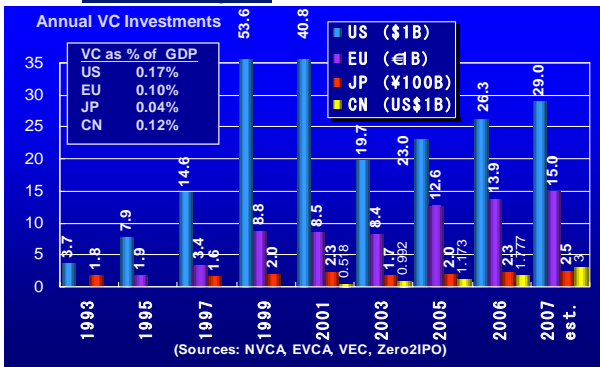


# Observation 4: Too Little Venture Capital and Spread too thin

In the early to mid 1990s, VC investments as a % of GDP were roughly equivalent in the US, Japan, and Europe but exit opportunities in Japan were limited. Since 2001, the US VC industry has been investing at 10x Japan's rate, Europe at 5x, and as of 2007 VC investment in China exceeds Japan.



- **Lowest level of VC Investment relative to GDP**
- **Investments spread widely across many industries**
- **More Companies receive VC investment than in most other countries**

## Average Deal Size

US: 956百万円

EU: 1,513百万円

CN: 658百万円

JP: 113百万円

- Smaller investments produce smaller companies...



© Copyright 2005, SunBridge Corporation. All rights reserved.

# Observation 5: Big Style Differences and The Missing Middle

## VC Style Differences

### Japan:

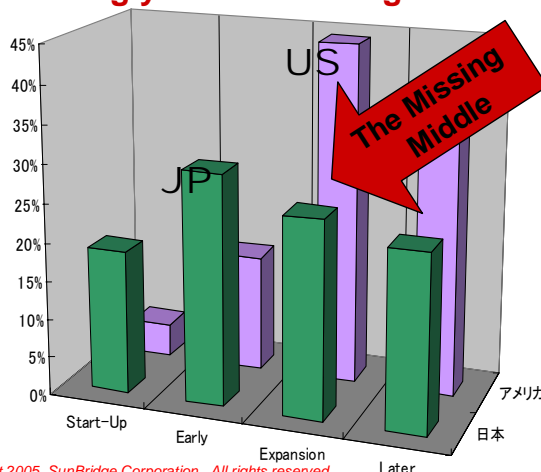
- Seek to find IPO opportunities
- Support & Encourage rapid listing
- Lack of Technology Industry Focus

### US:

- Seek to help build high-growth global industry creators
- Strongly focused on high-technology

## The "Missing Middle"

- Japanese VCs risk more on early stages than generally understood
- Companies pushed to achieve breakeven rapidly
- Taken public with single product, single geography, small profits
- 10億円 raised in typical IPO is same size as Series B, C, and D VC rounds in US
- Post-IPO pressure to continue profit growth precludes investment in aggressive expansion and too little capital was raised anyway



-> Too many companies stall after going public and never reach their full potential

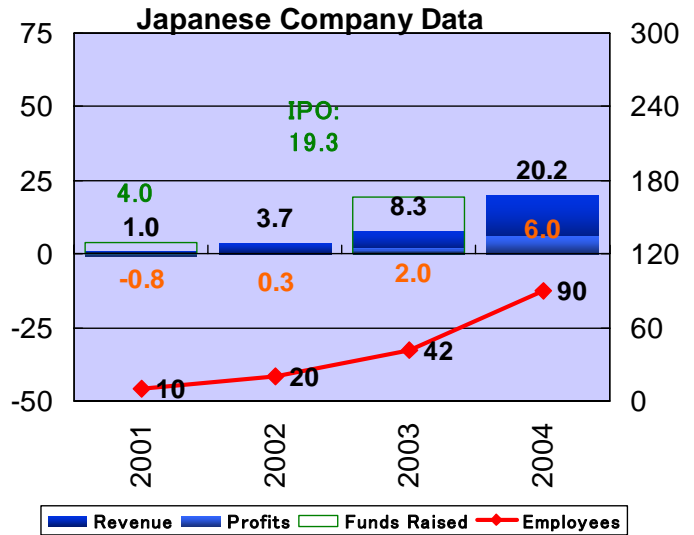
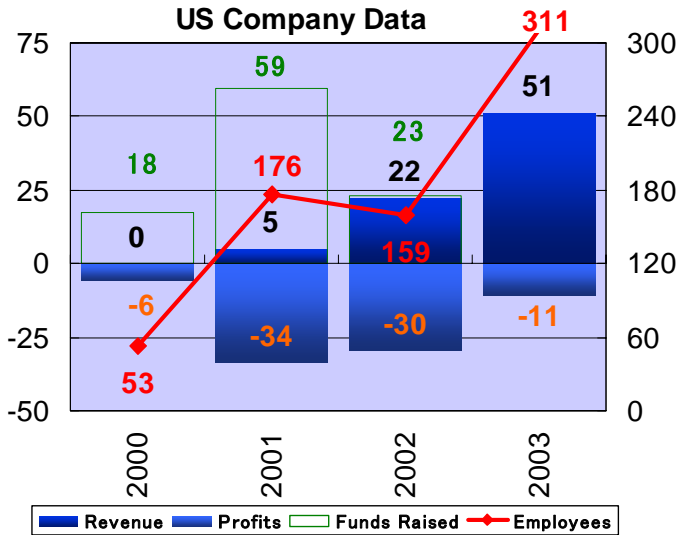
© Copyright 2005, SunBridge Corporation. All rights reserved.



# Comparative Case Study: Best US and Japanese Cos. in SunBridge Portfolio

- US Company
- Founded 1999
- Web-based Sales Mgt. Service
- Outstanding ex-Oracle Founder
- Focused Industry-changing Strategy
- Rapid Organization Development

- Japanese Company
- Founded 2000
- Web-based Mkt. Research Service
- Outstanding ex-Recruit Founder
- Focused Industry-changing Strategy
- Never missed quarterly budget



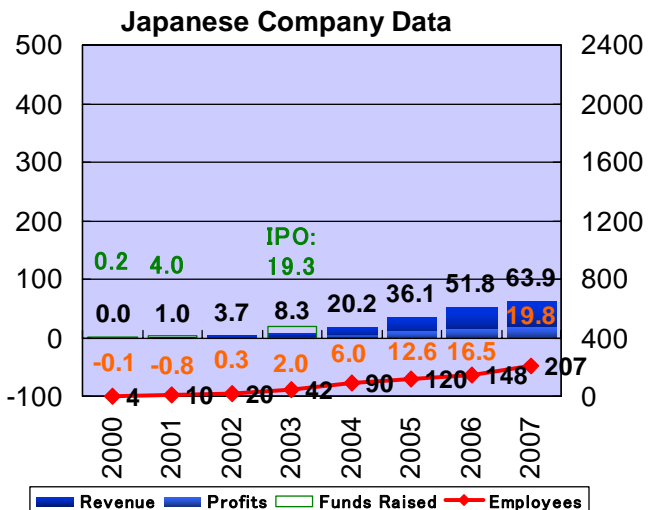
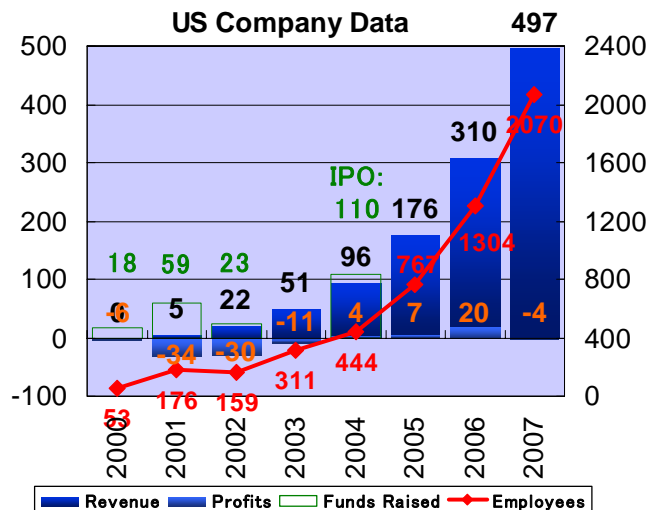
© Copyright 2005, SunBridge Corporation. All rights reserved.



# Comparative Case Study: Best US and Japanese Cos. in SunBridge Portfolio

- \$100M in Venture Capital
- Peak cumulative loss of \$81M
- \$110M raised in IPO
- Continued high growth after IPO
- 2070 employees today
- \$6.3B Market Capitalization
- 8x return on our investment

- 4億円 in Venture Capital
- Peak cumulative loss of 1億円
- 19億円 raised in IPO
- Growth slowed down after IPO
- 207 employees today
- 198億円 Market Capitalization
- 31x return on our investment



© Copyright 2005, SunBridge Corporation. All rights reserved.

## *Focus on the Future, not the Past*

- **Fix the Missing Middle**
- **Pay less attention to the US and more to Asia**
- **Focus resources on strengths in Lifestyle IT, Energy Conservation, Materials and Ecology**
- ★ **Direct more resources toward GNRI (Genetics, Nanotech, Robotics, Intelligence) and less to current-generation ICT**
  - Japan has a leading position in much of the relevant basic and applied research in this emerging forefront of technology
  - To increase overall economic productivity and extend productive healthy lifespan of the aging population (well beyond 100 years)
  - Healthy longevity is a GOOD thing (NOT a problem)!  
Government guaranteed retirement income to youthful 65ers is a problem.
- **Preserve and and teach traditional Japanese Social Values – 武士道、もったいない精神、恥、親孝行、調和、など**