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# Current trends among startups and how they keep momentum in Japan

Entrepreneurship in Asian High-Tech Industries

2015/4/7

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Self introduction

How startups keep momentum

Startup trends in Japan

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# How startups keep momentum after IPO in Japan

## Overview of mixi Inc.

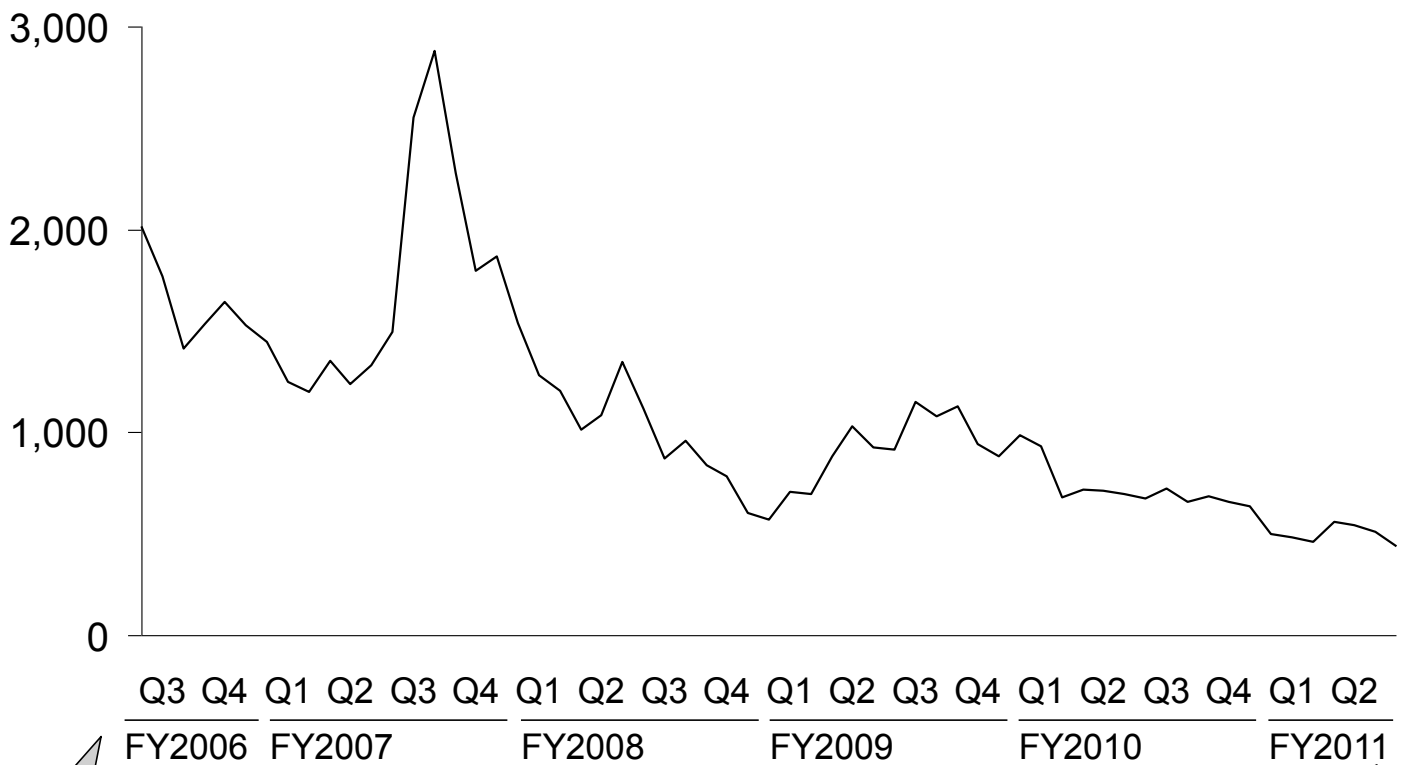


- Founded in 1999 originally as online recruitment information media provider for Web engineers.
- Social networking service “mixi” launched in 2004.
- Main features were such as diary, community and photo sharing.
- Listed on the Tokyo Stock Exchange in 2006
- Became dominant social media platform in Japan

## Market cap of mixi in the first 5 years after IPO

### Market cap

(USD million; USD 1 = JPY 100)



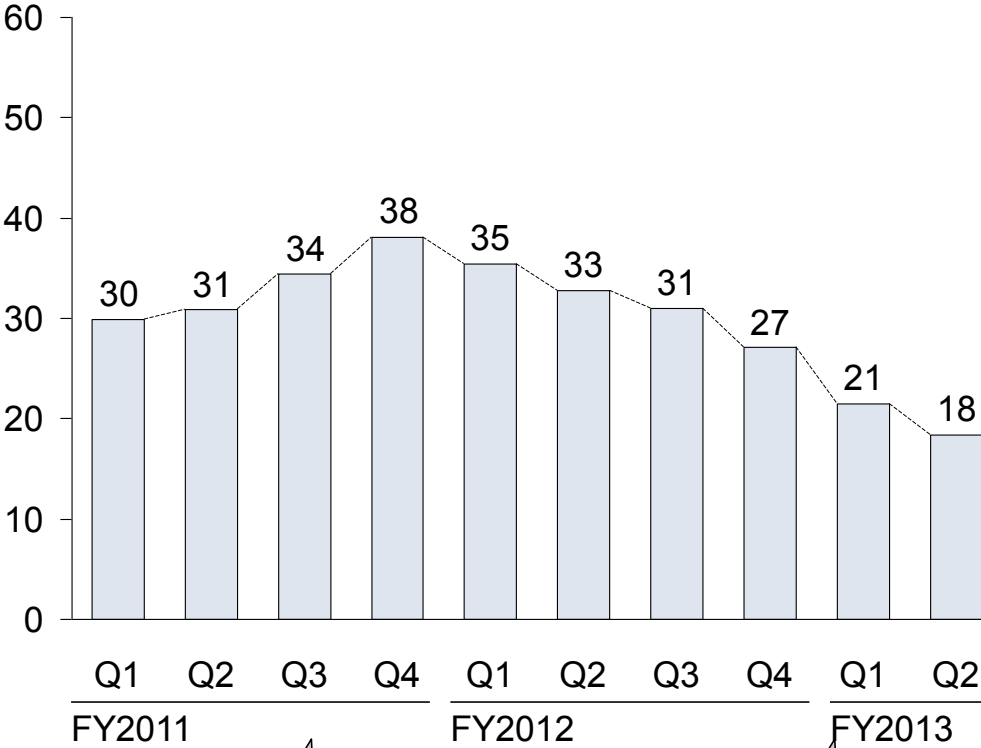
IPO

NT acquired by mixi

# Sales of mixi from FY 2011 to the time I became the CEO

## Sales

(USD million; USD 1 = JPY 100)



Acquired by mixi

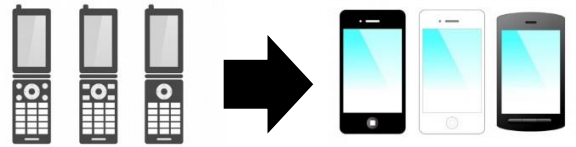
Became CEO

Problems mixi faced with

- **Competitor**



- **Customer**



- **Company**



## Finding out essential value of the company

### General Value

- mixi as  
Social Networking  
Service

### Essential Value

- Capability of service  
development
- Cash : USD 120M
- “mixi” brand

## Basic strategy

- Improving the bottom line of existing business
- Diversification through
  - New business development
  - External business acquisition
- Recreation of corporate culture



## Set of actions and the essential issue tackled with

### ■ Developing new business

peti jete

“User first week”

Launch of innovation center

Alliance on game platform

i-mercury capital

Scrum Ventures

Deploy Gate

rohana

Monster Strike

muuk

### ■ Cost reduction

Termination of part-time contract

Closure of call center

Closure of US office

Closure of Shanghai office

Internal relocation

Assignment of business

### ■ Governance

Redefinition of mission

Cross-division weekly check-in

Effect measurement of each product

Regular internal survey

Split up of mini marketing

Management accounting

HR rotation program

Public offering : \$63M

### ■ Acquisition

mixi research

Hamada

YYC

Confianza

Mystery shopping business

Moving the company  
beyond  
original business

## Triggers to regrowth

- Blockbuster app

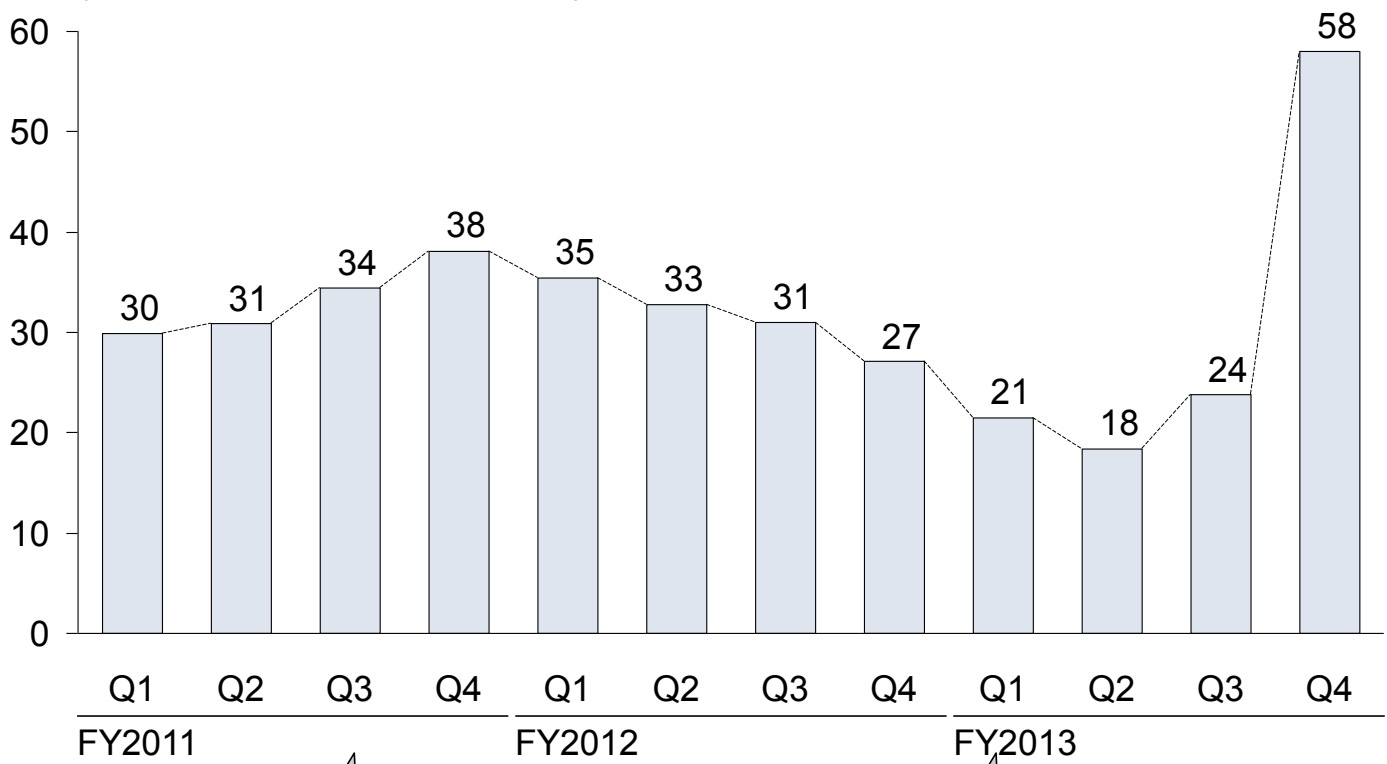


- Buyout of profitable services
- Assignment of underperforming business

## Boosting top-line growth through business diversification

### Sales

(USD million; USD 1 = JPY 100)



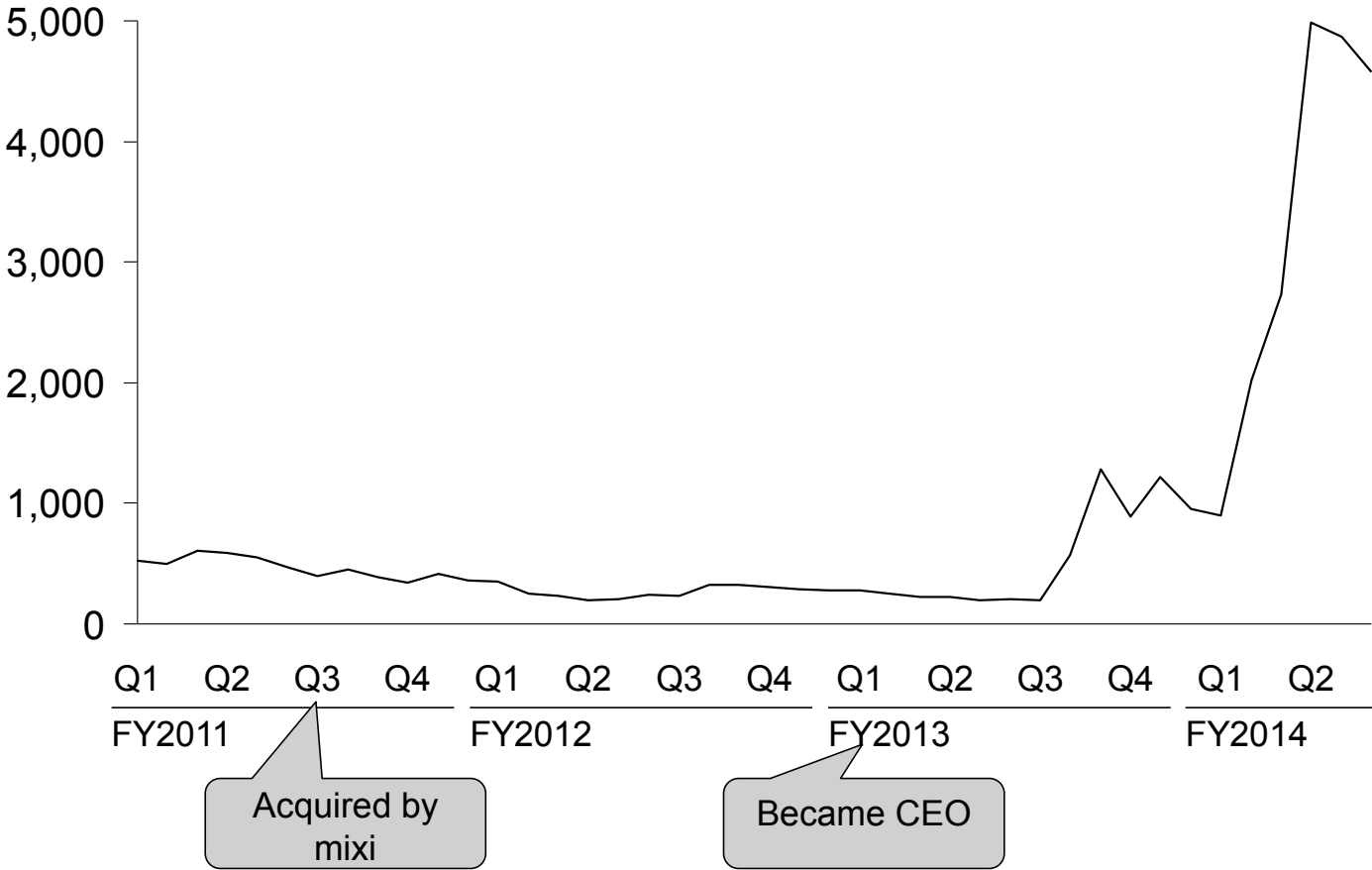
Acquired by  
mixi

Became CEO

# Fiscal soundness and mega-hit app triggered regrowth

## Market cap

(USD million; USD 1 = JPY 100)



## Some lessons learned from the case

- Obligation to grow
- Brave new frontier
- Forget about current sales and profit margin
- There is NO synergy
- Accept cannibalism
- 'Big Company Disease' is preventable



Self introduction

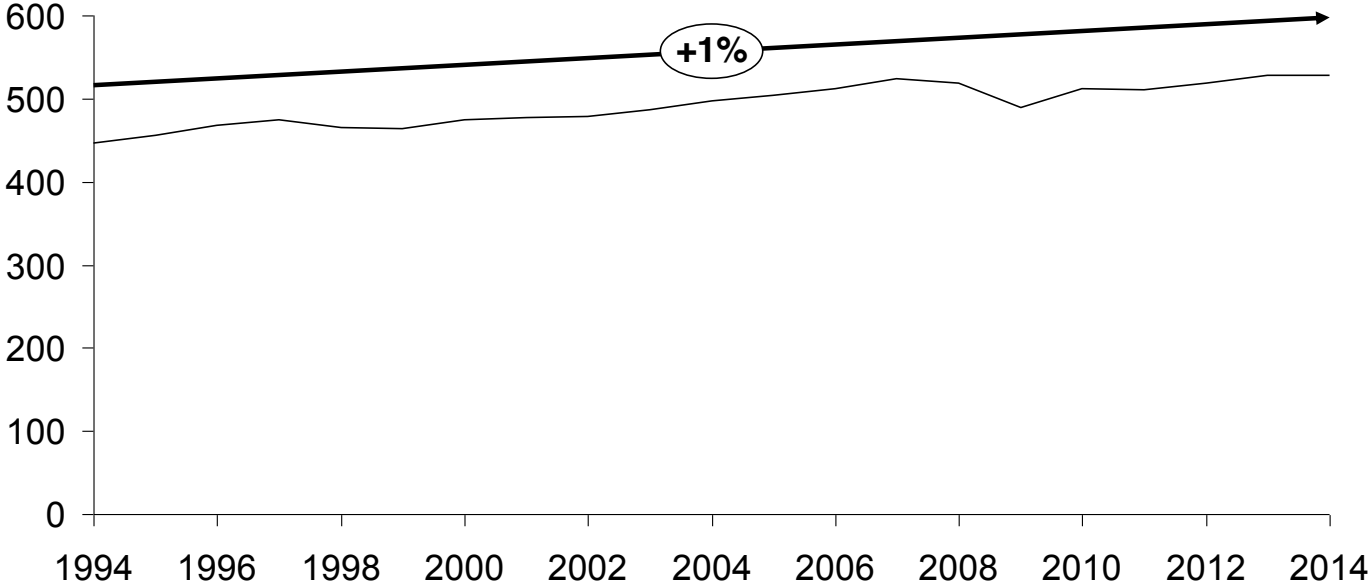
How startups keep momentum

Startup trends in Japan



# GDP of Japan in the last 20 years

**Real GDP of Japan**  
(JPY Trillion; 1994-2014)

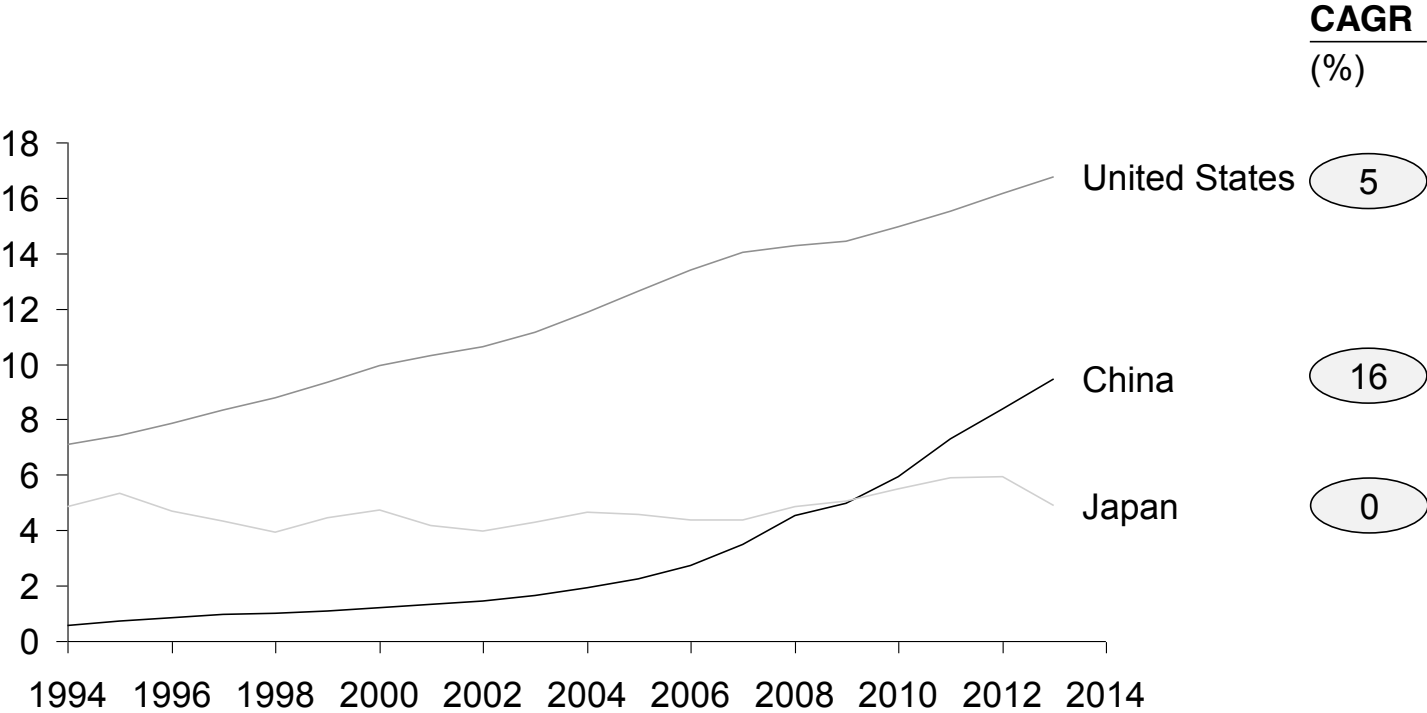


SOURCE: Cabinet office Government of Japan

# Japan's GDP doesn't show significant growth in the last 20 years

## Real GDP

(USD Trillion; 1994-2014)

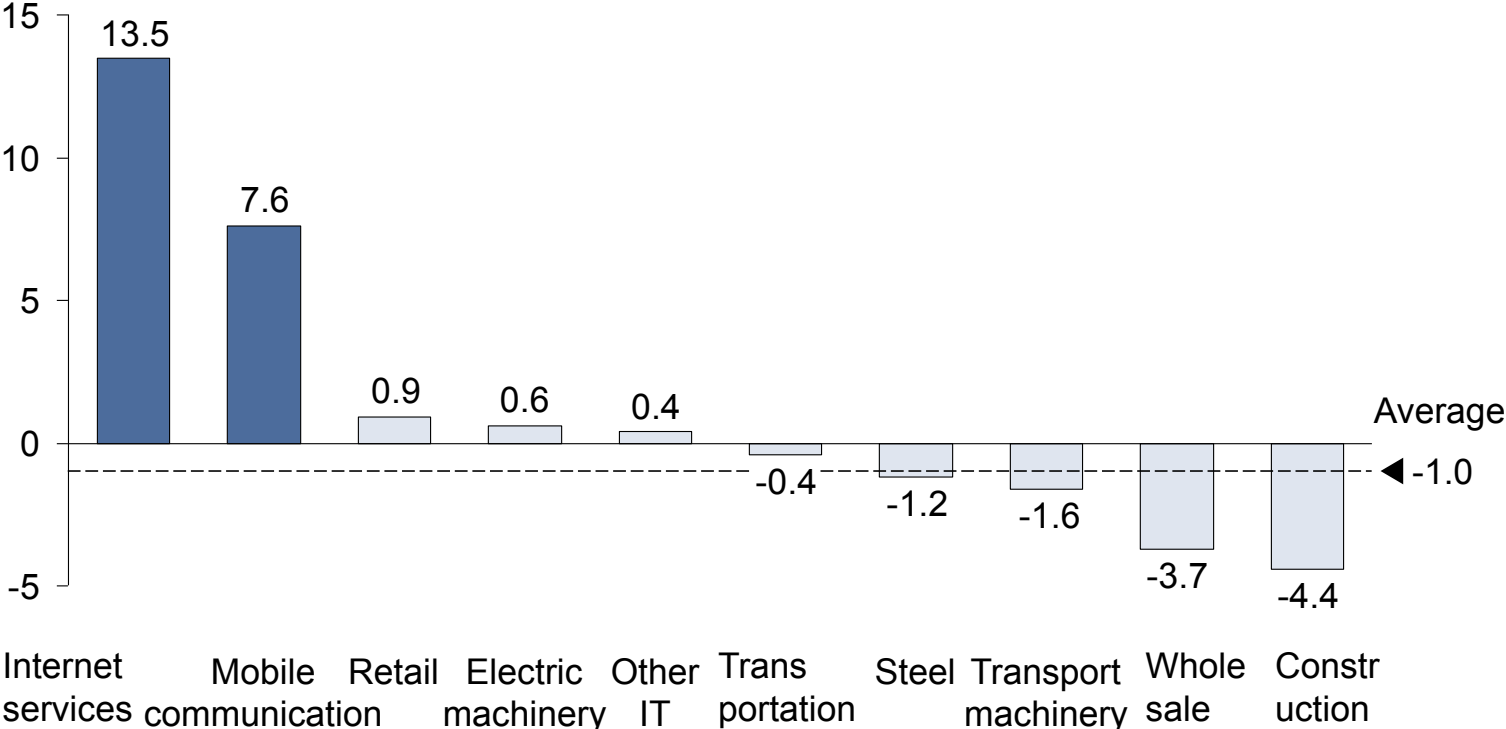


SOURCE: SPEEDA, International Monetary Fund (IMF)『World Economic Outlook Database』

# Internet and Mobile sectors are key drivers of Japan's economic growth

## Real GDP Growth

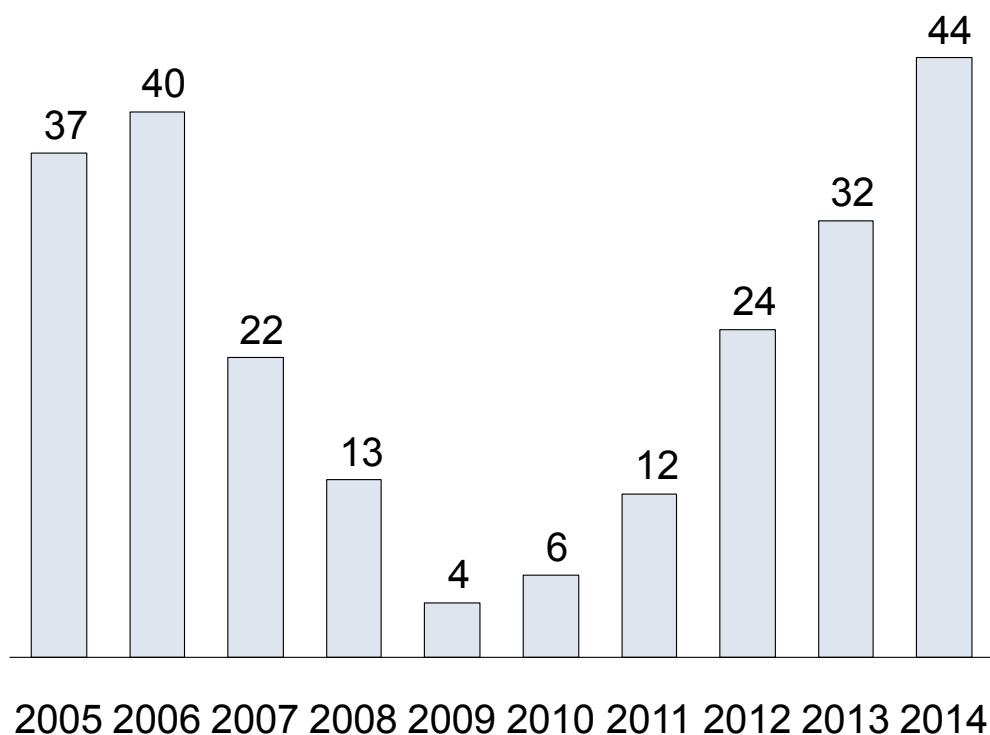
(%; Compound Annual Growth Rate; 2005-2011)



SOURCE: GLOBIS CAPITAL PARTNERS, Ministry of Internal Affairs and Communications

## IPO activity surged in 2014

### Number of IPOs on TSE Mothers<sup>1</sup>



### Quick Facts

- Median Market Cap at IPO on TSE Mothers is US 55 million in 2013
- 70% of newly public companies are internet-related business in 2014

<sup>1</sup> Market of the high-growth and emerging stocks

SOURCE: TSE, Nikkei, GLOBIS CAPITAL PARTNERS, NASDAQ, Bloomberg

## Aggressive economic growth policy triggered cash inflow to VC funds

### Financial support through government-backed investment funds



株式会社 産業革新機構

The Innovation Network Corporation of Japan (INCJ);

- Capitalized at 3 billion USD
- Invest in both of startups and VCs



SME Support, JAPAN

Organization for Small & Medium Enterprises and Regional Innovation;

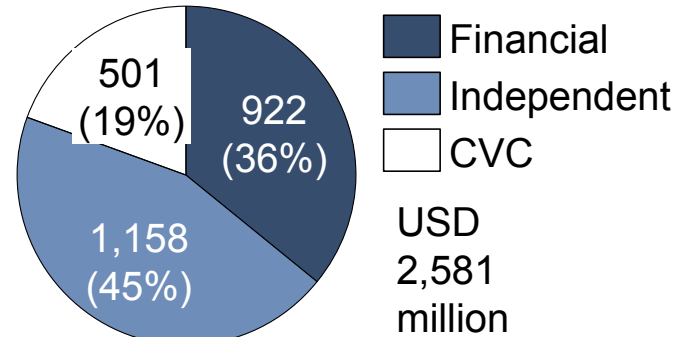
- has invested 580 million USD in more than 90 funds since 1999
- invest in private VCs up to the half amount of fund size

### Newly launched VC funds

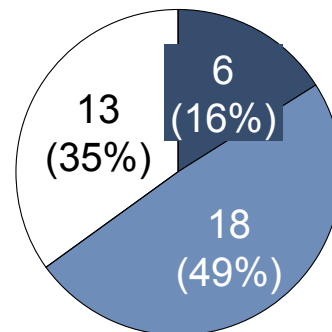
(2013-2014/10)

#### Size of raised funds

(USD million)



#### Number of GPs



## Independent VCs are playing active roles in Japan's startup ecosystem



**B DASH VENTURES**

**East Ventures**

**Infinity  
Venture  
Partners**



**Samurai  
Incubate  
Inc.**

**archetype\***



**ANRI**

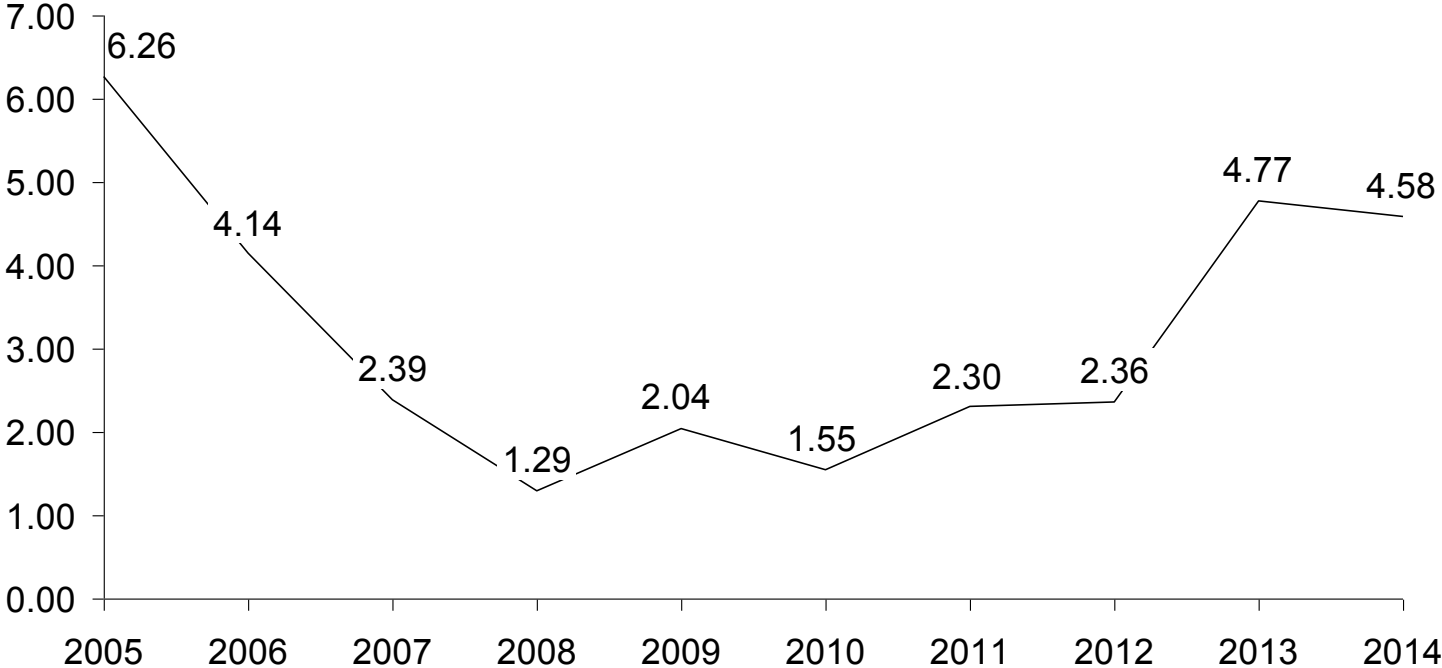
**SKYLAND  
VENTURES**



# Venture capital business is becoming more profitable in terms of IPO

**Average ratio of stock price at IPO to the value of stock at the last round before IPO\***

(Multiple)

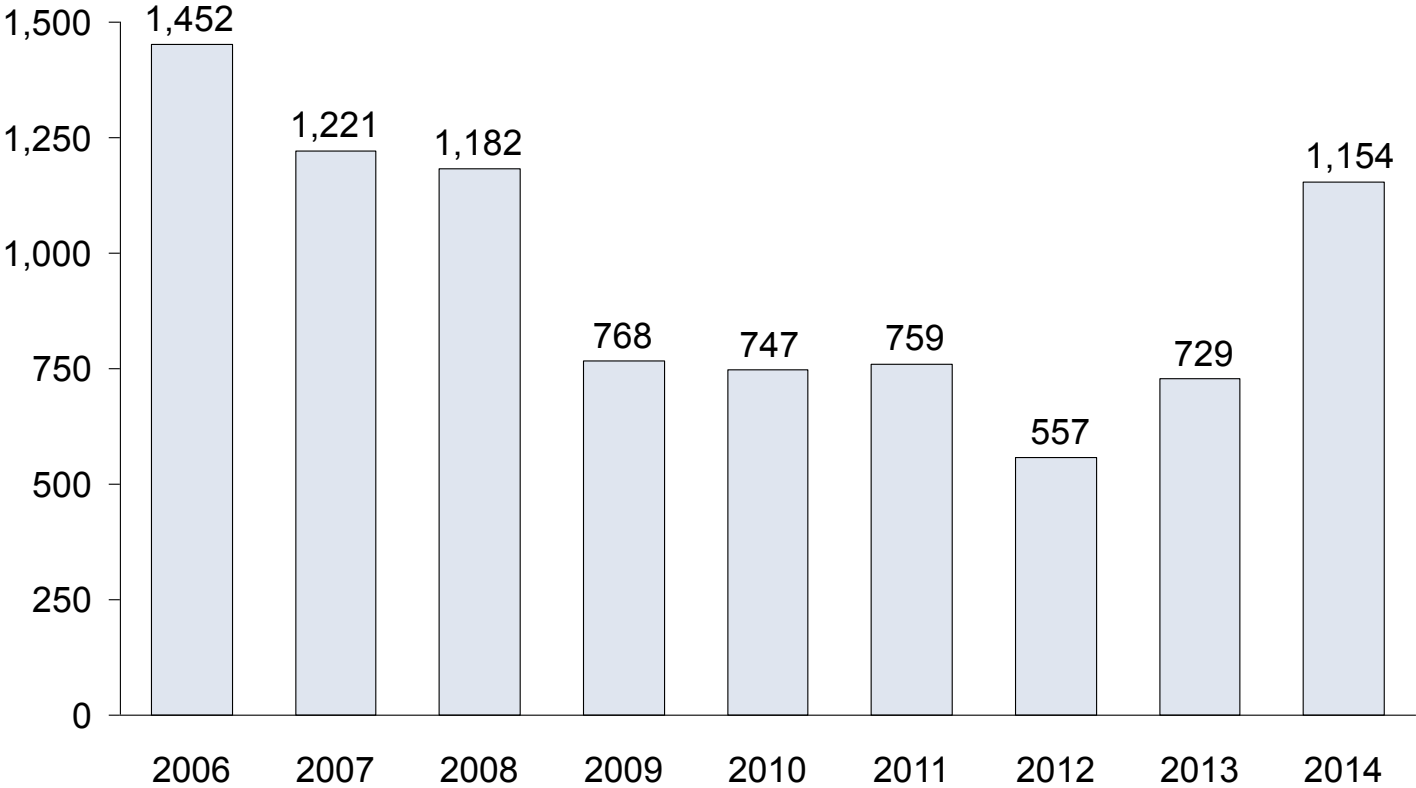


\* Please note the data may not be comprehensive  
SOURCE: Japan Venture Research

# Volume of VC investment is surging

## Volume of VC investment\*

(USD million; USD 1 = JPY 100)



\* Please note the data may not be comprehensive  
SOURCE: Japan Venture Research













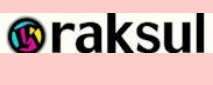









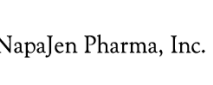



## More cash flow to VC leads to more sizable private finances

### Sizable private finance cases in 2014\*

 Internet service

(USD; 2014; USD 1 = JPY 100)

 <p>Game 83M</p>	 <p>C2C market 38M</p>	 <p>Bio tech 36M</p>	 <p>News apps 35M</p>	 <p>Bio tech 30M</p>	 <p>Bio tech 26M</p>
 <p>Commerce 25M</p>	 <p>News apps 24M</p>	 <p>Cloudstorage 24M</p>	 <p>Commerce 24M</p>	 <p>Commerce 18M</p>	 <p>Fin-tech 16M</p>
 <p>Commerce 16M</p>	 <p>Utility 14M</p>	 <p>Enterprise 14M</p>	 <p>Game 14M</p>	 <p>Enterprise 13M</p>	 <p>Bio tech 13M</p>
 <p>Commerce 12M</p>	 <p>Chemical 12M</p>	 <p>Wheel chair 12M</p>	 <p>Commerce 11M</p>	 <p>Bio tech 10M</p>	 <p>Automotive 10M</p>

\* Please note the data may not be comprehensive  
SOURCE: Japan Venture Research

## More Japanese startups are going global

Mercari



Mobile C2C shopping app.  
Opened US office and launched US version in 2014.

Metaps



Android monetization platform and credit card processing service.  
Focusing on Asian region.

Smart News

SmartNews



News curation apps for smartphones and tablets.  
Opened US office and launched US version in 2014.  
Ranked #1 on App Store

Moi



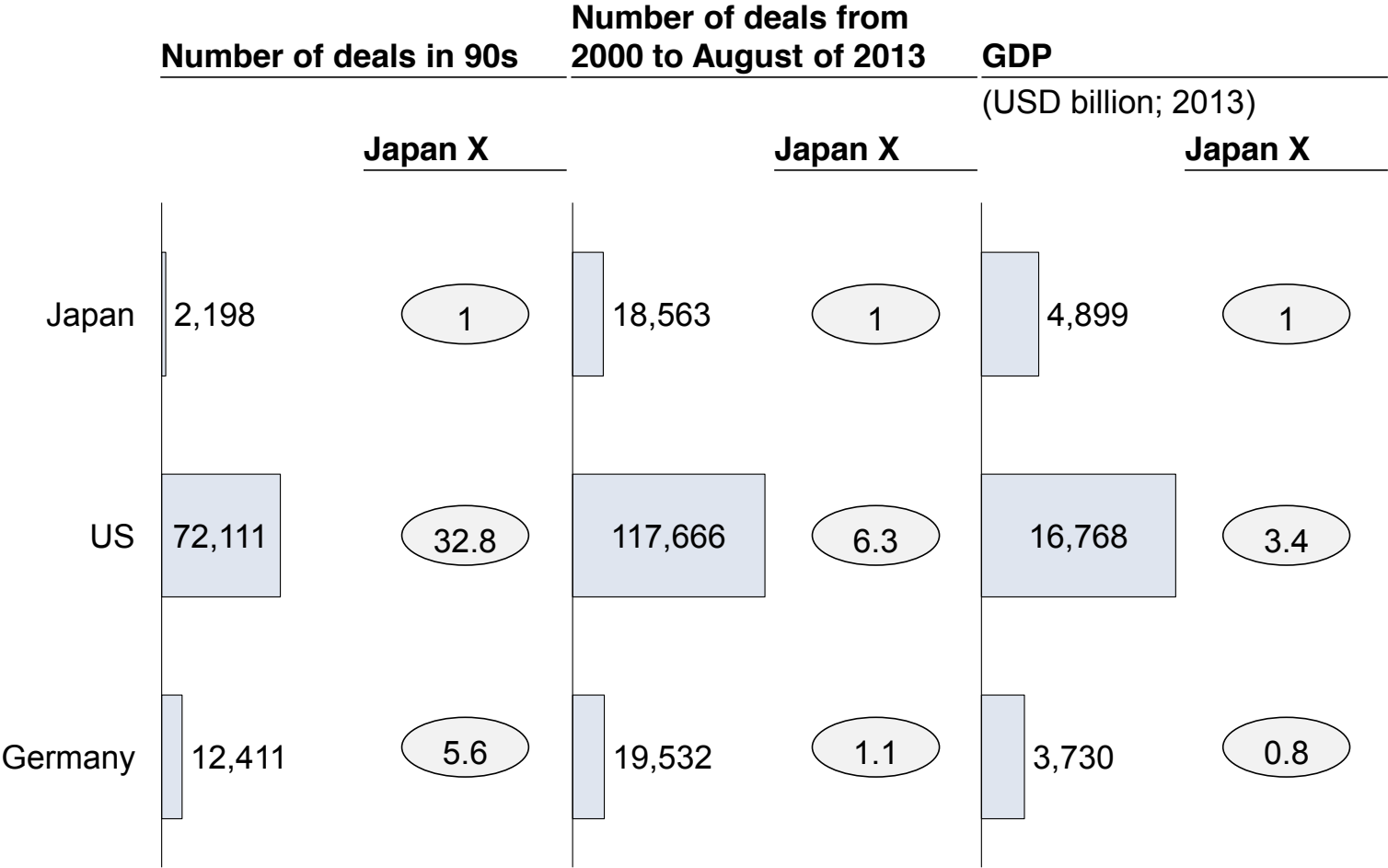
Providing TwitCasting, realtime video broadcasting platform.  
Opened US office in 2013.

gumi
















Social games provider for smartphone and feature phone.  
Subsidiary companies in 8 countries.  
Listed on TSE 1st in 2014.

**Given the current GDP, the volume of acquisition deal in Japan is lower than expectation**



SOURCE: Industrial Growth Platform, Inc.


## Acquisition accelerating<sup>1</sup>

Announced	Acquirer	Target <sup>2</sup>	Aggregate Value (USD million)	Service of target company
3/2015	 START TODAY CO.,LTD.	 www.aratana.jp	30	Social app E-Commerce solution
3/2015			116	Consumer-to-consumer ticket marketplace
2/2015		MUSE & C O .	18	Fashion-oriented VIP flash sales site
10/2014		 	50	MERY:Ladies fashion curation service iemo:Home-design curation service
9/2014	 Designing The Future		NA	Japan's largest lifehack media site
10/2013			NA	Rewarding app for customers who visit participating stores
9/2013			10	C2C market place for coaches and people who seeks lessons

<sup>1</sup> Picked up only notable cases. Not meant to be comprehensive

<sup>2</sup> Target name is based on service name. Not corporate name except Aratana.

SOURCE: SPEEDA, Tech Crunch, TECH IN ASIA

A photograph of a person in a white lab coat holding a black clipboard. The clipboard has a silver clip on the left side. The text on the clipboard is as follows:

**My observation about current startup environment in Japan**

- **Strong demands for startup but not enough supply**
- **Scarcity and immobility of talents**
- **More acquisitions needed**

- **Strong demands for startup but not enough supply**
- **Scarcity and immobility of talents**
- **More acquisitions needed**

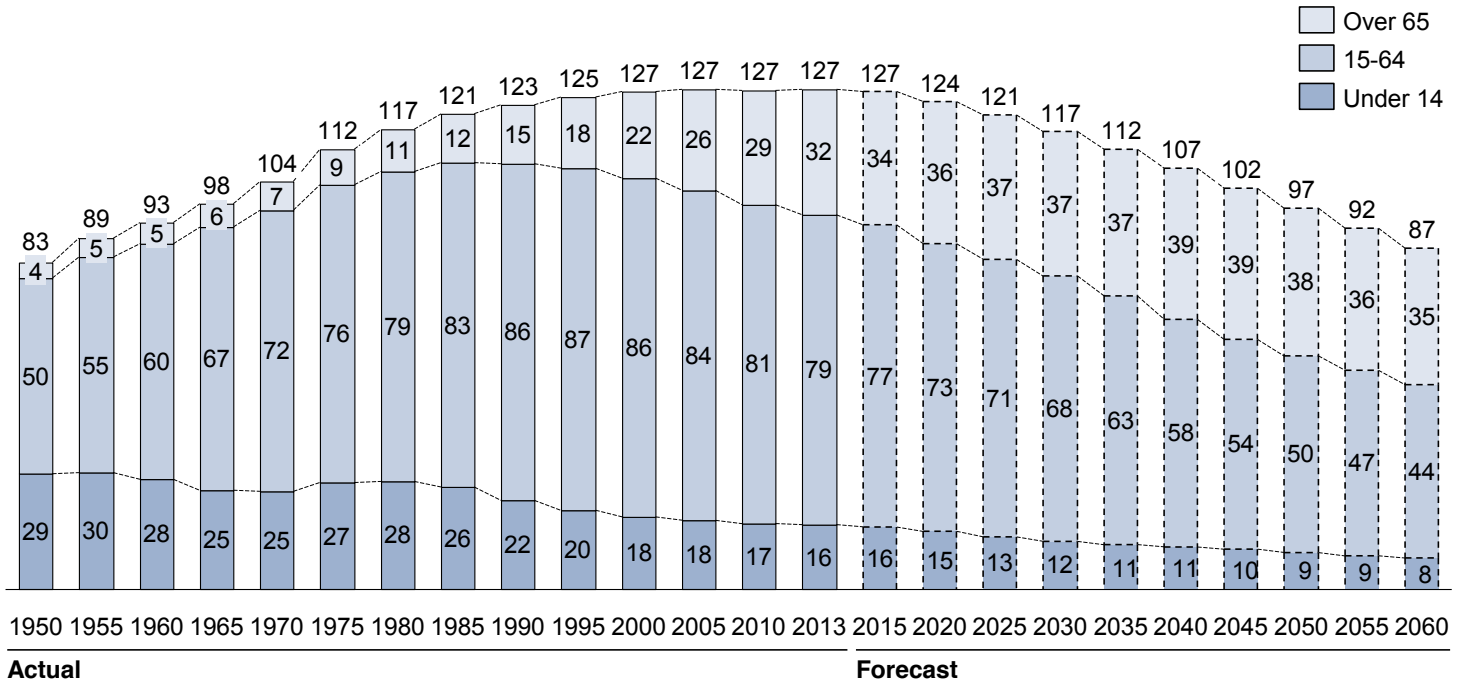
# Appendix

## Population)

# Japan has the 10th largest population in the world while aging society is going on

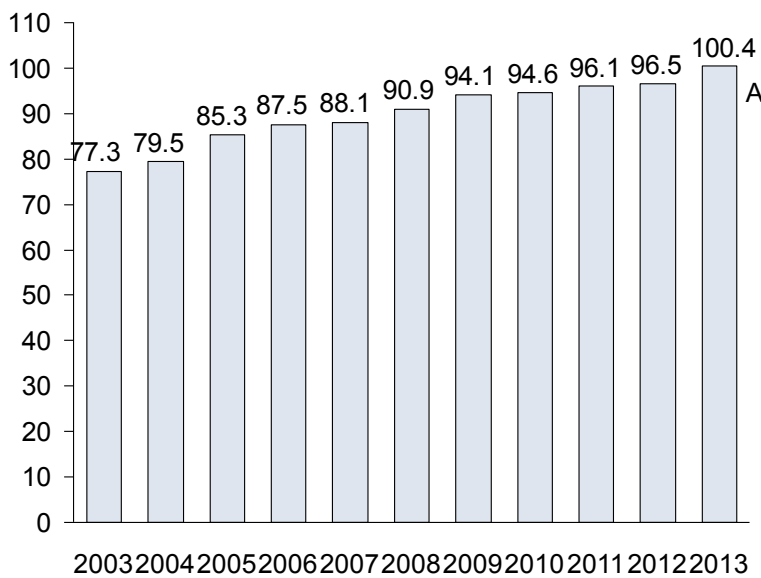
### Population of Japan

(million)

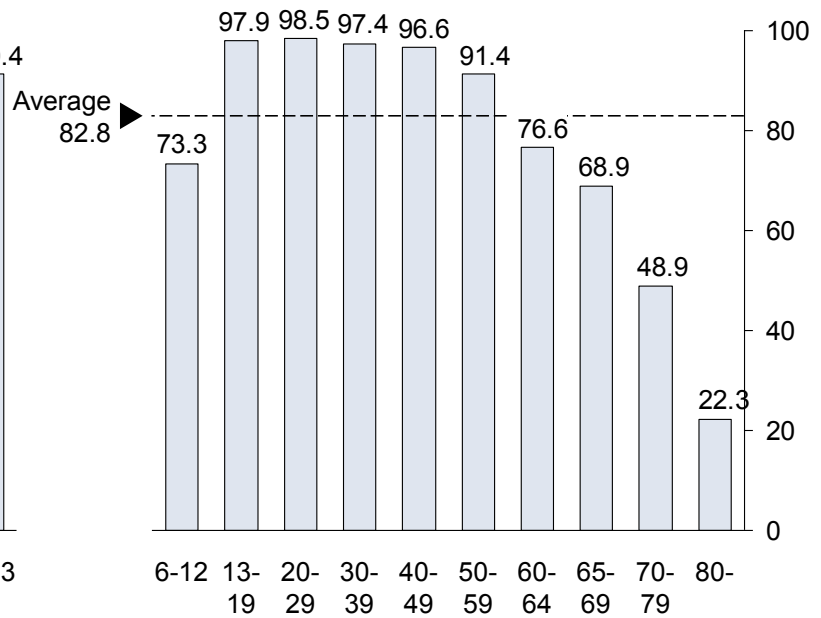


## Internet penetration) More than 90% of people over 13-59 use internet

**Number of internet user in Japan**  
(million)



**Internet penetration rate by generation in Japan**  
(%; 2013)



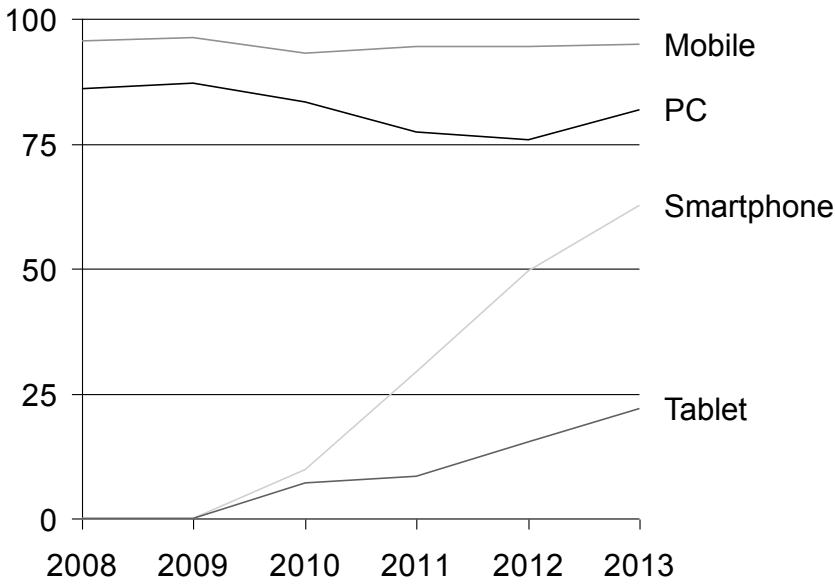


# Smartphone)

## iPhone has become the most successful smartphone in Japan

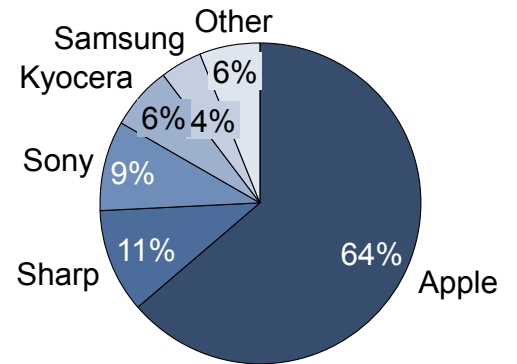
**Penetration rate of device in household**

(%)



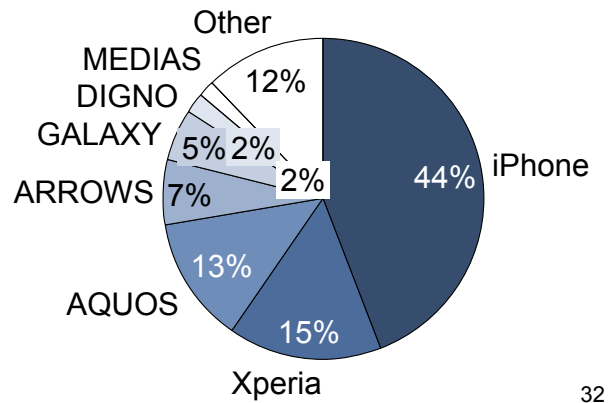
**Domestic shipments of smartphone by vendor**

(%; 100%=5.2 million; 2014/7-2014/9)



**Smartphone device survey**

(%; N=18,182; 2014)



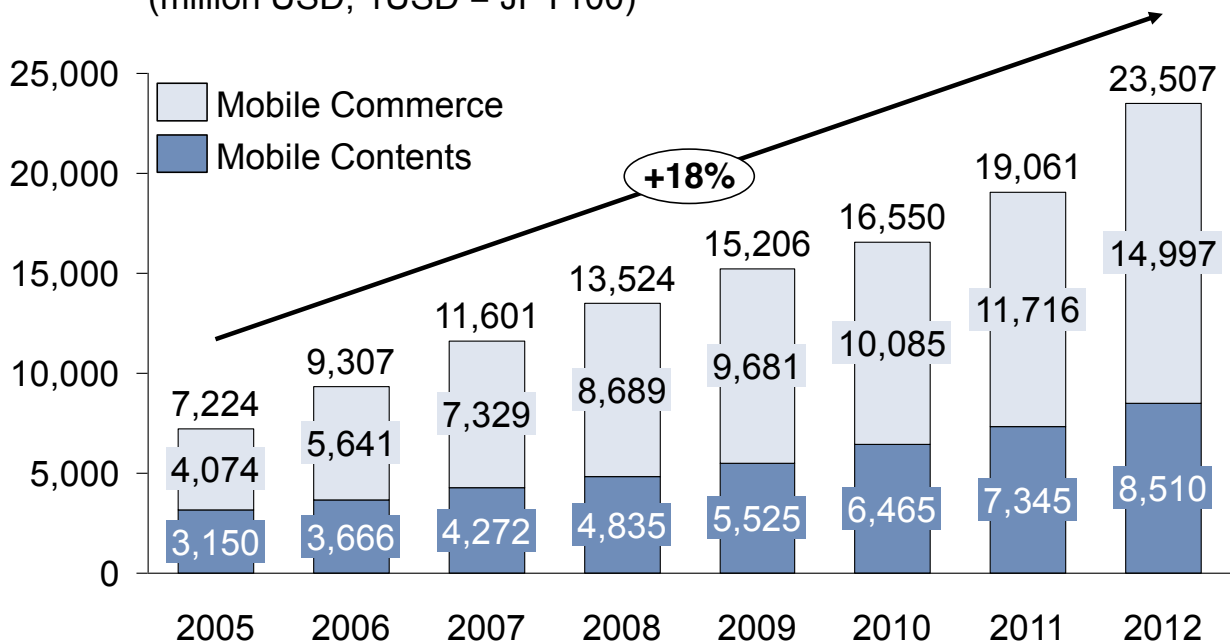
SOURCE: Ministry of Internal Affairs and Communications, IDC Japan, MMD


## Mobile contents)

### Japan's mobile contents market shows strong growth

#### Market size of mobile contents and commerce

(million USD; 1USD = JPY100)



 US mobile contents market is estimated to be 6.8 billion USD<sup>1</sup>

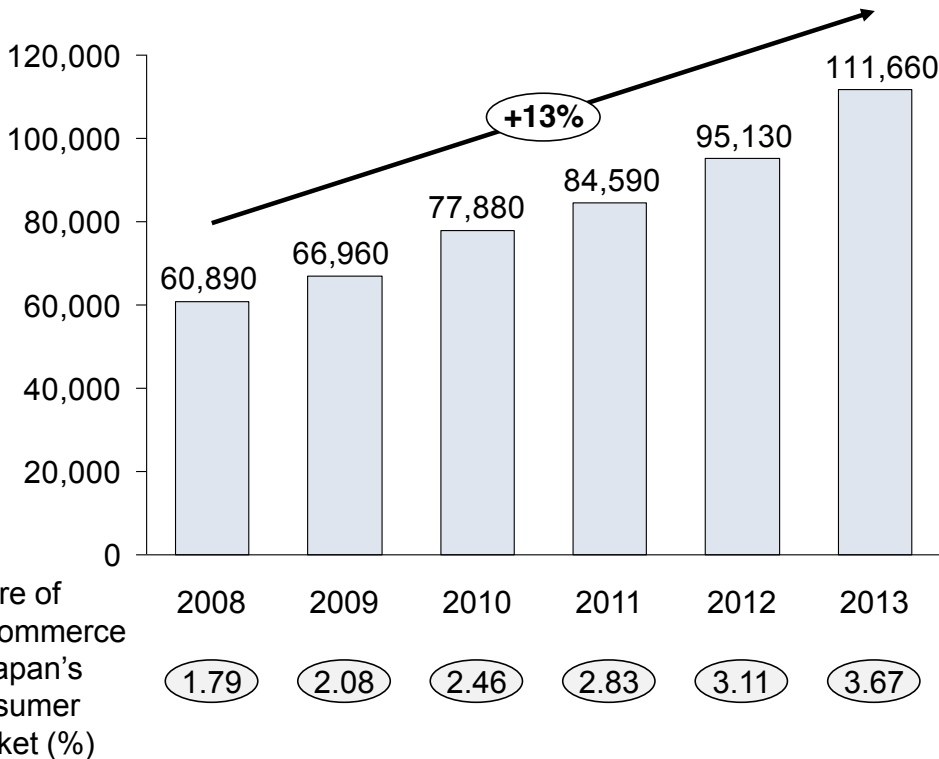
<sup>1</sup> Calculated based on global digital goods market size and U.S. market share among global mobile contents market

SOURCE: Ministry of Internal Affairs and Communications, GLOBIS CAPITAL PARTNERS, Mobile Contents Forum, Deutsche Bank, ResearchMoz, ITU - ICT Statistics

## E-Commerce)

**B2C E-Commerce shows steady growth led by key players and smartphone penetration**

**Market size of B2C E-Commerce in Japan**  
(million USD; 1USD = JPY100)



**Key E-Commerce companies**



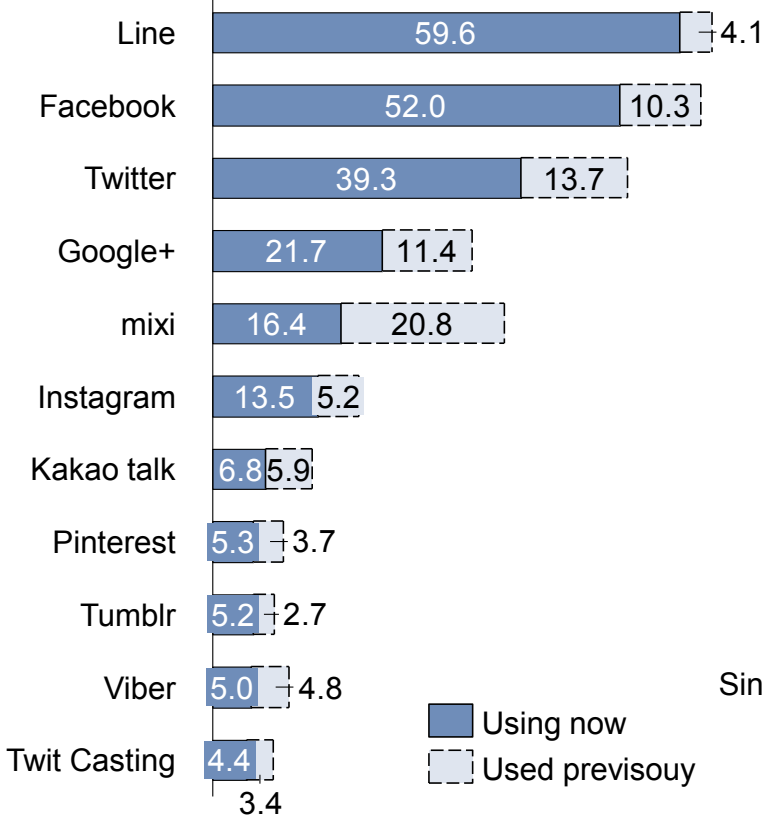
SOURCE: Ministry of Internal Affairs and Communications

## SNS 1/2)

**Line is the most commonly used service in Japan. Japanese users prefer to communicate anonymously**

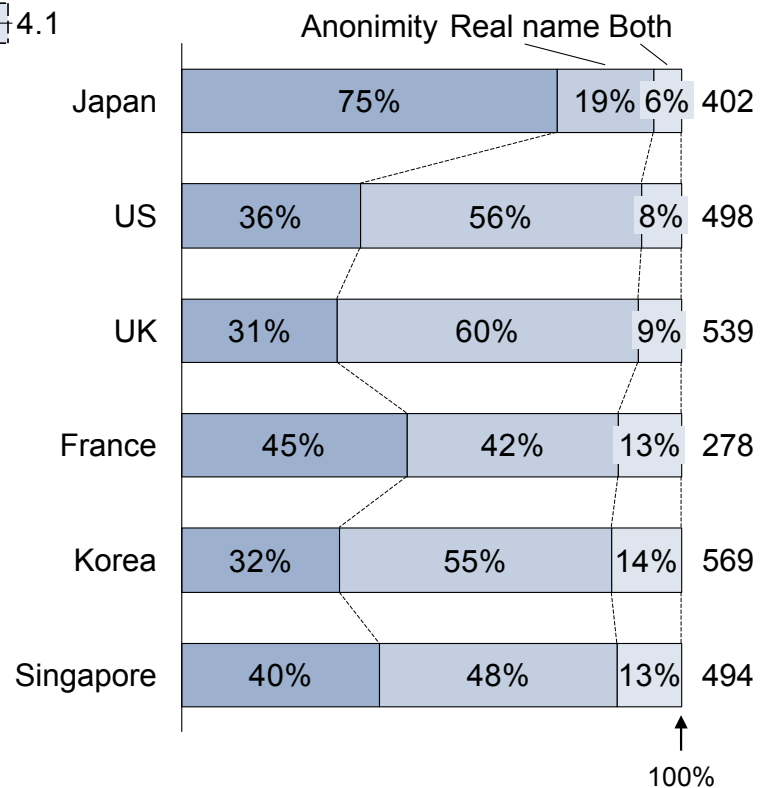
**Survey on SNS/communication service**

(2014; N=562)



**Survey on anonymous use of Twitter by country**

(2014)

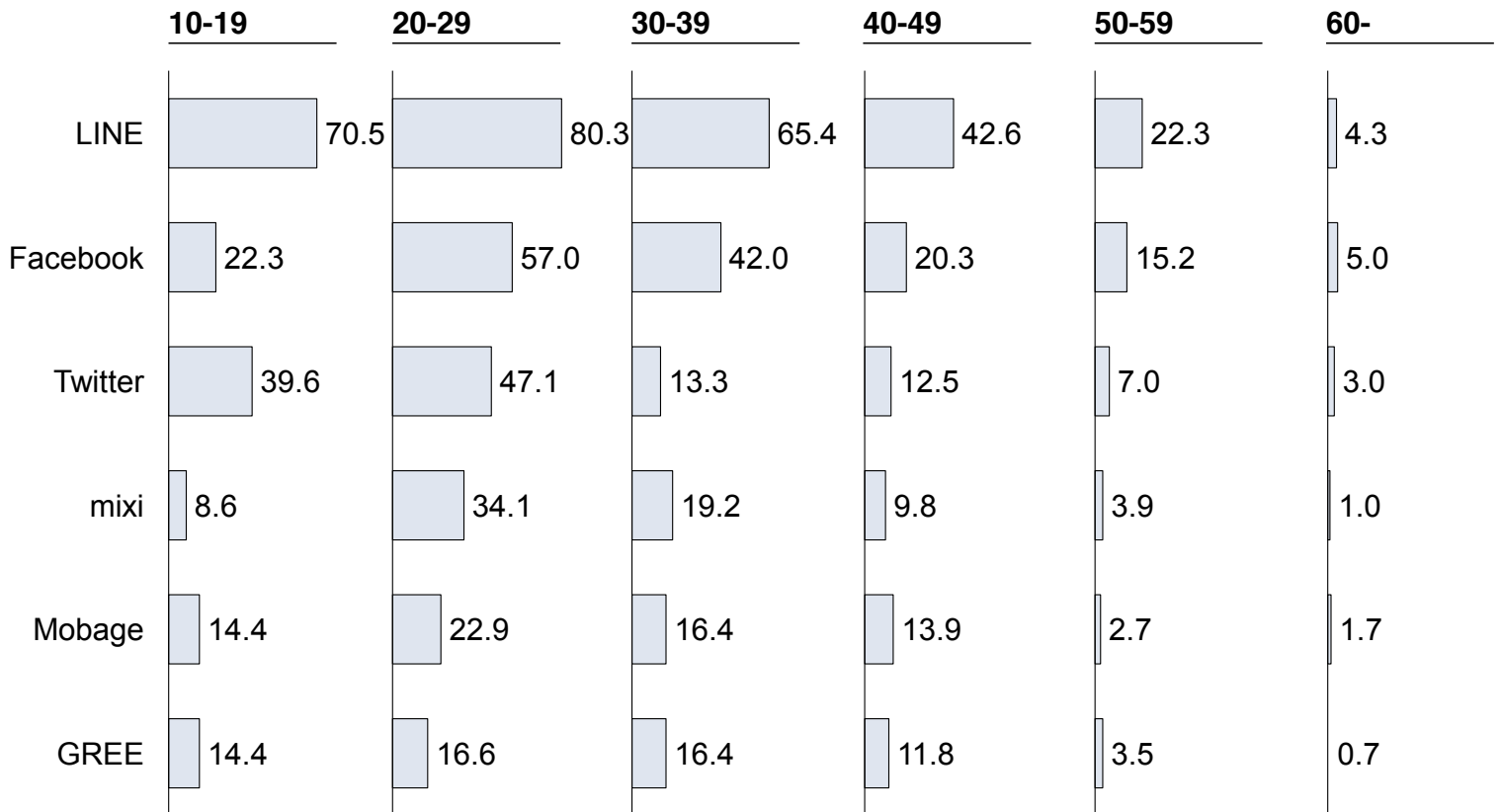


## SNS 2/2)

### People in their 20s is the most active users

#### Survey on web service use by generation

(%; 2013)



SOURCE: Ministry of Internal Affairs and Communications

## Example of Venture Capital Firms in Japan

Venture Capital Firms	Investment volume* (USD million; 2014)	Type of VC			
		Financial	Independent	CVC	Foreign
Innovation Network Corporation of Japan	113	Governmental Organization			
JAFCO	69	✓			
WiL	56		✓		
Globis Capital Partners	40		✓		
Global Brain	32		✓		
The University of Tokyo Edge Capital	24		✓		
Nissay Capital	22	✓			
Fidelity Growth Partners Japan	19				✓
SMBC Venture Capital	15	✓			
Nippon Venture Capital	14		✓		
Atomico	14				✓
Doll Capital Management	13				✓
Mizuho Capital	11	✓			
Mitsubishi UFJ Capital	11	✓			
B Dash Ventures	10		✓		
Itochu Technology Ventures	9			✓	
Gree Ventures	9			✓	
Hiroshima Innovation Network	8	Governmental Organization			
Recruit Incubation Partners	8			✓	
YJ Capital	8			✓	

\* Please note the data may not be comprehensive  
SOURCE: Japan Venture Research