt.Comb	CRESTEC	
		Nano Loa	ai-PHASE	
			Fine Device	
			IDX Corp	
			Logic Research	
			Philtech	

Note:

ERI- Evolvable System Research Institute

GNI-Gene Networks, Inc.

Opt.Comb-Optical Comb Corporation

OTI -Optical Technology Inc.

RIBM-Research Institute for Bio Molecular Measurement



Mutsunori "Moon" Sano is a co-founder, CEO & Chairman of the Board of Innovation Engine Inc. Mr. Sano has more than 25 year experience of financial researches and its consultations.

From 1998 to 2000, he served as General Manager for Industry-University Alliance Team in JAFCO, the biggest venture capital in Japan. He was in charge of managing Tsukuba & Hokudai Funds (total 1.6 B¥) and Telecom Fund (4.2B¥), and invested more than 20 companies. He served as a Director or Advisor in the management of 8 companies. Prior to that, he was the General Manager of Investment Research. He evaluated JAFCO investment Priority and was involved in about 200 projects for technical evaluation.

After graduating Kyoto-Univ. Law Department, Mr. Sano joined Nomura Securities, 3 years later, he moved to Nomura Research Institute (NRI), the biggest research firm in Japan, where he served more than 20 years, as Deputy General Manager of the Management Development Division, provided consulting services on holding companies and corporate ventures to major corporations such as Sony, Hitachi, Hitachi Metal, Toyota, Omron, Matsushita Electric Industry, Sharp, Yokogawa, Nissho Iwai, Murata Machinery etc..

Mr. Sano started working as an Analyst on the US Stock for 7 years at the NRI. He became a Manager of the Medium Enterprises Research Section, involved in about 500 projects as the head of the research and consulting section for Nomura Securities' IPO operation.

He is also part-time lecturer at Waseda University and Kyoto University, and as a member of the advisory boards of VEC, NEDO, METI and other governmental organizations. He is one of the leading members of the Council of Science and Technology Policy (CSTP) Nanotechnology advisory board.