

RESEARCH SUMMARY

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**Research Findings on Bio Venture Companies 2008**  
*Urgently required to secure R&D funds: Trend for growth to start in 2012*

➤ **Research Outline**

Yano Research Institute has conducted a study on the bio venture companies as described below.

1. Research period: July to December 2008
2. Research targets: Domestic bio venture companies, related enterprises and organizations
3. Research methodologies:  
Face-to-face interviews with relevant personnel, supplemented by interviews via telephone and e-mail, and literature researches.

**<What is Bio Venture Company?>**

In this research, a bio venture company is defined as an enterprise founded in and after 1985, and focused on the research and development of bio related technologies.

➤ **Key Findings**

- ◆ **In the worsening investment conditions, the selection of enterprises is progressing, making it a challenge to secure operational funds and human resources.**

As business confidence worsens in Japan, investors have turned to avoiding risks and started to withdraw their investment funds in the bio venture industry, causing the shortage of research and development funds, and the progress of shakeout in the market. According to the questionnaire survey conducted in relation with this research, financing and human resource are two of the most urgent management issues.

- ◆ **Short-term forecast indicates “Growth Trend” with rapid growth in “Drug Discovery”**

In a short-term forecast (as of 2012), many enterprises expect their major business segments to “grow”, especially rapid growth in “drug discovery” (research and development of new drugs). On the other hand, they expect the business to decrease in “extracorporeal diagnostic agents” (research and development of clinical diagnostic agents)

- ◆ **In the future, the market will be driven by leading bio ventures with outstanding technologies and solid business plans.**

Although the tough situation may continue, successful enterprises partnered with domestic or overseas major private businesses are beginning to be observed, such as a bio venture, having high technological capability as well as a competent business model, who has achieved a large-scale alliance with a leading pharmaceutical company. In the future these highly competent bio ventures will lead and drive the industry.

➤ **Report format:**

Published report: “Bio Venture Companies 2009”

Issued in: December 2008

Language: Japanese

Format: 455 pages in A4 format

Price: 105,000 yen (5,250 yen of consumption tax shall be charged for the sales in Japan.)

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## ◆ Research Summary

### 1. Market overview

The total number of bio ventures in the domestic market was 536 firms as of the end of December 2008. As to the business sector, the largest number of ventures was on “drug discovery” (research and development of new drugs), with 85 firms (15.9% of the total), followed by “medical instruments and systems” with 72 firms (13.4%), and “environment related businesses” with 47 firms (8.8%). In Japan, encouraged by the “Bio Technology Strategy Outline” implemented by the Cabinet in 2002, many bio venture companies have been founded with the technologies transferred from universities and research institutions. However, as substantial time and investment are required until producing any profit, the downturn of the domestic economy has caused the investors to become cautious and to start withdrawing their investments. As a result, the research and development funds have decreased, causing the progress of shakeout and selection of enterprises.

The number of bio venture companies listed on the stock exchange was 18 as of December 2008. Although 3 companies went listed in 2008, unlike the past situation with a new IPO in every 3 months as average, there has been no bio venture IPO since April 2008. Impacted by the worsening market condition, there are changes in the corporate policies for IPO.

### 2. Noteworthy trends

#### 2-1. Challenges in the current business environment

According to the results of the questionnaire survey (78 firms responded) conducted in relation with this present market research, the biggest number of enterprises (50 firms) indicated “human resources” as a pressing business challenge at the moment (multiple selection), followed by “finance” with 46 firms. These 2 issues are the major challenges. (Refer to Graph 1) Then, on the question for what is particularly needed (one answer), 16 firms indicated “finance” while only 6 selected “human resources”, indicating the current business situation that “human resources” is a long-term challenge, while “finance” is an immediate and urgent challenge for many enterprises.

As to supportive measures they would like to expect from the administrative agencies, as well, the request for finance related measures were ranked high, such as implementation/reinforcement of financial support measures and tax breaks. (Refer to Graph 2)

#### 2-2. Future of major business sectors

The abovementioned questionnaire survey indicates that many enterprises are positive about the future of business fields in which they are mainly engaged, while current tough situation for bio venture business has been identified.

For the question on the future of their main business fields (as of 2012) with 5-level rating system (consisting of rapid growth, growth, level, shrink, considerable shrink), the largest number of enterprises indicated “growth”. Then, “rapid growth” followed. Eighty percent of the total number of respondent enterprises has indicated highly prospective future of their main business fields. In the meantime, there appears to be some enterprises who are feeling some limitations on the future of their main business fields.

Also, it has been pointed out that “drug discovery” (research and development of new drugs) will grow rapidly, while “extracorporeal diagnostic agents” (research and development of clinical diagnostic agents) will decline in the future.

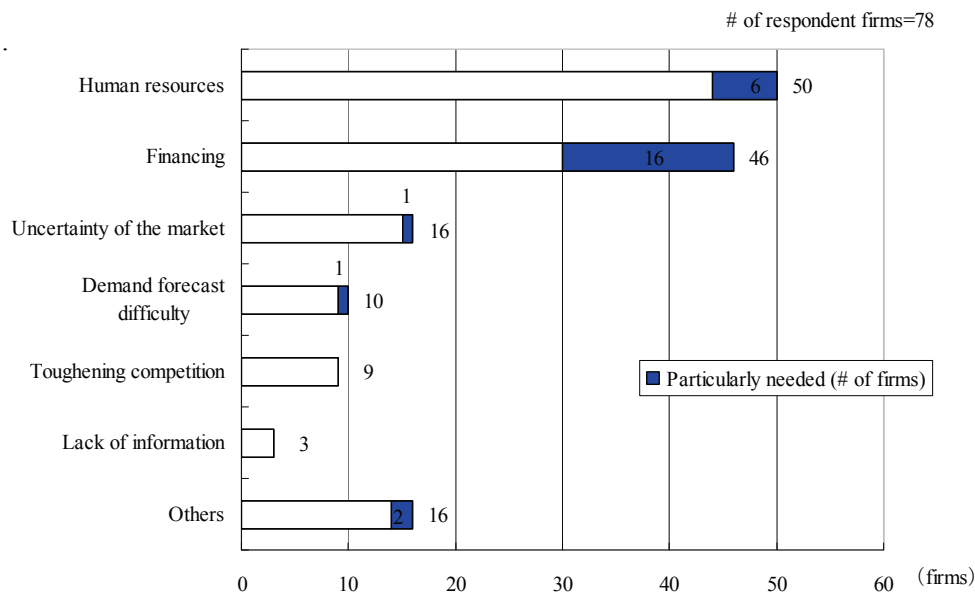
### 3. Future perspectives

While many bio venture companies are struggling to secure the financing, successful bio ventures partnered with leading private enterprises are beginning to be observed, such as a bio venture company who has achieved an alliance with a leading European pharmaceutical company. The common factors for those successful ventures are the high technological capabilities, and, especially, the technology required for the business strategy of the partner company.

For the bio ventures to stay in business, it would be required to develop a clear business plan, select

and focus on specific R&D themes within the constraints of funds and human resources, and to work on the research and development of key technologies. The market will be led and driven by those bio venture companies with solid business plans and high technological capabilities.

**Graph 1: Challenges in the current business environment**

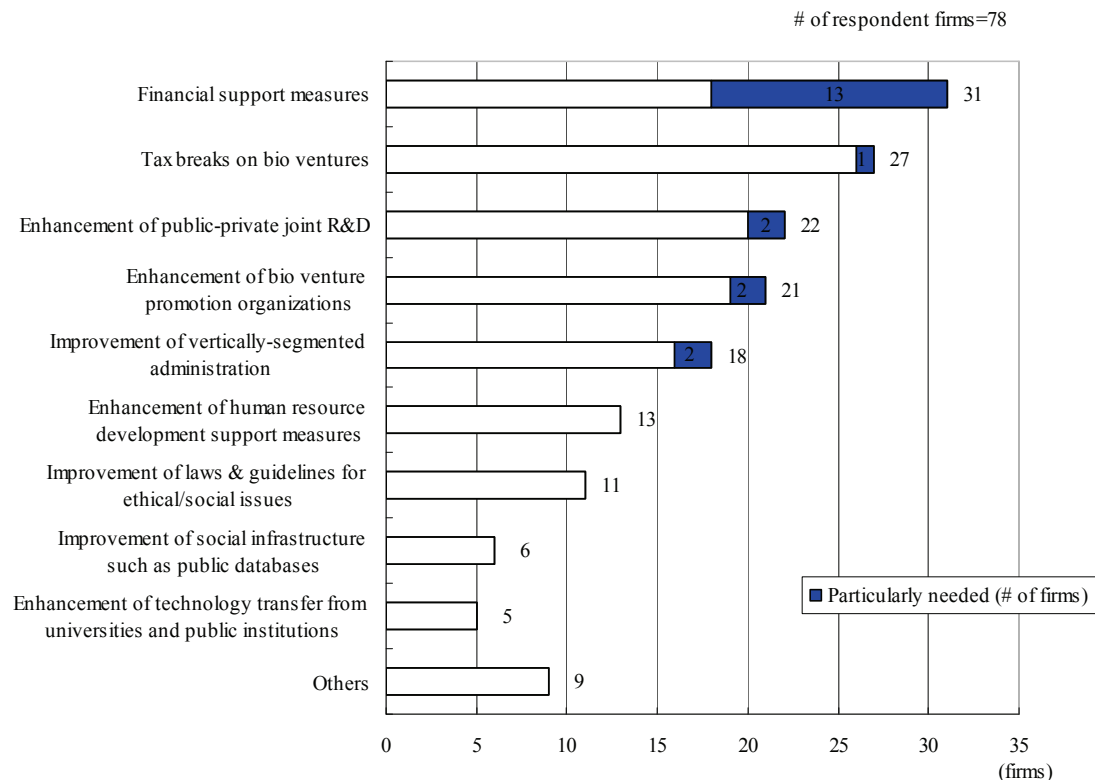


Prepared by Yano Research Institute

Note 1: The total number of respondent firms = 78: Multiple selection

Note 2: Particularly needed item: Single selection

**Graph 2: Desired supportive measures by administrative agencies**



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Note 1: The total number of respondent firms = 78: Multiple selection

Note 2: Particularly needed item: Single selection