

# Observation 1: Japan is a Technology Innovation Superpower

- Japan created next-generation IT Lifestyle IT (not enterprise-productivity) drives global tech innovation and growth today
- Japan also creates many of the key enabling technologies
- Rich technology ecosystem
- World-class talent in corporate and University labs in emerging forefront technologies
- But startups contribute relatively little to Japan's international innovation leadership



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# Observation 2: A culture that can Produce World-class Entrepreneurs

## Winners of Nikkei's annual Entrepreneur Awards



**Tempstaff**  
Japan's second largest temporary staff agency  
Founded: 1973.  
2006 Employees: 2,016  
2006 Turnover: 2,129  
2007 Mkt. Cap: 1,028

**Yoshiko Shinohara - 2007 Winner**



**Fast Retailing**  
Inexpensive casual-wear manufacturing and retail  
Founded: 1963  
2006 Employees: 3,990  
2006 Turnover: 4,488  
2007 Mkt. Cap: 9,048

**Tadashi Yanai - 2004 Winner**



**Plus**  
Office Furniture and Supplies Manufacturer  
Founded: 1948.  
2006 Employees: 4,264  
2006 Turnover: private  
2007 Mkt. Cap: private

**Yoshihisa Imaizumi - 2001 Winner**



**Nidec**  
World leader in brushless micro-sized DC motors  
Founded: 1973. Age 29  
2007 Employees: 80,026  
2007 Turnover: 6,296  
2007 Mkt. Cap: 10,264

**Shigenobu Nagamori - 2006 Winner**



**Culture Convenience Club**  
Tsutaya Media Rental Chain, Online media  
Founded: 1982.  
2006 Employees: 3,078  
2006 Turnover: 2,283  
2007 Mkt. Cap: 1,219

**Muneaki Masuda - 2003 Winner**



**Park 24**  
Automated Parking Lot Mgt. 20,000+ stalls  
Founded: 1971. Age 33  
2006 Employees: 638  
2006 Turnover: 653  
2007 Mkt. Cap: 2,323

**Kiyoshi Nishikawa - 2000 Winner**



**SoftBank**  
Software Distribution to Internet Zaibatsu  
Founded: 1980. Age 23  
2006 Employees: 17,075  
2006 Turnover: 11,086  
2007 Mkt. Cap: 27,188

**Masayoshi Son - 2005 Winner**



**Pia**  
Ticket retailing and event information publishing  
Founded: 1972. Age 22  
2006 Employees: 308  
2006 Turnover: 961  
2007 Mkt. Cap: 182

**Hiroshi Yanai - 2002 Winner**



**H.I.S. Group**  
Discount travel & tourism  
70 international branches  
Founded: 1980. Age 29  
2006 Employees: 4,328  
2006 Turnover: 3,289  
2007 Mkt. Cap: 1,267

**Hideo Sawada - 1999 Winner**

Plus: 5-time serial entrepreneur Sachio Senmoto, Hiroshi Mikitani, Yoshito Hori, etc.

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# But I was Stunned when I Started SunBridge in 1999 to find that...

## Then

- Young people were joining startups instead of large corporations
- 10,000,000 yen needed to incorporate
- Stock Options did not exist
- No market for listing shares of emerging companies
- M&A exits extremely rare.
- Public Companies owned by founder
- Negative view of VC ownership
- Financial VCs. Few have technology industry or startup experience
- No structure for preferred shares. VCs purchase common stock.
- Co-investment, but no syndication
- No detailed data on VC investments

## Now

- Declining
- Fixed.
- Fixed.
- Fixed (now too many?)
- Same. IPOs better?
- No change.
- No change.
- No change.
- Law fixed but practice continues. Puzzling.
- Syndication still rare.
- Still a problem.

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## Observation 3: Japan's entrepreneurial Habitat is Improving

*Japan's regulatory environment, capital markets, labor mobility and social attitudes toward entrepreneurship have changed significantly in the past 6 or 7 years.*

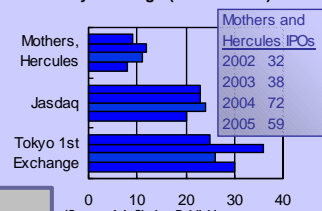
### 1999-2004 Dramatic Ecosystem Changes

- Sweeping Commercial code and IPO rule changes
- Shift in domestic VC focus from very late stage to very early stage
- University TLOs, spinouts encouraged
- Restructurings, Layoffs - end of assumed lifetime employment
- Widespread Enthusiasm for Entrepreneurism
- Emergence of "Serial Entrepreneurs"

### 2004-6 Recovery & Backlash

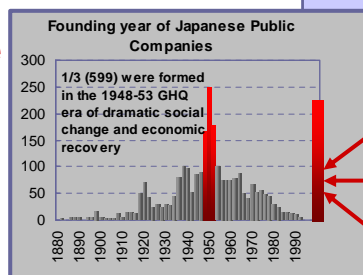
- Economy, Nikkei recovery
- Backlash from Livedoor

Median Years from Company formation to IPO by Exchange (2002 - 6/2005)

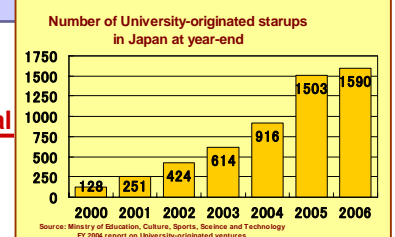


**Quicker exits on new markets. Better IRRs for VCs & LPs**

**New access to World-class R&D**



**Entrepreneurial Renaissance?**



**Over 20,000 1-yen companies registered in first two years after regulation changes allowed them.**

**Dramatic regulatory changes**

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