

Venture Enterprise Center, Japan (VEC) reports on the results of our quarterly survey on venture capital (VC) investments by Japanese VC firms for the second quarter of 2016 (April to June, 2016).

VC Investments in domestic companies in the first half of 2016

¥49.6
billion

up 38.4 percent
from the first
half of 2015

See
Fig.3

*113 firms that responded to the survey between July 22nd and August 28th, 2016 are included in the calculation.

*[Period covered by the survey] Current quarter : Q2 2016 (April to June, 2016)
Same quarter of last year : Q2 2015 (April to June, 2015)

*The total may not correspond to the sum of breakdown owing to rounding.

■ Figure 1 : VC Investments Comparing Q2 2015 and Q2 2016

109 firms that provided both figures of domestic and overseas are included in the calculation. ("0" is considered a valid response)

		Q2 2015				Q2 2016			
		Domestic	Overseas	Total	Number of VC firms that answered the amount "0"	Domestic	Overseas	Total	Number of VC firms that answered the amount "0"
VC (Excl. CVC)	Amount (¥Bil)	10.5	6.5	17.1	42	20.8	8.8	29.6	43
	y/y % change					97.3%	35.4%		
	Number of deals	147	32	179		218	52	270	
	y/y % change				48.3%	62.5%			
	Per deal (¥Mil)	71.6	204.1	95.3		95.2	170.0	109.6	
CVC	Amount (¥Bil)	0.6	1.6	2.1	18	1.7	1.7	3.4	12
	y/y % change					207.3%	10.3%		
	Number of deals	20	24	44		24	28	52	
	y/y % change				20.0%	16.7%			
	Per deal (¥Mil)	27.5	64.6	47.7		70.4	61.1	65.4	
VC+CVC Total	Amount (¥Bil)	11.1	8.1	19.2	60	22.5	10.6	33.0	55
	y/y % change					102.8%	30.6%		
	Number of deals	167	56	223		242	80	322	
	y/y % change				44.9%	42.9%			
	Per deal (Mil)	66.3	144.3	85.9		92.8	131.9	102.5	

Note: VC firms that responded a latest survey provided both figures of Q2 2015 and Q2 2016.

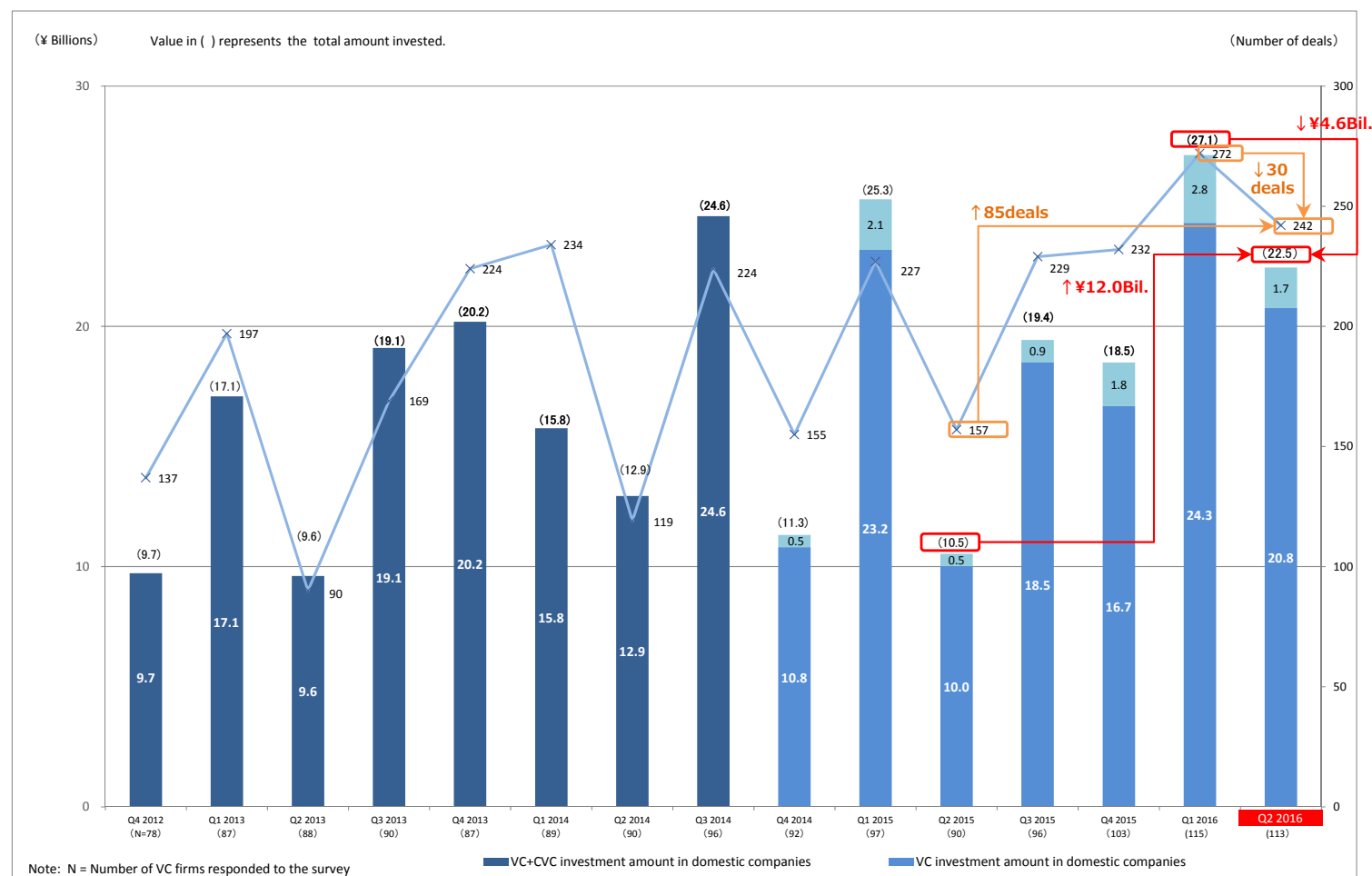
The figures presented in Figure 2-5 are not correspond to the figures presented in Figure 1. The figures below were calculated based on investment amount and number of deals of Q2 2015 survey.

1. Summary of VC investments in domestic companies

VC investments in Q2 2016

The total amount of VC investments in domestic companies in Q2 2016 was ¥ 22.5 billion going into 242 deals, a ¥ 4.6 billion decrease and 30 deals decrease from the prior quarter (Q1 2016), and an ¥ 12.0 billion increase and 85 deals increase compared to the previous year (Q2 2015) (Fig.2).

■ Figure 2 : Quarterly Trend of VC and CVC Investments in Domestic Companies



VC investments in the first half of 2016

[Based on a simple addition of quarterly survey figures]

The VC investment amount in the first half of 2016 reached ¥ 49.6 billion with 514 deals, a ¥ 13.8 billion increase (up 38.5 percent) and 130 deals increase (up 33.9 percent) compared to that of H1 2015 when ¥ 35.8 billion was invested in 384 deals (Fig.3). That is largely due to that major VC firms have strongly invested as well as VC firms established under Public-private Innovation Program (Investment in National Universities) have started investing.

■ Figure 3 : VC and CVC Investment Amount in Domestic Companies: Half Yearly Trend of 2015 & 2016

	2015				2016	
	H1 (Jan. - Jun.)		H2 (Jul. - Dec.)		H1 (Jan. - Jun.)	
	Amount (¥ Bil)	Number of deals	Amount (¥ Bil)	Number of deals	Amount (¥ Bil)	Number of deals
VC+CVC investments in domestic companies	35.8	384	37.9	461	49.6	514

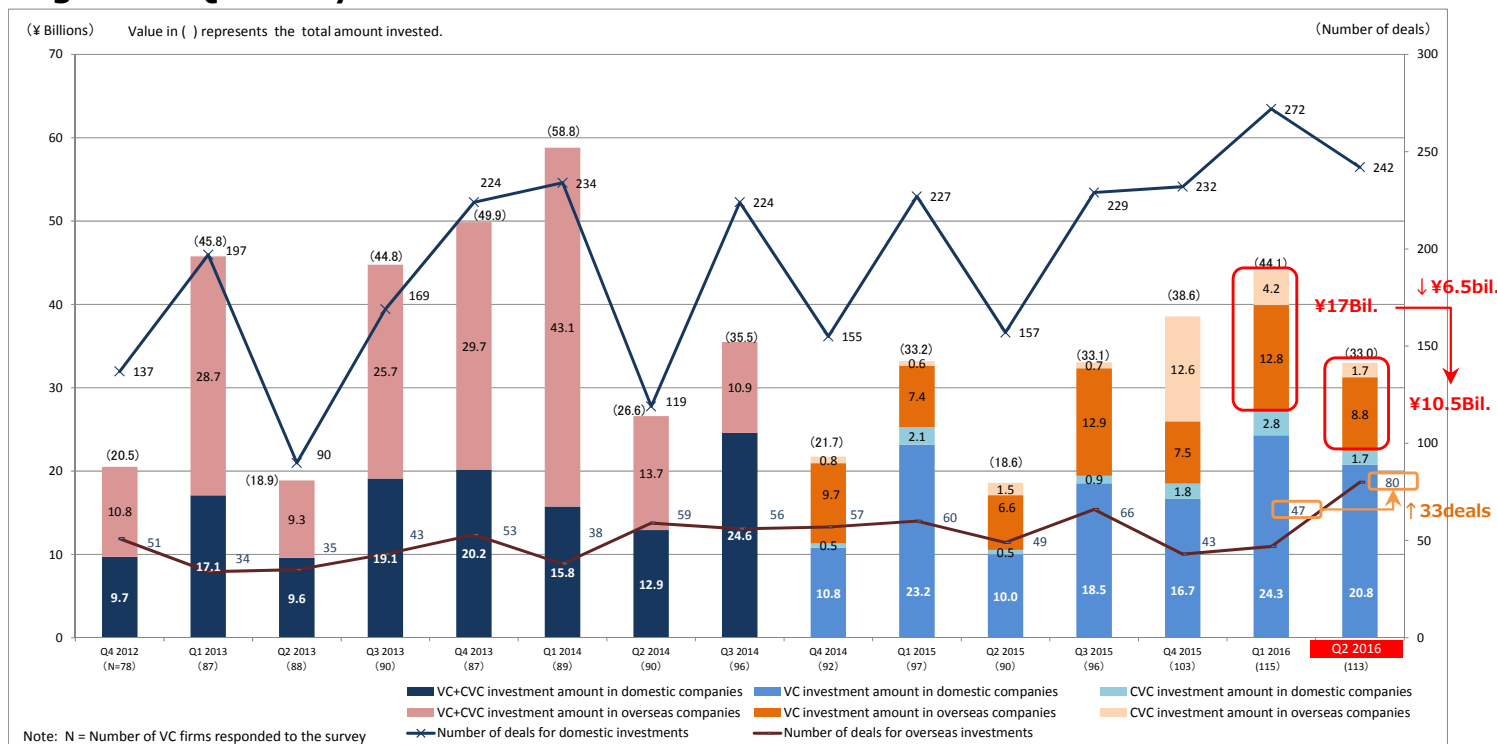
↑ ¥13.8 Bil. ↑ 38.5%
 ↑ 130 deals ↑ 33.9%

2. VC investments in overseas companies

The VC investment amount in overseas companies in Q2 2016 was ¥ 10.5 billion going into 80 deals, a ¥ 6.5 billion decrease and 33 deals increase from the prior quarter (Fig.4).

As a result, ¥ 27.5 billion was invested in overseas companies in the first half of 2016, an ¥ 11.5 billion increase from H1 2015 when ¥ 16.0 billion was invested. The number of deals was 127, an 18 deal increase from H1 2015 with 109 deals (Fig.5).

■ Figure 4 : Quarterly Trend of VC and CVC Investments



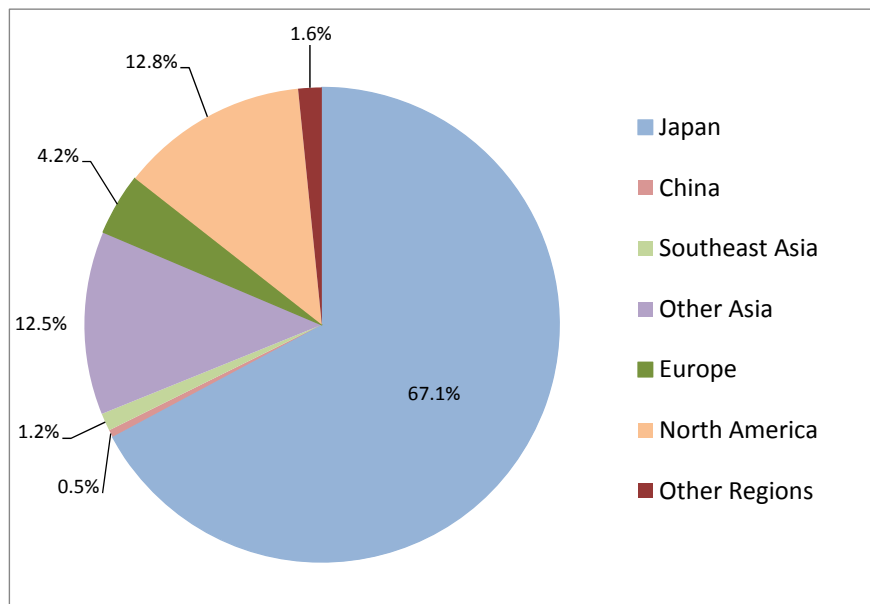
■ Figure 5 : VC and CVC Investment Amount in Overseas Companies: Half Yearly Trend of 2015 & 2016

	2015				2016	
	H1 (Jan. - Jun.)		H2 (Jul. - Dec.)		H1 (Jan. - Jun.)	
	Amount(¥ Bil)	Number of deals	Amount(¥ Bil)	Number of deals	Amount(¥ Bil)	Number of deals
VC+CVC investments in overseas companies	16.0	109	33.7	109	27.5	127

↑¥11.5 Bil.

↑ 18 deals

■ **Figure 6 : VC Investment Amount by Region in Q2 2016:**
Total of Domestic and Overseas (Percentage of JPY value invested)



Note: "Other Asia" includes Israel, Korea, Taiwan, Hong Kong, India, the Middle East, etc.

■ **Figure 7 : Comparison of VC Investments in 2013-2016**

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
CY2013	¥159.3 billion, 845 deals Domestics: ¥66.0 billion, 680 deals Overseas: ¥93.3 billion, 165 deals													
CY2014				¥142.7 billion, 942 deals Domestics: ¥64.6 billion, 732 deals Overseas: ¥78.0 billion, 210 deals										
CY2015								¥123.4 billion, 1,063 deals Domestics: ¥73.8 billion, 845 deals Overseas: ¥49.6 billion, 218 deals						
CY2016													¥77.1 billion, 643 deals Domestics: ¥49.6 billion, 516 deals Overseas: ¥27.5 billion, 127 deals	
FY2013		¥172.3 billion, 886 deals Domestics: ¥64.7 billion, 717 deals Overseas: ¥107.7 billion, 169 deals												
FY2014					¥117.1 billion, 957 deals Domestics: ¥74.2 billion, 725 deals Overseas: ¥42.9 billion, 232 deals									
FY2015									¥134.3 billion, 1,095 deals Domestics: ¥75.6 billion, 890 deals Overseas: ¥58.7 billion, 205 deals					
FY2016													¥33.0 billion, 324 deals Domestics: ¥22.5 billion, 244 deals Overseas: ¥10.6 billion, 80 deals	

Note1: CY = Calendar Year, FY = Fiscal Year (April to March)

Note2: Numbers above refer to VC firms that provided the number of deals and/or investment amount.

3. Industry analysis of domestic investment

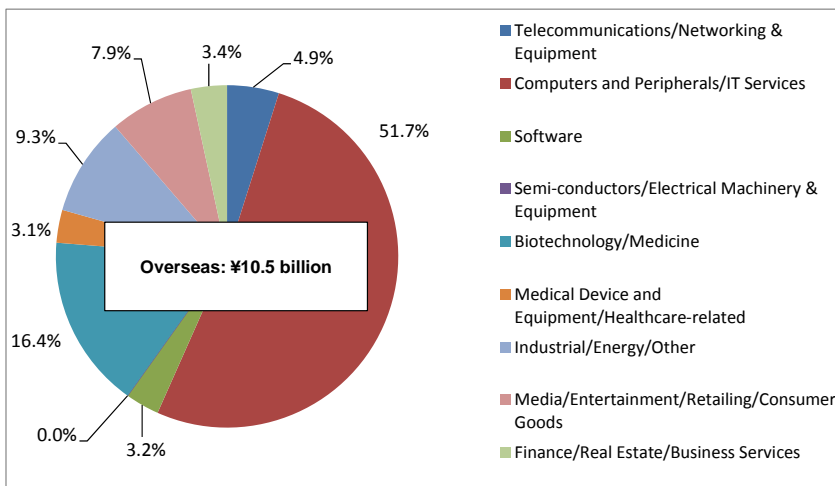
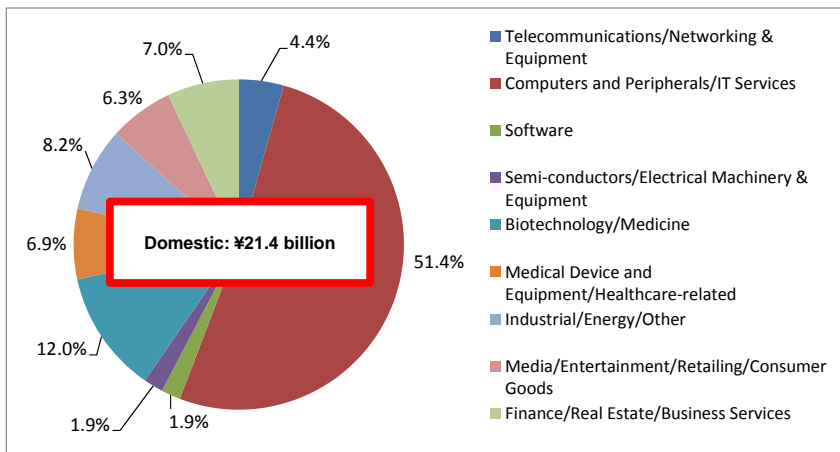
IT related industries accounted for 59.6 percent (the total of 1-4 in Figure 8) followed by 18.9 percent of Biotech/Medical Services/Health Care industries (the total of 5-6 in Figure 8) in Q2 2016.

■ **Figure 8 : Investment Amount by Industry in Q2 2016**
Comparing Domestic and Overseas

90 firms that provided figures for Q2 2016 are included in the calculation. ("0" is considered a valid response)

Industry	Domestic		59.6% Overseas		Total	
	Amount (¥ Mil)	Percentage	Amount (¥ Mil)	Percentage	Amount (¥ Mil)	Percentage
1. Telecommunications/ Networking & Equipment	935	4.4%	517	4.9%	1,451	4.5%
2. Computers and Peripherals/ IT Services	11,023	51.4%	5,434	51.7%	16,457	51.5%
3. Software	416	1.9%	336	3.2%	752	2.4%
4. Semi-conductors/ Electrical Machinery & Equipment	398	1.9%	0	0.0%	398	1.2%
5. Biotechnology/Medicine	2,580	12.0%	1,724	16.4%	4,304	13.5%
6. Medical Device and Equipment/ Healthcare-related	1,471	6.9%	327	3.1%	1,798	5.6%
7. Industrial/Energy/Other	1,769	8.2%	980	9.3%	2,749	8.6%
8. Media/Entertainment/ Retailing/Consumer Goods	1,341	6.3%	18.9% 831	7.9%	2,172	6.8%
9. Finance/Real Estate/ Business Services	1,509	7.0%	362	3.4%	1,871	5.9%
IoT-related (Among the above)	380	1.8%	110	1.1%	490	1.5%
Total	21,444	100.0%	10,510	100.0%	31,954	100.0%

■ **Figure 9 : VC Investment Amount by Industry in Q2 2016**
(Percentage of JPY value invested)



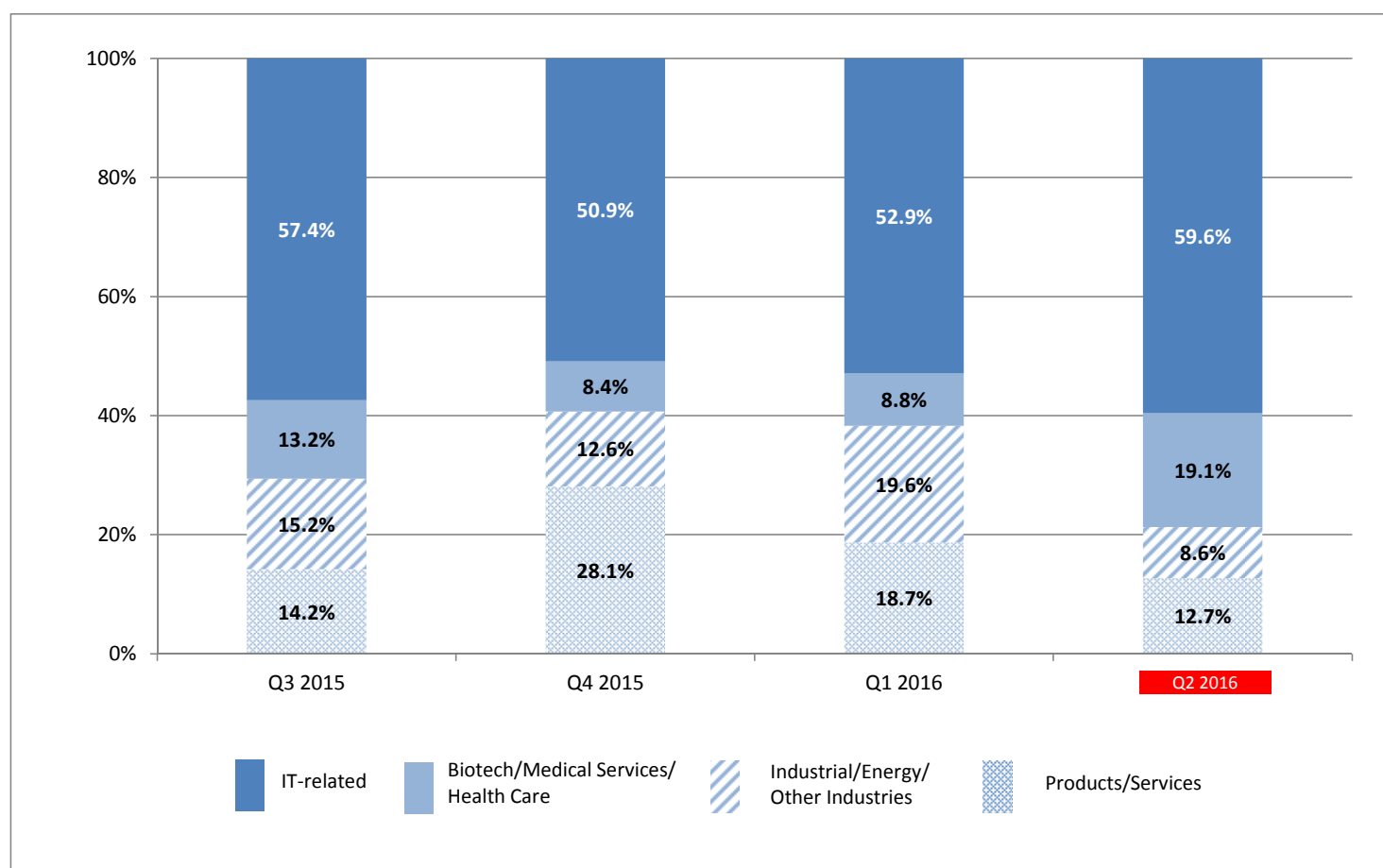
■ Figure 10 : VC Investments by Industry Comparing Q1 2016 and Q2 2016 (Total of domestic and overseas)

* Q1 2016: 112 firms that provided both figures of industrial breakdown and the total are included in the calculation. ("0" is considered a valid response)

* Q2 2016: 90 firms that provided both figures of industrial breakdown and the total are included in the calculation. ("0" is considered a valid response)

Industry		Q1 2016			Q2 2016		
		Amount (¥ Mil)	Percentage	Number of deals	Amount (¥ Mil)	Percentage	Number of deals
IT-related	Telecommunications/ Networking & Equipment	1,015	2.3%	9	1,451	4.5%	14
	Computers and Peripherals/ IT Services	19,450	44.8%	106	16,457	51.5%	127
	Software	1,412	3.3%	19	752	2.4%	13
	Semi-conductors/ Electrical Machinery & Equipment	1,089	2.5%	10	398	1.2%	9
Biotech/Medical Services /Health Care	Biotechnology/Medicine	3,006	6.9%	25	4,304	13.5%	34
	Medical Device and Equipment/ Healthcare-related	816	1.9%	13	1,798	5.6%	25
Industrial/Energy/ Other Industries	Industrial/Energy/Other	8,483	19.6%	45	2,749	8.6%	30
Products/Services	Media/Entertainment/ Retailing/Consumer Goods	3,957	9.1%	48	2,172	6.8%	28
	Finance/Real Estate/ Business Services	4,150	9.6%	29	1,871	5.9%	22
IoT-related (Among the above)		572	1.3%	9	490	1.5%	10
Total		43,378	100.0%	304	31,954	100%	302

■ Figure 11 : Investment Distribution by Industry: Total of Domestic and Overseas (Percentage of JPY value invested)



4. Stage analysis of domestic investment

Early stage accounted for 42.3 percent with ¥ 7.7 billion followed by 28.5 percent with ¥ 5.2 billion of Expansion stage in Q2 2016. Seed stage showed an ¥ 1.0 billion increase while Later stage showed a ¥ 2.4 billion decrease from the prior quarter (Fig.12).

■ **Figure 12 : Investment Amount by Stage in Q2 2016**
Comparing Domestic and Overseas

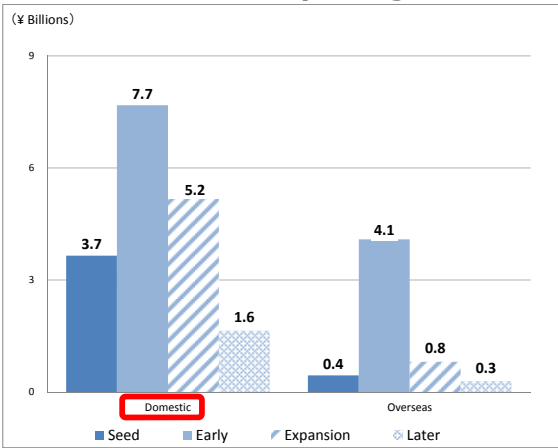
* Q1 2016: 112 firms that provided figures are included in the calculation. ("0" is considered a valid response)

(¥ Millions)

* Q2 2016: 88 firms that provided figures are included in the calculation. ("0" is considered a valid response)

Stage	Q1 2016			Q2 2016		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Seed	2,658	517	3,176	3,650	444	4,095
Early	10,316	4,510	14,826	7,680	4,086	11,766
Expansion	6,159	1,112	7,271	5,168	811	5,979
Later	4,022	470	4,492	1,644	293	1,937
Total	23,156	6,609	29,765	18,143	5,634	23,777

■ **Figure 13 : Investment Amount by Stage in Q2 2016**
Comparing Domestic and Overseas



↓ ¥2.4Bil.

Share 42.3%

Share 28.5%

■ **Figure 14 : VC Investments by Stage Comparing Q1 2016 and Q2 2016**
Total of Domestic and Overseas

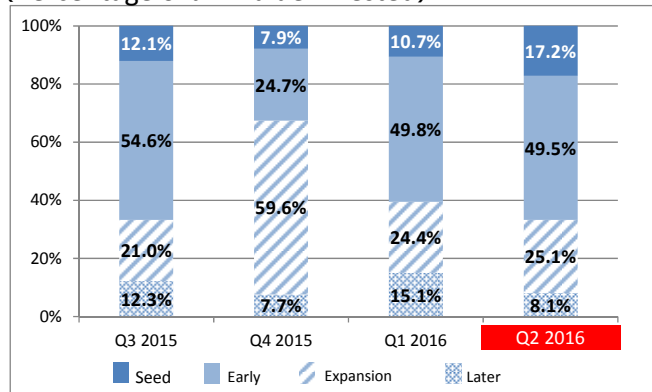
* Q1 2016: 112 firms that provided both figures of stage breakdown and the total are included in the calculation. ("0" is considered a valid response)

* Q2 2016: 88 firms that provided both figures of stage breakdown and the total are included in the calculation. ("0" is considered a valid response)

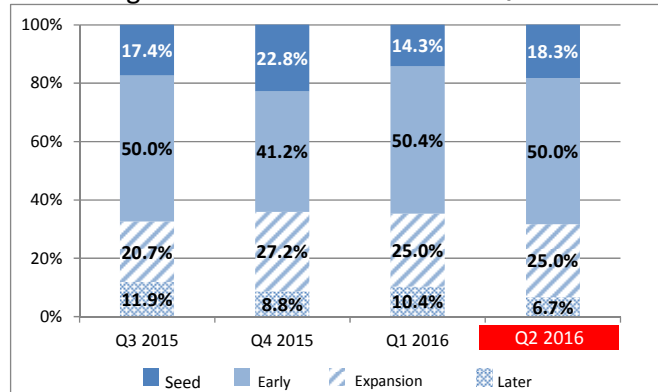
Stage	Q1 2016				Q2 2016			
	Amount (¥ Mil)	Percentage	Number of deals	Percentage	Amount (¥ Mil)	Percentage	Number of deals	Percentage
Seed	3,176	10.7%	40	14.3%	4,095	17.2%	49	18.3%
Early	14,826	49.8%	141	50.4%	11,766	49.5%	134	50.0%
Expansion	7,271	24.4%	70	25.0%	5,979	25.1%	67	25.0%
Later	4,492	15.1%	29	10.4%	1,937	8.1%	18	6.7%
Total	29,765	100%	280	100%	23,777	100%	268	100%

■ **Figure 15 : Investment Distribution by Stage: Total of Domestic and Overseas**

(Percentage of JPY value invested)



(Percentage of number of deals invested)



5. New VC funds launched

Eight VC funds were launched with the total fund value of ¥ 35.0 billion in Q2 2016 (Fig.16,17). As a result, the total fund value of new funds launched in the first half of 2016 reached ¥ 87.2 billion, a ¥ 29.3 billion up from H1 2015, showing a significant increase (Fig.18).

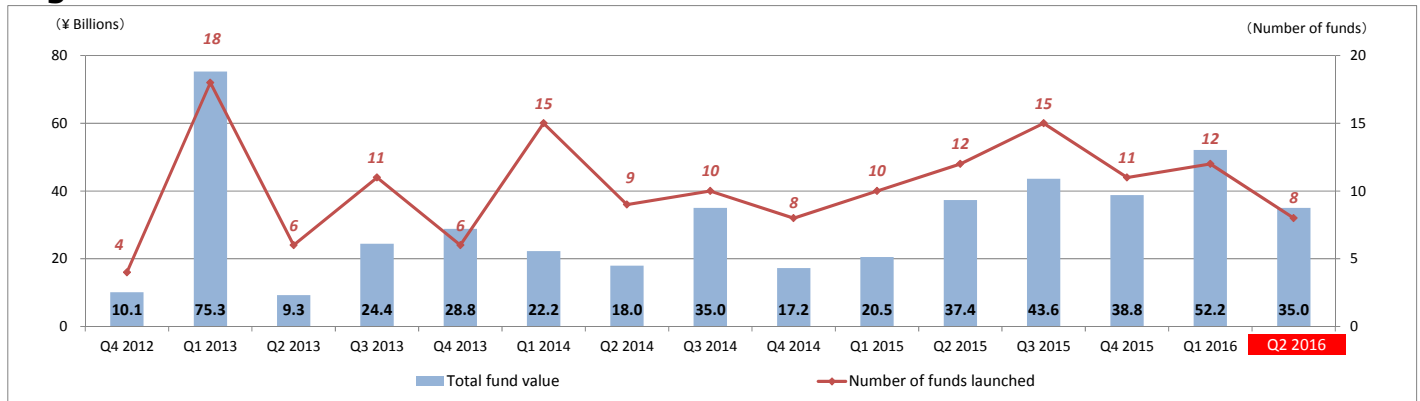
Regarding the percentage of amount invested in new funds by investor type in Q2 2016, it is worth noting that Insurance companies accounted for 71 percent of total amount (Fig.19,20).

■ **Figure 16 : New VC Funds Launched and VC Funds Additionally Invested in Q2 2016**

* 86 firms that provided both figures of investment amount and number of deals for domestic and overseas are included in the calculation. ("0" is considered a valid response)

Q2 2016							
New VC fund launched					Follow-on		
Number of funds launched		Amount (¥ billions)		Per fund (¥ billions)		Amount (¥ billions)	
Overseas investments among the left		Overseas investments among the left		Overseas investments among the left		Overseas investments among the left	
8		35.0		4.4		5.9	
0		0.0		0.0		3.1	

■ **Figure 17 : Total Fund Value and Number of New Funds Launched**



■ **Figure 18 : Total Fund Value and Number of New Funds Launched in the First Half of 2015 and 2016**

	Total fund value (¥ billions)	Number of funds launched
H1 2015: Q1 2015-Q2 2015 total	57.9	22
H1 2016: Q1 2016-Q2 2016 total	87.2 (↑ 29.3)	20

■ **Figure 19 : Breakdown of Investor Type for New Funds Launched in Q2 2016**

* 70 firms that provided both figures of investment amount and number of deals for domestic and overseas are included in the calculation. ("0" is considered a valid response)

Investor type	Number of investors	Amount (¥ millions)		Per investor (¥ millions)
		Percentage	Percentage	
GP/Managing partners	5	29.4%	847	169
Domestic total	12	70.6%	19,148	1,596
Family/Individual relatives	0	0.0%	0	-
Other VC/Fund of funds	1	5.9%	200	200
Corporations	4	23.5%	3,300	825
Bank/Trust and credit unions	4	23.5%	898	225
Insurance companies	2	11.8%	14,250	7,125
Brokerage firms	1	5.9%	500	500
Pension funds	0	0.0%	0	-
Government/Local public bodies (non-pension)	0	0.0%	0	-
Academic societies/Universities	0	0.0%	0	-
Other domestic	0	0.0%	0	-
Overseas total	0	0.0%	0	-
Total	17	100%	19,995	100%

■ **Figure 20 : Percentage of Amount Invested in New Funds by Investor Type**

