



# Recreating Japan into a Startup Nation

New Forms of Innovation and Entrepreneurship

Gen Isayama  
10/2/2014



# Introduction



- University of Tokyo, Law. Stanford MBA
- Web design startup
- IBJ (Mizuho Financial Group)
- Partner at DCM
- Founder & CEO of WiL

## Publications:

- Nikkei Digital
- Toyokeizai Online
- Nikkei Sangyo Newspaper
- Silicon Valley Way (Kadokawa)





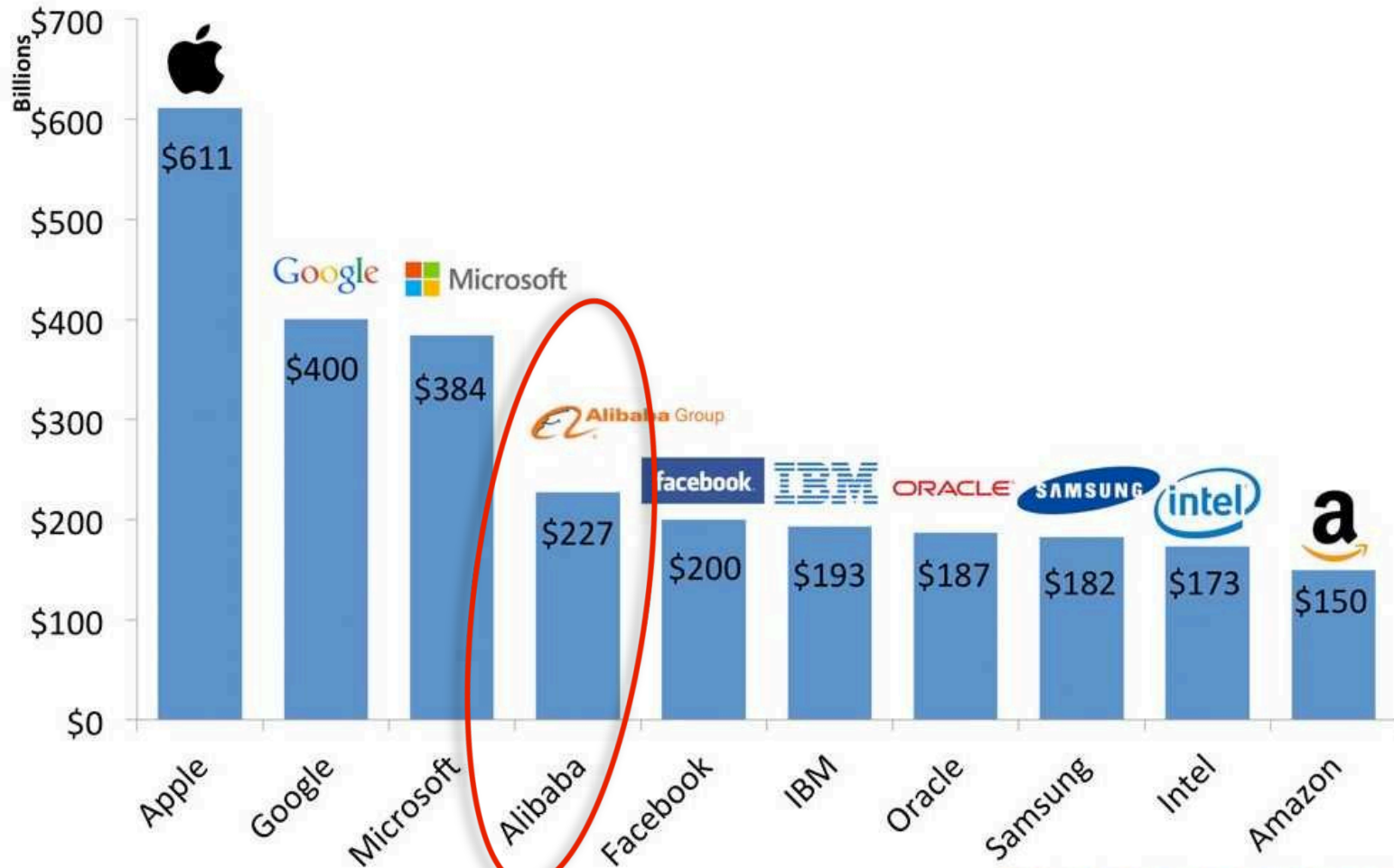
# Story of an English teacher



- Founded the company in an apartment in Hangzhou
- Jack, wife, and 17 friends contributed \$60K
- IPO at NYSE on Sep 19<sup>th</sup>, 2014
- Largest IPO in the history (\$227B)

# 10 Most Valuable Technology Companies

Market Cap On 9/19/2014



Source: BI Intelligence

BI INTELLIGENCE

# Born in Silicon Valley

facebook

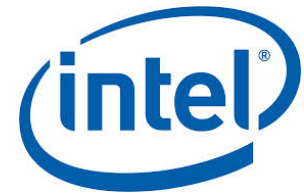
salesforce



twitter



Google



YouTube



TESLA

ORACLE

ebay

YAHOO!

Adobe

***Why do we need startups ?***



**<0.2% → 21%**

Venture investment (less than 0.2% of GDP) creates 21% of GDP value

**Venture Creates Value**



**<0.2% → 11%**

VC-backed startups employ 11% of  
private sector workforce

**Venture Creates Jobs**

# ... and more jobs

Comparing Employment at the time of IPO and TODAY



650 → 340,000



256 → 132,600



2,521 → 182,000



1,287 → 94,000



2,350 → 78,400



1,015 → 98,000









1,693 → 83,000



3,021 → 52,000

# Startups Accelerate Innovation

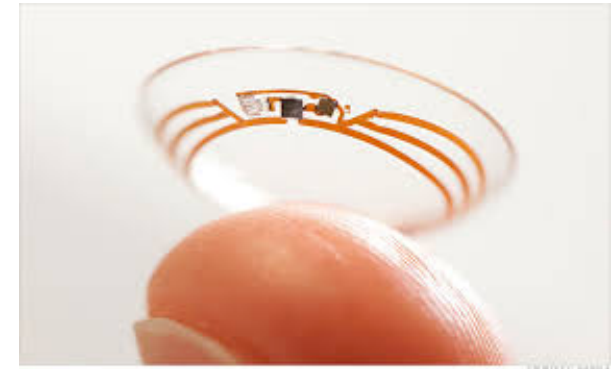
Company	# of Acquisitions	Total Deal Size (USD MM)
 CISCO	167	70,000+
ORACLE®	97	53,300+
 Microsoft	166	35,880+
Google	168	28,400+
 facebook	49	22,460+
 YAHOO!	107	17,200+
 Apple Inc.	56	6,140+
 twitter	33	620+

# Innovation Changes How We Live

Things that didn't exist 10yrs ago...



...And things that will be in our daily lives 10yrs from now



# Why do we need startups?

Create Economic Value

Create Jobs

Accelerate Innovation

Transform the Way We Live



# *How does Japan Fare as a Startup Nation?*



**\$0.7B vs \$39B**

Amount invested by Japan vs. US venture funds\* – **57x gap**

With additional \$20B angel investments in US, difference in risk capital – **90x gap**

\*(2013Q3-2014Q2)



# \$400B vs \$90B

Google

YAHOO!  
JAPAN

楽天

  
Gungho

 TREND  
MICRO

 コロラ

価格.com

  
NEXON

DeNA





 GREE

 CyberAgent START TODAY CO.,LTD.

  
MONEX GROUP

GMO  
INTERNET

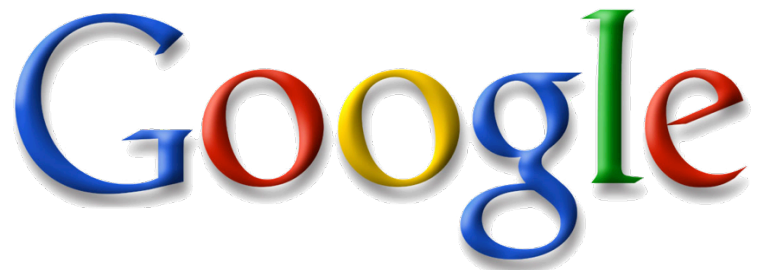
dwango

# \$430B vs \$90B



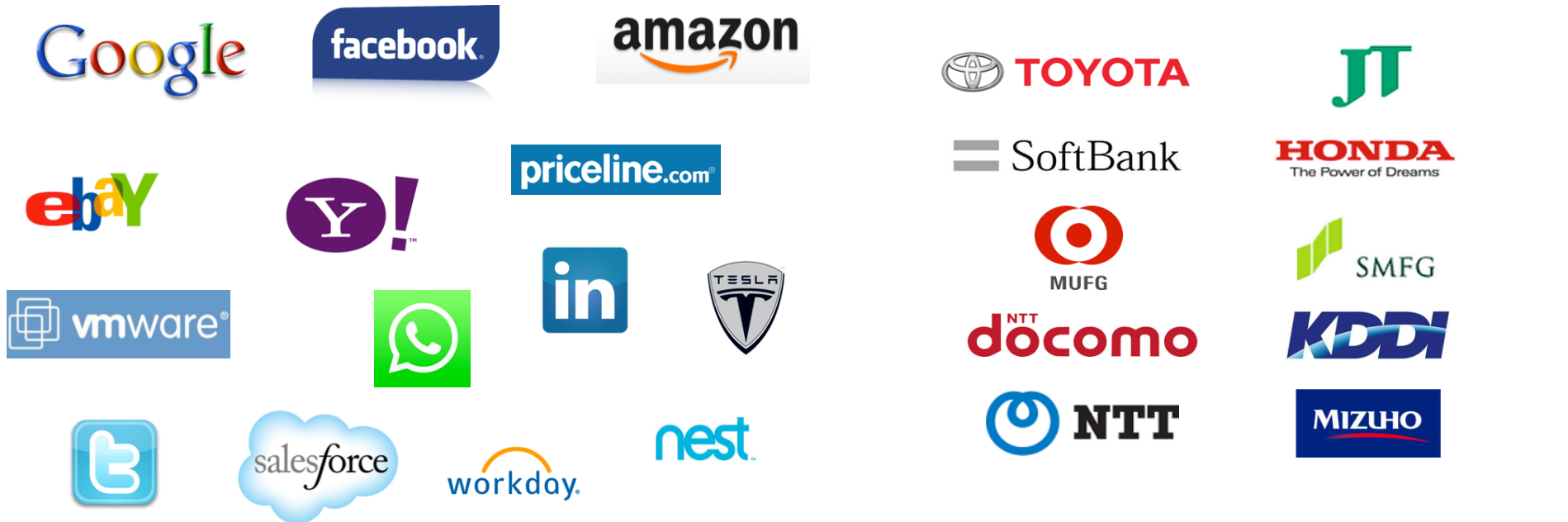
(Startup companies founded after FY2000)

# \$400B vs \$890B



(Top 10 Japanese Corporations by Market Cap)

# \$1,050B vs \$890B



(Startup companies founded after FY1995) (Top 10 Japanese Corporations by Market Cap)

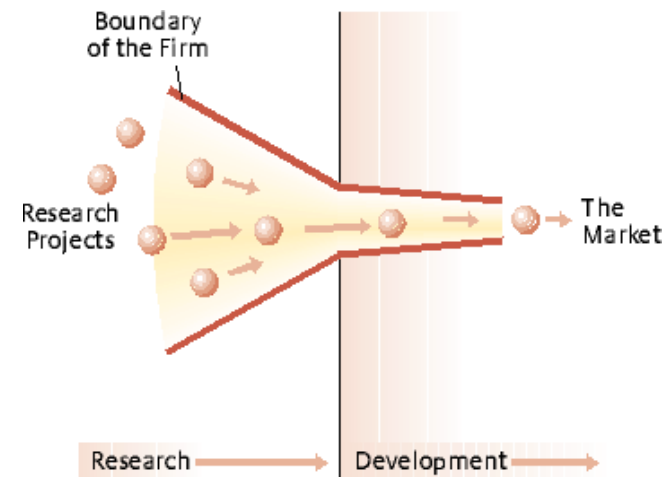
*Data as of 2014/9/19*

# Overly-Focused on R&D

## R&D Budget Ranking 2013





Rank	Company	FY2013 R&D Budget (mm\$)
1	Toyota	9,000
2	Honda	6,300
3	Nissan	5,080
4	Panasonic	4,900
5	Sony	4,600
6	Hitachi	3,630
7	Denso	3,500
8	Toshiba	3,450
9	Takeda	3,400
10	Canon	3,100

## Closed Innovation Model



# Top Talents in Japan Don't Choose Startups

## Full-Time Employment Stats

School	% of Graduates in 2006 Technology/Entrepreneur	% of Graduates in 2013 Technology/Entrepreneur
 <b>STANFORD</b> GRADUATE SCHOOL OF BUSINESS	20%	44%
 <b>HARVARD</b> BUSINESS SCHOOL	7%	18%
 <b>東京大学</b> (undergrad) THE UNIVERSITY OF TOKYO	10%	10% (2011)
 <b>東京大学</b> (master's) THE UNIVERSITY OF TOKYO	10% (2009)	13% (2011)

Source: Employment Statistics (HBS, Stanford GSB, University of Tokyo)

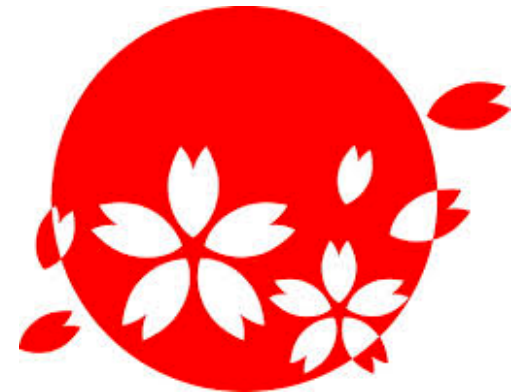
# How does Japan fare as a Startup Nation?

Lack of Risk Capital

Lack of Mega Ventures

Closed Corporate Culture

Entrepreneurship not Respected



**However, there are bright signs...**

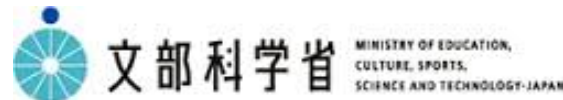




# Increasing Government Support



財務省 Ministry of Finance Japan



株式会社 産業革新機構



年金積立金管理運用 独立行政法人  
Government Pension Investment Fund (GPIF)



# Rise of CVCs (Corporate Venture Capital)

**KDDI Labo**



**NTT docomo**  
DOCOMO Innovations

**YJCapital**

**Rakuten**

**GREE** Ventures

**RECRUIT**

**GMO**  
VENTURE  
PARTNERS

**FSV** FUJI  
STARTUP  
VENTURES

**CyberAgent**  
**Ventures**

**ITV**  
ITOCHU TECHNOLOGY VENTURES

**MITSUI VENTURES**

**KLab Ventures**

**WiL** WORLD INNOVATION LAB













# Increasing M&A Activities

Major tech/bio M&As (>\$100M) during the past 5 years



# Larger Funding Rounds

## Funding rounds >\$10MM since 2013

Company	Capital Raised (\$MM)	Company	Capital Raised (\$MM)
 <b>gumi</b>	50	 <b>mercari</b>	14
SmartNews	36	 <b>Sansan</b>	14
Gunosy	24	 <b>Akatsuki</b>	14
 <b>GLIDER</b> associates	20	 <b>gengo</b>	12
 <b>midokura</b>	17	 <b>CrowdWorks</b>	11
 <b>oraksul</b>	14	 <b>Coiney</b>	10
 <b>ROYAL GATE</b>	14	 <b>metaps</b> ®	10

# Entrepreneurs Rising in Status in Society



 **Rakuten**



**Gunosy**







**:DeNA**



# Startups founded by Top University Alumni

## Stanford University



## Tokyo University



# Japan Venture Ecosystem - Positive Trends

Increasing Government Funding

Rising Activities in CVCs

Increasing M&A Activities by Large Corporations

Startups Seeking Larger Exits (Serial Entrepreneurs)

Entrepreneurs Gaining More Respect in Society



# What do we need for the future?

- Leverage Resources in Large Corporations
- Produce Mega Ventures
- Foster Entrepreneurial Mindset



# Formation of WiL (World Innovation Lab)

## OUR MISSION:

- Driving Open Innovation in Large Corporations
- Educating Entrepreneurs to “Think Big”
- Promoting Entrepreneurship in the Society



**CAPITAL:** Investment (\$350mm)

**TALENT:** Expats and Interns

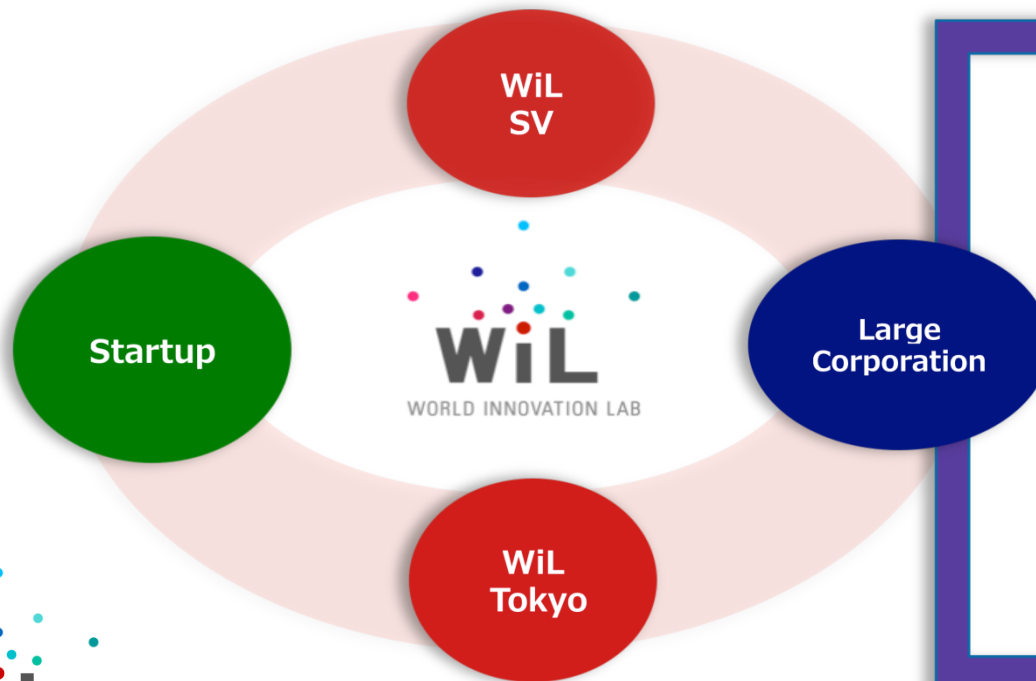
**TECHNOLOGY:** Carve-out



# What we do at WiL

Change Agent  
for  
Large Corporations

1. Investment
2. Business Creation
3. Education



## WIL Fund I, LP (\$350mm)



***Entrepreneurial Mindset is...***



***“Here's to the crazy ones. The misfits. The rebels. The troublemakers. The round pegs in the square holes.***

***The ones who see things differently. They're not fond of rules. And they have no respect for the status quo.***

***You can quote them, disagree with them, glorify or vilify them. About the only thing you can't do is ignore them.***

***Because they change things.  
They push the human race forward.  
And while some may see them as the crazy ones,  
we see genius.***

***Because the people who are crazy enough to think they can change the world, are the ones who do.”***

**— Apple Inc.**

***Thank you!***

***Gen Isayama  
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