

INCJ to invest in video website voice search technology venture *SPC to commercialize academia-developed technology through new incubation model*

TOKYO, January 23, 2012 – The Innovation Network Corporation of Japan (INCJ) announced today its decision to establish a special purpose company (SPC) in which it will invest ¥60 million to support the incubation of voice search technology for use in video streaming websites. The technology is the result of research and development conducted by the National Institute of Advanced Industrial Science and Technology (AIST) and a previously established venture business based on AIST technology transfer.

The advertising market for video websites, estimated in 2011 to be worth US\$6 billion in the U.S. and ¥80 billion in Japan, is expected to expand rapidly in line with the growing population of internet users. With existing online video content, it is not possible to detect information other than the tag data attached to the video, which prevents the distribution of relevant ad content. Conventional voice search technology involves a process of converting the voice information into text and searching for terms in a dictionary data base, making real-time search functionality and the recognition of new terms problematic. This has hindered the development of online ad distribution business to exploit the burgeoning volumes of voice content generated by video streaming websites.

The new voice search technology to be developed by the SPC will enable search functionality for online multimedia content such as that on video and audio without conversion to text, and is therefore expected to have strong potential for application in advertising targeting video streaming websites. The new business aims to develop a prototype voice search engine for comparison against existing tag-based video website advertising. It is planned that the comparison will be conducted in cooperation with live video streaming service provider Ustream Asia Inc., which is itself a potential customer for the new business.

The new business is a collaborative project with the Cross Pacific Innovation Network Initiative (CPIN), a consortium established by the INCJ in partnership with the Kauffman Fellows Program. By tapping into the CPIN's pool of contacts, potential customers and product manager personnel, the INCJ has formed a network of highly experienced software engineers who are active in Silicon Valley.

The INCJ has limited its financing of the business to an initial investment at the incubation stage, based on a verification of the feasibility of commercialization within a set timeframe (six months) and budget (¥60 million). It is planned that additional funding will be provided from

the INCJ or other investors such as venture capital firms when a timetable emerges for commercialization.

Through this investment, the INCJ aims to pursue a new model for the direct commercialization of academia-developed technology that is distinct from the conventional approach, which generally involves the establishment of a venture business that is later spun out from the academic institution.

(Please refer to Attachment 1 for an overview of the business.)

About the National Institute of Advanced Industrial Science and Technology (AIST)

AIST is a public research institution with multidisciplinary competence in six areas: “environment and energy” “life science and biotechnology”, “information technology and electronics”, “nanotechnology, materials and manufacturing”, “metrology and measurement technology” and “geological survey and applied geoscience”.

Headquartered in Tokyo and Tsukuba, the AIST has eight regional centers throughout Japan, each engaged in its own specialized area of research. With a staff of approximately 3,000 people, the AIST aims to convert research and development into innovation, based on its vision of establishing an “open innovation hub.”

The AIST’s research strategy positions the following as priority fields to which it aims to contribute: green innovation; life innovation; cutting edge technology development; and development and advancement of intellectual infrastructure.

About Kauffman Fellows Program (KFP)

Founded in 1995, the Kauffman Fellowship is an educational program approved by the U.S. federal government that aims to provide graduate level education to train emerging leaders in venture capital and high-growth companies. In July 2002, the Kauffman Fellows Program (KFP) spun out from the Kauffman Foundation, founding the Center for Venture Education, a non-profit, post-graduate educational institute. It has expanded its programs both nationally and internationally to meet its mission of enhancing the human investment in the venture building process globally. In its 17 years of operation since 1994 it has produced approximately 580 alumni and mentors 40 countries who have gone on to become investors, entrepreneurs, educators and government officials.

Cross Pacific Innovation Network Initiative (CPIN)

INCJ and KFP signed an agreement in July 2010 to establish the Cross Pacific Innovation Network Initiative (CPIN), a unique public-private partnership to promote innovation and enhance the value of newly-established businesses in the cross-Pacific region. CPIN is a cross-Pacific consortium bringing together leading players in the innovation food chain committed to enhancing the growth of a global innovation ecosystem. The CPIN engages in the commercialization of seed technology, exchange of information on promising businesses, and human resources support and matching.

About Innovation Network Corporation of Japan (INCJ)

The INCJ was established in July 2009 as a public-private partnership that provides financial, technological and management support for next-generation businesses. The INCJ specifically supports those projects that combine technologies and varied expertise across industries and materialize open innovation. The INCJ has the capacity to invest up to ¥1.9 trillion.

To date, the INCJ has invested approximately ¥355 billion in a total of 20 projects and is currently focused on a broad range of areas from green energy, electronics, IT and biotechnology to infrastructure-related sectors such as water supply. The INCJ maintains a hands-on approach to investment, engaging in the business development of cutting-edge core technologies through intellectual property funds, expansion of venture companies and aggressive overseas development through initiatives such as restructuring and mergers of tech businesses and acquisitions of foreign companies.

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Investment in video website voice search technology venture

Outline

- Establish an SPC for the incubation of voice search technology (i.e. support for its commercialization)
- Within a set timeframe (six months) and budget (¥60mn), develop a voice search engine prototype with real-time search functionality and plan for its business application in online advertising targeting video websites

Significance (investment impact)

- Commercializes academia-developed technology using an SPC scheme involving cooperation from certain potential clients. Serves as a new model for commercialization processes for use with other academia-developed technologies (universities, JST, AIST, etc.).
- Provides a scenario for the INCJ's early stage investment field (technology group utilizing social consumer electronics/server-side big data). Adds an early stage investment project to the INCJ portfolio alongside Miselu.

Role of INCJ

- Create a structure for the incubation of academia-developed technology. Use an SPC with a set timeframe and budget specified through CPIN contacts formed through the KFP, enabling interaction with influential potential customers, project manager candidates and software engineers active in Silicon Valley.

