

Past JETRO Client
ACUCELA INC.



August 2009—Acucela Inc. is a clinical-stage biotechnology company developing drugs using its proprietary visual cycle modulation (VCM) technology to treat blinding eye diseases that impair vision at the back of the eye. Drugs available today to treat such diseases all require injections to the back of the eye. However, Acucela is developing drugs that can be taken orally. Such promising technology is in part what has kept investors' faith in the company, which in turn has kept Acucela established and growing for over seven years, since April 2002. Because many of its investors are located in Japan, Acucela established a representative office in Tokyo to maintain these relationships and develop others. While setting up the office, Acucela utilized JETRO's free temporary office space before finding its own permanent space. We spoke with company Chairman, President & CEO, Dr. Ryo Kubota, M.D., Ph.D., about establishing the office and gaining investors in Japan.

The Need for an Office

Since its founding, Acucela has been funded by investors from Japan. And because the company is currently about halfway through the average 12 to 15 years it takes to get a drug to market, according to Dr. Kubota, it will continue to need those investors for the next several years. To maintain relationships with these investors and develop others, Acucela set up a representative office in September 2006. Having personnel in the same time zone as its investors is very helpful, Dr. Kubota said, but more importantly, "face-to-face meetings have historically been the case for Japanese business practices. We decided to invest in [an office] to accommodate this communication." He added, "We would also like to explore the possible option of taking our company public in the Japanese market, so we are always interested in having a presence in Japan to better communicate with the investment community."

How He Got His Investors

One of the biggest questions for any capital-dependant company is, "How do you get investors?" Dr. Kubota gained his in a way that is characteristic of the investment community in Japan: through trusted relationships developed over a long period of time. Dr. Kubota founded Acucela in Bothell, Washington but is originally from Japan. After earning his M.D. and Ph.D. from Keio University in Tokyo, he continued his research at the University of Washington (a shareholder in Acucela Inc.) and then moved back to Japan to practice ophthalmology for 10 years. While practicing in Japan, he

developed solid relationships with many of the people investing in his company today.

It probably didn't hurt that during his time at Keio, he discovered the glaucoma gene, myocilin, and earned the Suda Award 'for his contribution to the field of neurodegenerative retinal disease'. In addition, the core technology on which Acucela was formed came from his research during his time at the University of Washington. "The investors knew about me for many years," he said, "so I think they had confidence that I would deliver what I had promised. I have to say that we've worked hard and have been extremely lucky. We were fortunate to have investors, and our technology worked as we expected. That's not always the case [in biotechnology]."

Working with Japanese Investors

So if you didn't discover a gene, didn't win a major award for your field, or didn't personally develop the technology that underpins your company, how do you approach Japanese investors?

- *Trust first, presentations later*

Dr. Kubota said the process of presenting to potential investors in Japan is similar to that in the US, but there is a key difference: "You give a presentation to a person in charge; then you give a presentation to the next level up; and then there may be a whole investment committee meeting, and you present there, and they evaluate; then they come to the conclusion of whether they invest or not; then they do technical due diligence, patent diligence, all the financial and business diligence—it's a very similar process, but you won't even get into that kind of process unless you have a long-term relationship so they can trust you as a manager first.

- *Building trust*

"Japanese investors are relationship-based," he said, "so you have to really build the relationship. It cannot happen overnight. You have to spend many months, if not years, of building the relationship and have in-depth communications so they feel comfortable trusting you and can see that you can deliver what you promised."

- *Long-term potential pay off, fitting for biotech*

"But once they make a decision, they're in for the long-term," he said. "If you pick the right investors, their expected cycle time matches our type of industry, where the average time to develop a drug is 12 to 15 years. That's very different from the development or commercialization of IT, like software. Because of the long time it takes to commercialize [a drug], you cannot have a large return for a while, and you have to wait for completion of the development. We were able to identify investors who had that long-term interest, and I found more of that type of investor in Japan than in the US."

Outcomes and Outlook

As with most biotech companies, Acucela knows it cannot solely rely on venture capital to continue funding its development, so it looked for a collaborative partner. Three years after setting up its Japan office, Acucela formed two co-development agreements with one of Japan's leading pharmaceutical companies, Otsuka Pharmaceutical. Under separate agreements, Otsuka has agreed to pay Acucela cash upfront payments and potential milestone payments for co-developing Acucela's lead compound, ACU-4429, and Otsuka's proprietary compound Rebamipide. Such a major partnership bolsters Acucela's pipeline and its confidence for its future.

In the long term, Dr. Kubota expressed interest in exploring the potential of taking Acucela public in both the US and Japan, as well as expand to Europe and other major markets. "We hope that our therapies become available one day everywhere in the world, wherever there is blindness," he said. "We know that blinding eye diseases affect tens of millions of people worldwide, so we think we can make a global impact with what we're doing. We also know that many blinding eye diseases are related to aging, and with the number of people over the age of 65 growing quickly and expected to double in the US in the next 20 years and triple by 2050, we think this is an area where our innovation could have widespread impact for these patients."

Japan Company Profile

Japan Company: Acucela Inc.
Established: June 2006
Employees: 1
Business: Developer of orally-delivered visual cycle modulation (VCM) therapies that selectively target cells within the retina to protect visual acuity
Location: 2-15-19-723 Kamiosaki Shinagawa-ku
Tokyo 141-0021
URL: <http://www.acucela.com/>
Parent company: Acucela Inc.

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