Innovation Network Corporation of Japan

Submitted by: Innovation Network Corporation of Japan (INCJ)
Innovation Network Corporation of Japan

I. Overview

The INCJ
- Launched July 2009 with a 15-year lifetime
- Established under the Law on Special Measures for Industrial Revitalization
- Overall investment capacity of ¥1.9 trillion
- Provides patient risk capital over the medium to long term; emphasis on investment multiple and innovative potential
- Third-party due diligence on investments
- Selects best partners for collaboration
- In principle, participates directly in management of investments
II. Shareholders

Government (investment of 102bn)

19 Corporations (10bn in total, 500m each*)

- Development Bank of Japan Inc.
- Shoko Chukin Bank
- Asahi Kasei Corporation
- Osaka Gas Co., Ltd.
- Sharp Corporation
- Sumitomo Chemical Co., Ltd.
- Sumitomo Corporation
- Sumitomo Electric Industries, Ltd.
- Takeda Pharmaceutical Company Limited
- The Tokyo Electric Power Company, Incorporated
- Toshiba Corporation
- JGC Corporation
- Panasonic Corporation
- East Japan Railway Company
- Hitachi, Ltd.
- Mizuho Corporate Bank, Ltd.
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- GE Japan Corporation
- JX Nippon Oil & Energy Corporation

*Except for Development Bank of Japan, which contributed 1bn

Individual investors (5m each)

- Kimikazu Noumi (CEO)
- Haruyasu Asakura (COO)

III. Organizational structure

- Management
  - Flat, simple management structure
  - Diverse personnel—backgrounds range from PE, VC and banking to manufacturing, research and government
  - No. of employees: 72. Average age: 37.7 (as of Dec. 31, 2011)
  - Flexible use of external resources
  - Investment performance-linked director compensation
  - Strong corporate governance

- Decision-making
  - Final decisions on investments made by the Innovation Network Committee, established in accordance with the Law on Special Measures for Industrial Revitalization
IV. Our philosophy

Open innovation is the key to transforming Japanese industry for the future

Open innovation brings businesses, technologies and ideas together across organizational and sectional boundaries. Putting it into practice is the key to tapping Japan’s potential for growth, as it offers a solution to “Not Invented Here” syndrome, a severe constraint on Japanese industry.

INCJ investment criteria
A business must meet the following criteria (1) to (3) to qualify as a potential target investment:

(1) Value to society
   - The business meets some societal need, e.g. energy/environmental, health-related, etc.
(2) Growth potential (Fulfills one of the following three conditions):
   1. Creates new added value, etc.
   2. Financing from private sector businesses, etc.
   3. High probability that acquired shares, etc. can be sold
(3) Innovation

1. Business incubation
2. Business expansion
3. Spinoffs and restructuring
4. Overseas expansion

Creation of new added value beyond conventional boundaries of industry, corporation, product and market

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V. Stages of commercialization

1. Business incubation
   (Pre-early stage)
   - Use IP fund to tap uncommercialized IP and core technology in corporations and universities
2. Business expansion
   (Early/Growth stage)
   - Promote leveraging of technology, assets held by startups
   - Build new framework for collaboration with major corporations
3. Spinoffs and restructuring
   (Late stage)
   - Target business units and subsidiaries of major corporations and medium-sized firms

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### IX. Investment portfolio

#### Early stage

- **Bio/ Life sciences**
  - Examining formation of IP funds and provision of support based on groupings into several themes and fields (biomarkers, ES/stem cells, cancer, Alzheimer's)

- **Infrastructure services**
  - LSIP (Life Science Intellectual Platform Fund)

- **Others**
  - (Development of content overseas)

#### Spin-off

- **IP Fund**
  - Incubation of voice search

- **SENUSON**
  - Flash memory (diamond saw wafers)

- **Anaeropharma Science**
  - Anticancer DDS

- **ENAX**
  - Pharmaceutical makers' R&D pipeline spin-offs

- **ALPS**
  - Int'l nuclear energy development

- **Japan Display**
  - Low Cost Carrier

- **UniCarriers**
  - Auto Parts manufacturer

- **Australian water industry**
  - Mitsubishi Corporation

- **JOC**

- **Chilean water industry**
  - Agua Nueva

- **WISDOM AUTO PARTS** (auto parts manufacturer)

#### Use of overseas management resources

- **Innovation Network Corporation of Japan (INCJ)**
  - Open Innovation Platform
  - Innovation Design Laboratory
  - KK Forum
  - Roma no Ichiba nite

### Appendix (4) Activities and partnerships

#### Cooperation with external organizations

- **Kauffman Fellows Program (KFP)**
  - Concluded a partnership agreement Silicon Valley's core talent cultivating organization with the aim of constructing an ecosystem conducive to innovation in Japan
  - Currently carrying out the three activities of seeding commercialization, trend mapping, talent support and matching

- **(IAI*) National Institute of Advance Industrial Science and Technology**
  - Concluded a partnership agreement aimed at driving open innovation
  - Creating new possibilities in innovation by matching AIST technical knowledge and technological seeds with INCJ financial and commercialization capabilities

- **Tokyo Metropolitan Government Bureau of Waterworks**
  - Concluded a partnership agreement in overseas water business
  - Practical application of the Tokyo Metropolitan Government Bureau of Waterworks' world-class water industry operations expertise

- **(IAI*) Japan Science and Technology Agency**
  - Concluded a partnership agreement aimed at channeling the excellent research results of Japan's universities and public research facilities into industrial applications
  - Through the provision of JST patents to an IP fund and other means, aim to combine JST's R&D support faculties with the INCJ's investment capabilities to achieve commercialization of specific projects

#### Open Innovation Platform

- **Innovation Design Laboratory**
  - Site managers of medium-sized businesses engage in the formation of deals in technological spin-offs and combinations
  - Meets monthly. 24 participants

- **KK Forum**
  - Specialists in intellectual property, finance and management examine the process of commercialization (rights, demonstration, marketing), IP and technology that lies dormant in universities and large corporations
  - Meets monthly. 17 participants

- **Roma no Ichiba nite**
  - Entrepreneurs, supporters, and mentors gather to foster frank and open discussion with the aim of accelerating the growth of promising businesses
  - Meets monthly. Approx. 75 participants

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