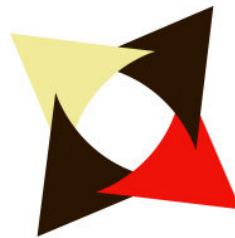


Cross-Border Investing in Asia

**US-Asia Technology Management Center
Stanford University**



**Koji Osawa
Managing Principal & Co-Founder
Global Catalyst Partners**

November 18, 2004



GLOBAL CATALYST PARTNERS

Global Catalyst Partners

- **VC for Early Stage Start-up Companies in IT sector**
(Component, Software, System/Sub-System)
- **\$158M under management**
- **Management Team**
 - **Kamran Elahian (Chairman & Co-Founder)**
(Co-Founder of Cirus Logic, NeoMagic, Centillium)
 - **Koji Osawa (Managing Principal & Co-Founder)**
(Mitsubishi Corp.)
 - **Vijay Parikh (Managing Principal)**
(VP & GM, CISCO Systems)
 - **Art Schneiderman (Principal & Co-Founder)**
(Senior Partner, Wilson Sonsini Goodrich & Rosati)
- **Global Operation**
 - US, Japan, Beijing, Singapore



Why Asia Now

Now is the Timing

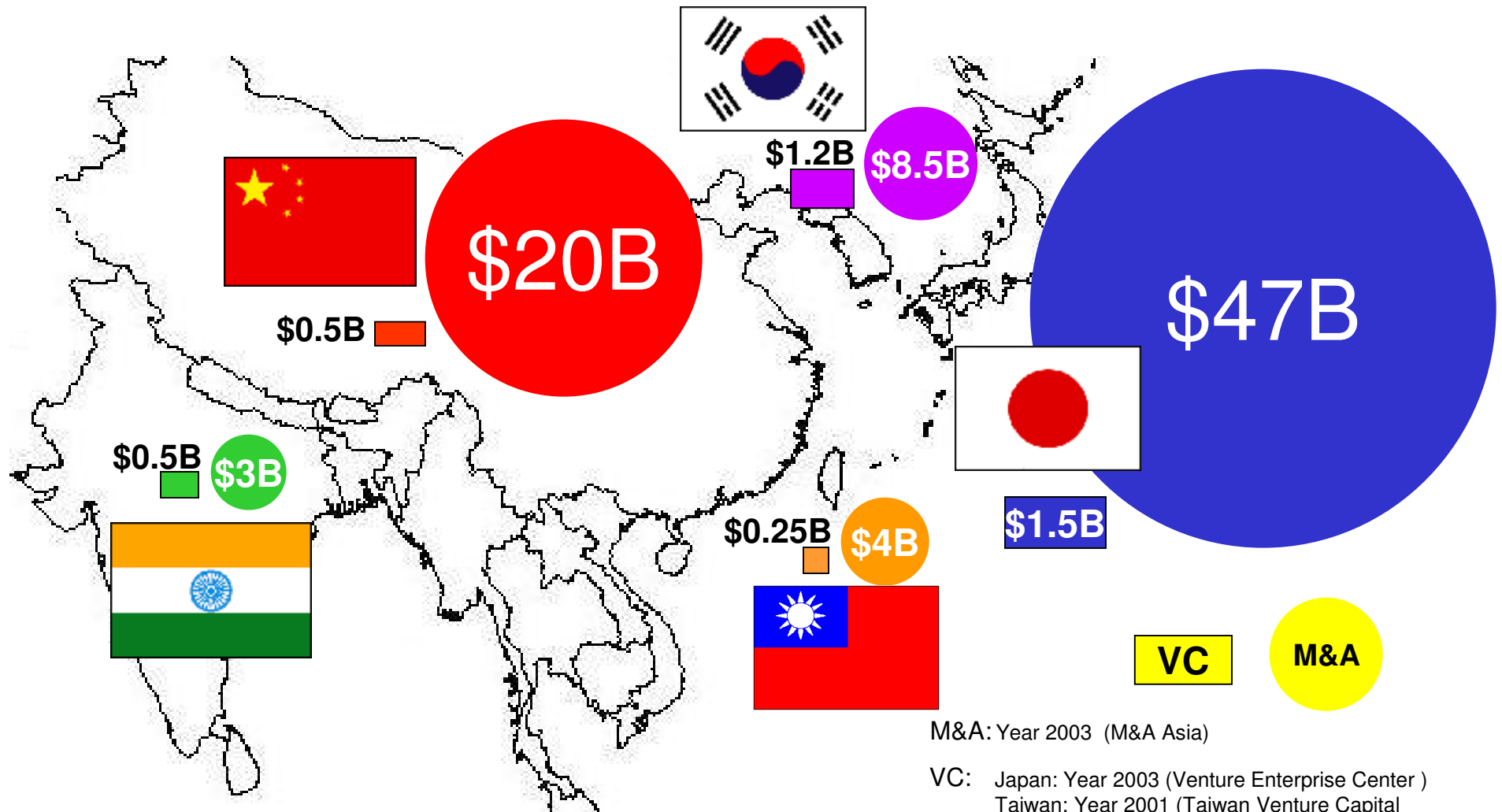
- Huge Market Opportunities
- Capital Efficiency
- Active VC / M&A in Asia

Network Development Takes Time...

- Local Presence is Important
- Importance of Relationship with Key People
- Differences of Business Culture & Practice



VC / M&A Activities in Asia



M&A: Year 2003 (M&A Asia)

VC: Japan: Year 2003 (Venture Enterprise Center)
 Taiwan: Year 2001 (Taiwan Venture Capital Association)
 Korea: Year 2000 (AltAssets)
 India: Year 2003 (Financial Express)
 China: Year 2003 (Venture capital Journal)



Asian Investment Pros/Cons

- **Pros**

- Direct Access to Huge Asia Market (China, India)
- Capital Efficiency
 - Typical fabless semi- company in China takes \$25m to get to breakeven vs \$60m in US
- Proven Exit Route on Nasdaq or HK/Sing or M&A with US Companies
 - Nasdaq:SMIC, Shanda, Sina, Sohu, Linktone, Kongzhong, AsiaInfo, Tom Online, Ctrip, China Finance Online, 51Job, eLong
 - M&A: EachNet (eBay), Joyo (Amazon), 3721 (Yahoo)

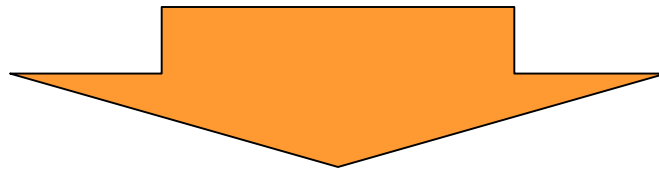
- **Cons**

- Corporate Governance
- Relationship Driven Economy & Business Practice/Culture
- Transparency
- Lack or Limited Local Liquidation
- ‘China Dream’ syndrome; investor ignorance



Opportunities for Start-ups in Asia

- Capital Efficiency / Off Shoring
- Huge Domestic IT Markets



Next Global Enterprises are from Asia

First : Cost Reduction & Customization Approach
Then : Global Enterprises with Innovative Technologies



International VCs in China

□ US VCs, US PE Funds

- Newbridge, Carlyle, Intel Cap., Walden, Doll, NEA

□ Japan VCs

- JAFCO
 - 3721 bought by Yahoo
- Softbank Asia Infrastructure Fund
 - Shanda Networking IPO NASDAQ

□ Taiwan

- Acer Ventures

□ Singapore

- TIF fund of funds
 - Chengwei Ventures
 - Venture TDF China



Intl. VC fund benefits to China start-ups

- Provide credibility for overseas listing
- Resources for overseas expansion and partnerships
- Bring international standards and best practices



Sources of Venture Capital in China


Country	VC firms	Investible Capital (US\$m)	Ave Fund Size (US\$m)
US	16	3,448	215.50
Singapore	4	1,013	253.25
Hong Kong	10	532	53.20
Japan	3	360	120.00
Europe	5	306	61.20
Taiwan	2	80	40.00

Yr 2003 Data from Zero2IPO



Buy-out Activities in Japan

Ripplewood Holdings

Long-Term Credit Bank of Japan \$1.1B('99)  IPO at TSE \$2.2B('04)

Columbia Music Entertainment \$103M('01)



Phoenix Seagaia Resort \$171M('01)



Japan Telecom  \$2.5B('03)

Acquired by Softbank BB \$3.2B('04)



THE CARLYLE GROUP



\$2.1B('04)



GE Capital

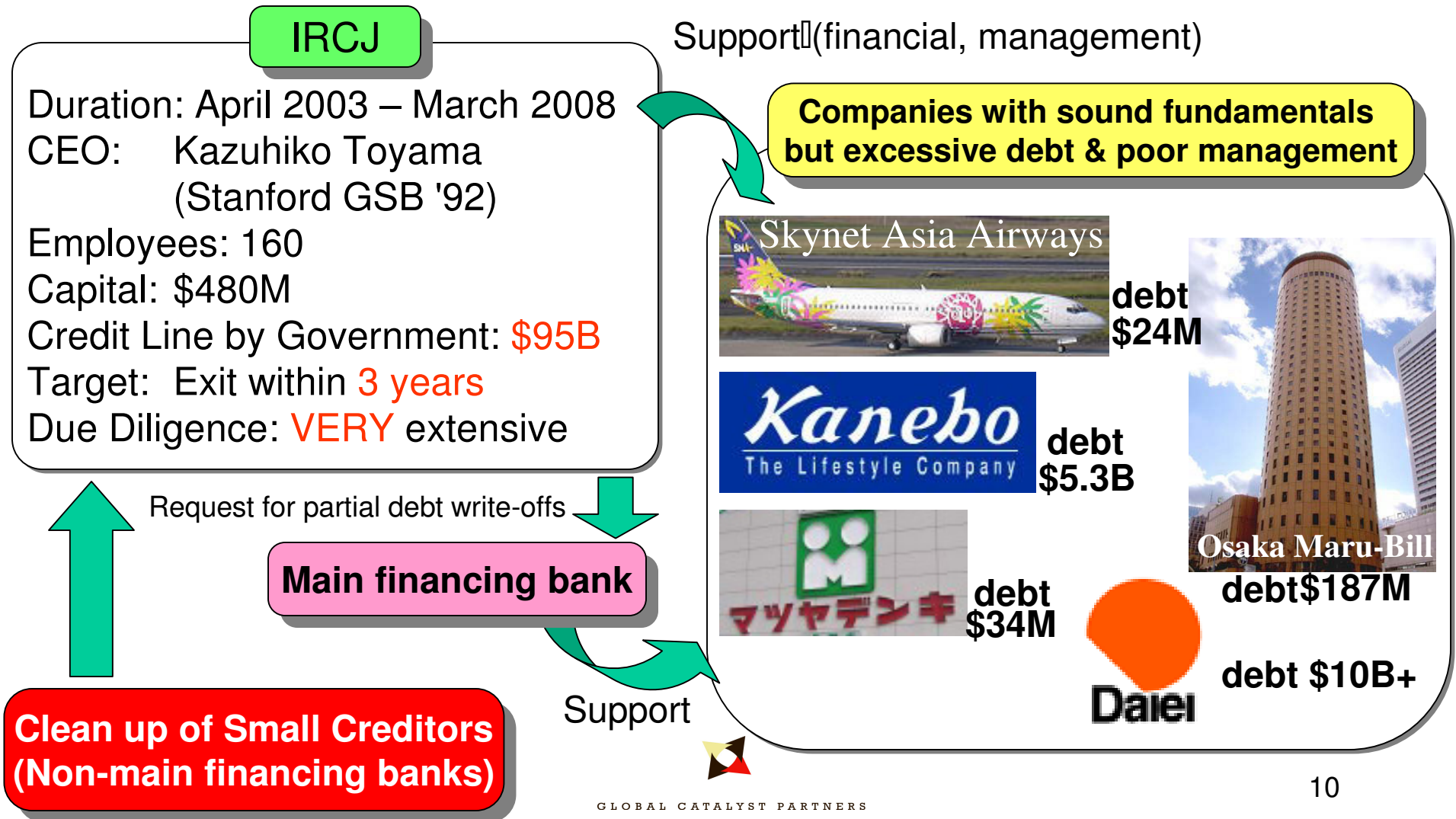
Toho Insurance \$685M('98)

Japan Lease \$7.6B('99)

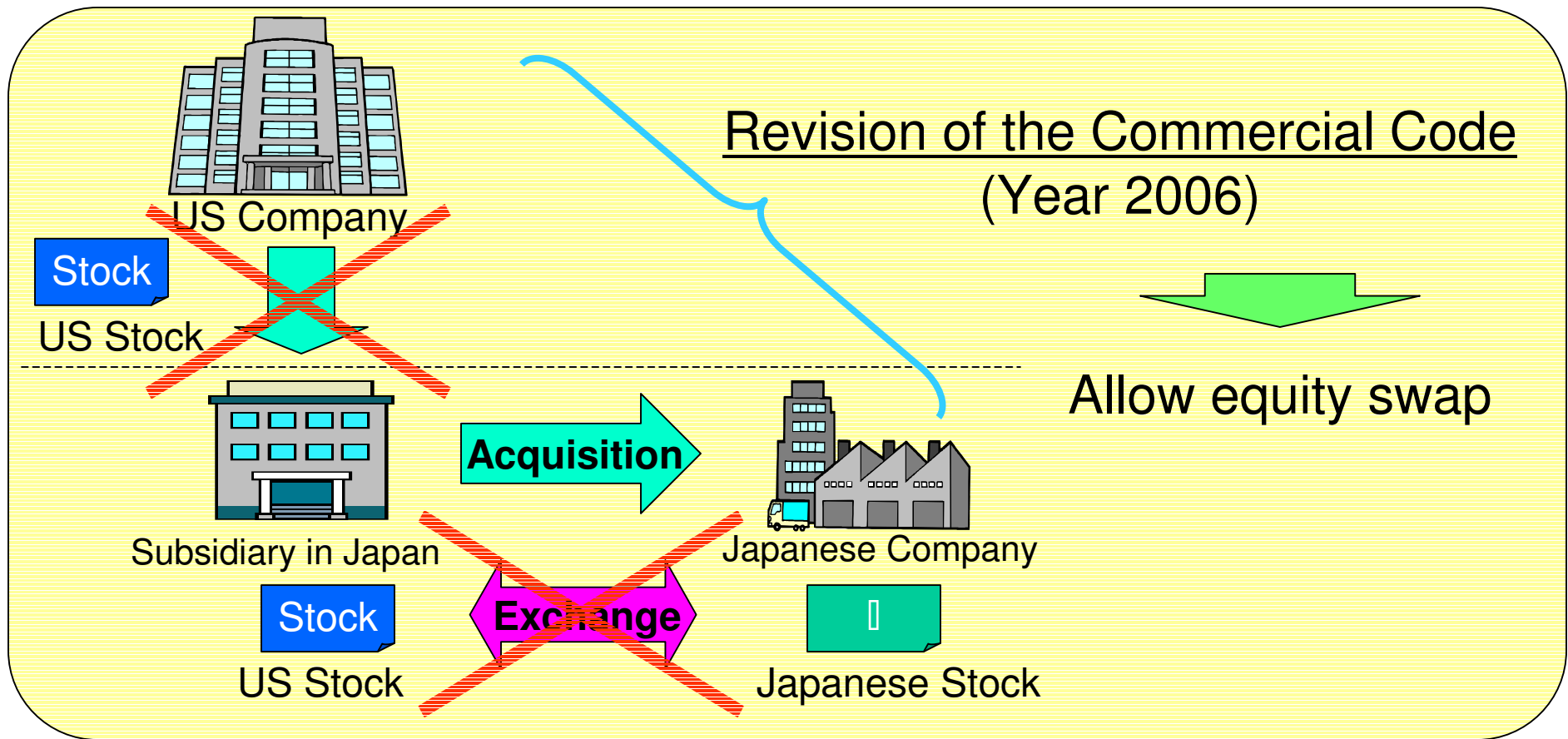


IRCJ (Industrial Revitalization Corp. of Japan)

Mission: Revitalize Japanese economy by acceleration of bad-debt cleanup



New Foreign Direct Investment Scheme



Expand M&A Activities by foreign companies in Japan

