The Survey of Venture Capital Investment Trends in Japan for Fiscal Year 2012
(Preliminary)

Venture Enterprise Center, Japan

This survey covers the status of investment by venture capital firms from April 1, 2011 through the end of March 31, 2012. It incorporates the responses from 100 firms which are based in Japan received between August and October 2012.

Summary

Between April 2011 and March 2012, venture capital firms made investments and loans of 124 billion yen in 1,017 venture companies in total, compared to 113.2 billion yen and 915 firms the previous year. (Figure 1)

According to our survey, total investment and loan amounts have declined for three consecutive years after hitting a peak of 279 billion yen in fiscal year 2006. In fiscal 2009, in particular, total investment dipped below 100 billion yen in a sign of sluggish sentiment. While investment turned upward somewhat in fiscal 2010, the amount stayed more or less flat in fiscal 2011, indicating all but a slow recovery.

Taking a look at newly established funds, the total amount invested in such funds climbed to 119.7 billion yen and the number of funds rose to 31, an increase of over two-fold compared to fiscal 2010 and the number of funds was more than fiscal 2008 when the financial crisis swept across the world triggered by the collapse of Lehman Brothers. Factors behind the increase are considered to be the creation of Asia-oriented investment funds, capital injection from the Organization for Small and Medium-sized Enterprises and Regional Innovation, and the creation of funds aimed at rebuilding, creating and revitalizing industry in the areas affected by the Great East Japan Earthquake. (Figure 2)

However, total investment in funds that matured in fiscal 2011 topped 185.7 billion yen, while new establishment fell short of this amount. It can be said that, generally speaking, the environment is not favorable for new fund creation.

Taking a look at the industry and development stage of the recipient firms of investment and loans, we can see that IT-related firms account for the largest share in terms of the number of such firms. In terms of investment amount, the share of IT firms has been on the decline in recent years. (From the 2011 survey: fiscal 2010 31.7% → fiscal 2011 22.8%) As for the development stage of these firms, 44.3% were either in the seed or early stages. (Figure 3 and 4)

In the United States, investment in venture firms amounted to 28.7 billion dollars (about 2,289 billion yen) in 2011, up 23% from 2010. This is about 18.5 times the investment in Japan in fiscal 2011. As for new fund creation, the total amount invested in 2011 was 18.7 billion dollars (about 1,492 billion yen), up 35.5% from 2010, and the number of such funds reached 173, painting the picture of a steady recovery. (Figure 5 and 6)
Figure 1. Annual Investment Amount

(Note) Figures in the graph are based simply on the sum of the survey results of each year.

Figure 2. Total balance of funds, number of fund establishments, and amount of investment

(Note) Figures in the graph are based simply on the sum of the survey results of each year.
Figure 3. Breakdown of initial and follow-on investment by industry

(Note) Companies responding both this year and last year have been included as samples

Figure 4. Breakdown of initial and follow-on investment by investee stage

(Note) Companies responding both this year and last year have been included as samples
Figure 5: Changes in annual investment in the US

(Source: NVCA Year Book 2012)
(Note) Calendar year (January-December)

Figure 6: Changes in the status of new fund creation in the US

(Source: NVCA Year Book 2012)
(Note) Calendar year (January-December)