

# Venture Capital for Mobile Companies

Mobile Monday, Tokyo

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August 25, 2008

**Aki Ohashi**

*Partner*

*Investment Division*

*ngi group, inc.*

**ngigroup**   
Investment Division

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Tokyo 107-0052 Japan  
03-5572-6202

## Agenda:

- about me
- about ngi group, inc.
- about venture capital
- about the ngi group investment division
- why, how, and when to seek venture capital



a few words about me

## About Me

**American  
Born**

**Raised in  
Texas**

**University of  
Texas**





## About Me



**San Francisco**



Carnegie Mellon  
**Tepper**  
SCHOOL OF BUSINESS



**Carnegie Mellon MBA, Pittsburgh, PA**



## About Me



**New York to Tokyo**



**Management Consulting**



**Internet Startup**



**Venture Capital**



a few words about ngi group



Satoshi Kojima  
小池 聡  
代表取締役社長 / CEO



- **Operator and investor in Internet and mobile phone related businesses**
- **Founded on 20 February 1998**
- **Listed on TSE Mothers in 2006** (Stock Code:2497)
- **Market Capitalization: \$98,725,000\***  
(JPY10,710,000,000) as of August 22, 2008
- **267 Employees** (consolidated base), as of the end of March, 2008
- **2009 Financials** (forecast)
  - Net Sales: \$82,962,000\* (JPY9,000,000,000)
  - Net Profit: \$10,140,000\* (JPY1,100,000,000)
- **2008 Financials** (actual)
  - Net Sales: \$72,670,000\* (JPY7,775,000,000)
  - Net Profit: \$6,775,000\* (JPY735,000,000)

\* 1USD = 108JPY



Venture Capital  
Investments

Operating Companies

- Venture capital investments into early stage IT and mobile phone related startups

Virtual Worlds  
Markets



Developer of Virtual  
Worlds Software  
such as:

- 3Di OpenSim
- 3Di OpenGrid



Publisher of Virtual  
Worlds Related  
Media Such as:

- The Second Times
- The Second Times  
Business Edition
- NaviSL

Mobile Phone  
Markets



- Mobile SEO
- Mobile Marketing
- Mobile Solutions
- Mobile Media

- Listed on Centrex  
(Stock Code: 3821)
- Founded on 30 June  
2000

Other



Jobweb



ALTOVISION



Fujisan.co.jp

and many more...



## Investment and partnership to develop virtual worlds with Japan's largest telecommunications company



Direct  
Investment

~\$13 M\*

~\$1.6 M\*



- Japan's largest telecommunications carrier and 40<sup>th</sup> on the Fortune Global 500
- ~194,000 employees on consolidated basis (as of March 2008)
- ~\$97 billion revenue and ~\$5.8 billion net income in 2007\*

- NTT invested ~\$13 million into ngi group, inc. and ~\$1.6 million into 3Di, Inc.\*
- This was the first time for NTT holding company to invest directly in a third-party company
- One of the main reasons for this investment is their commitment to developing virtual world applications for the Next Generation Network (NGN).

### NTT Companies Include:



\*note: \$1US = ¥109JP



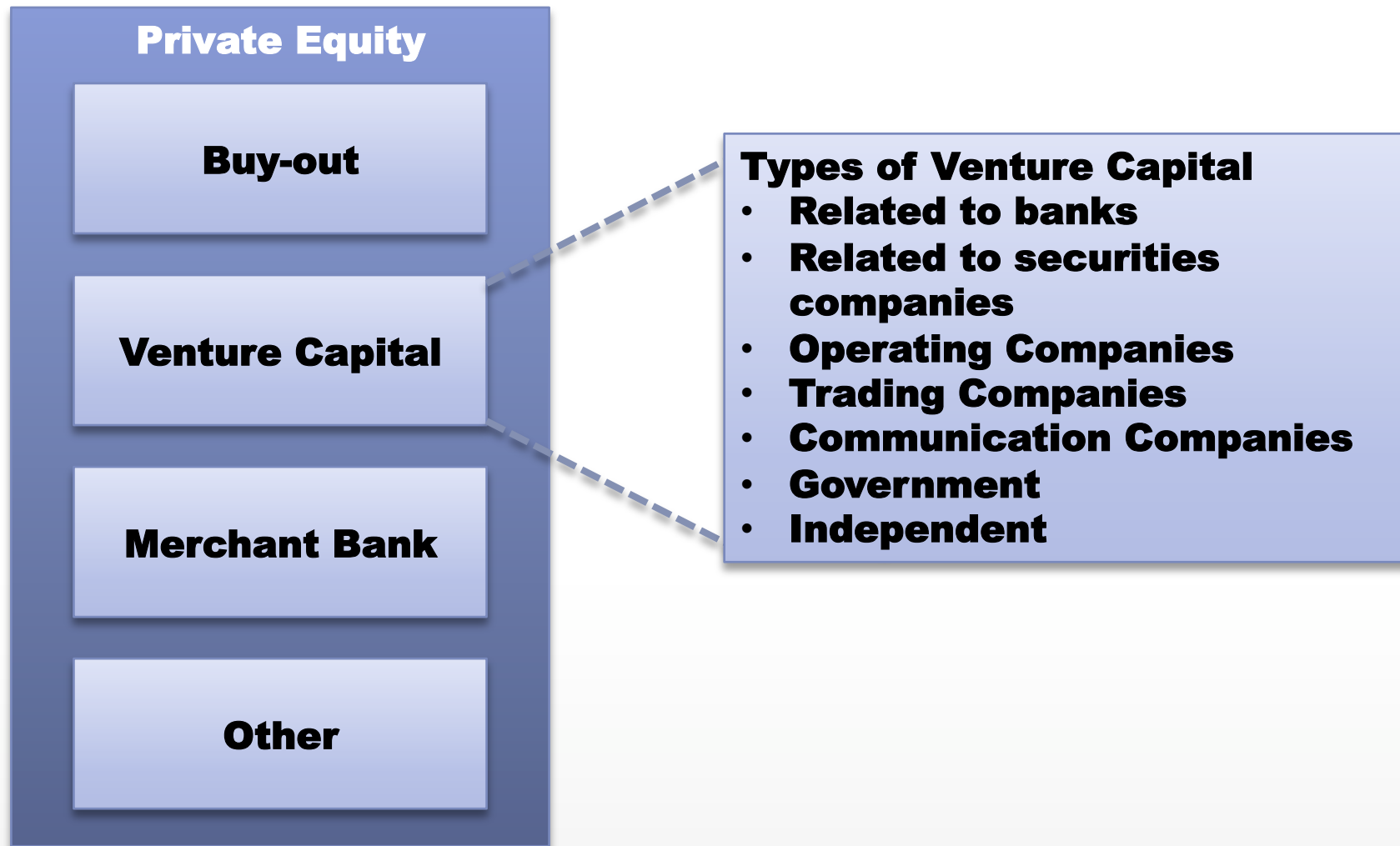


about venture capital

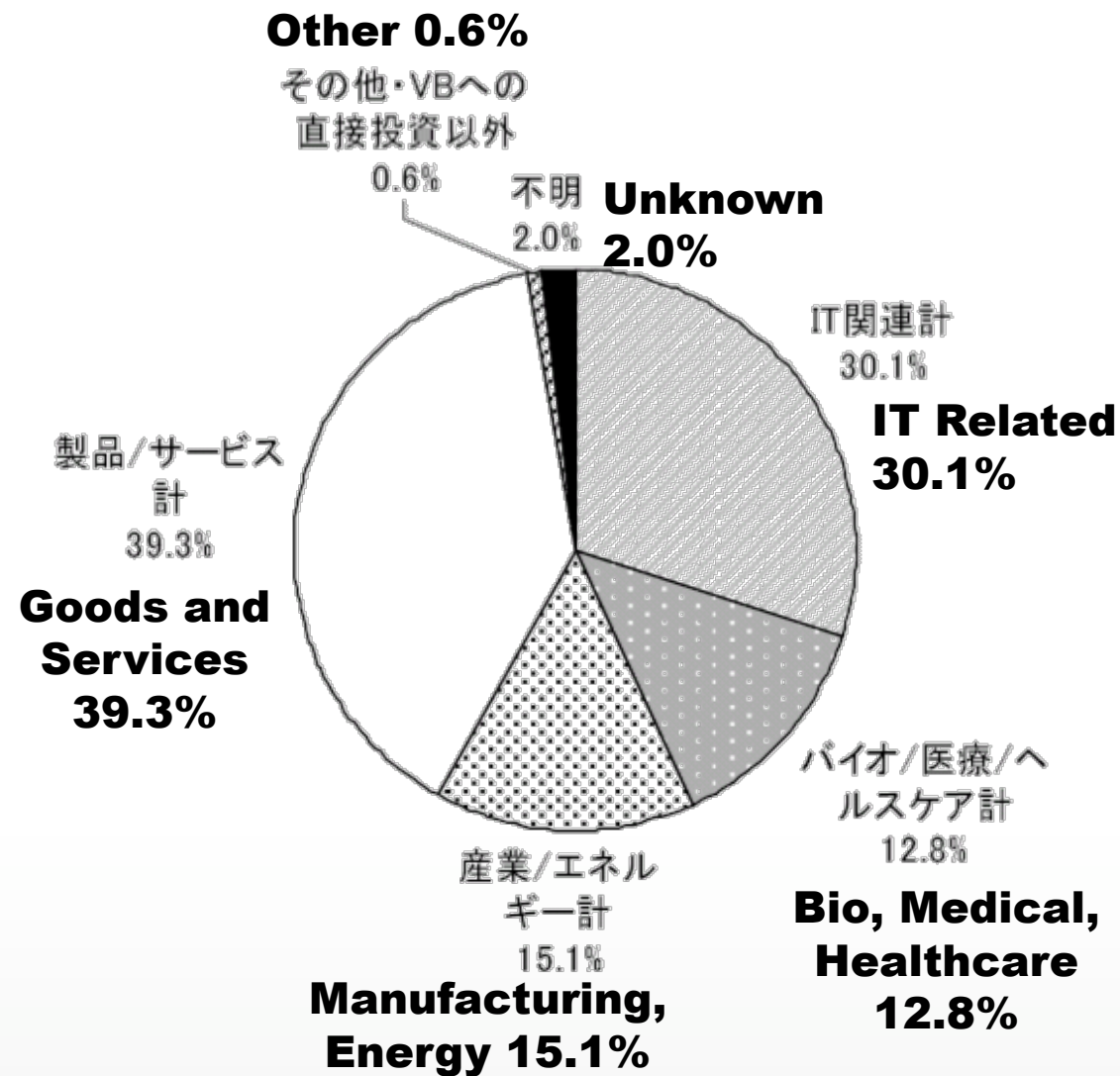
# about venture capital

- what is it?

**Venture Capital is a subset of a class of investments called Private Equity**

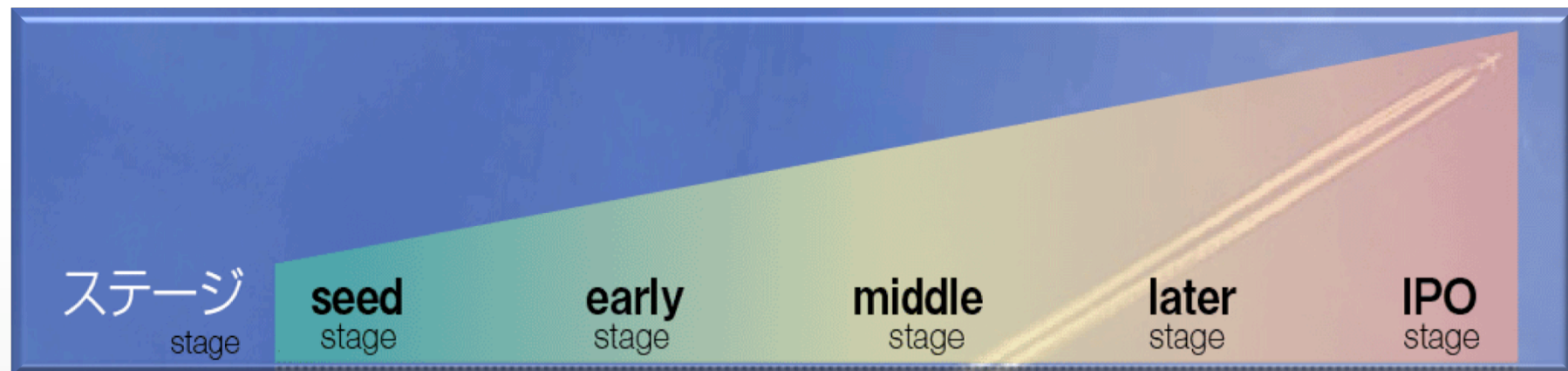
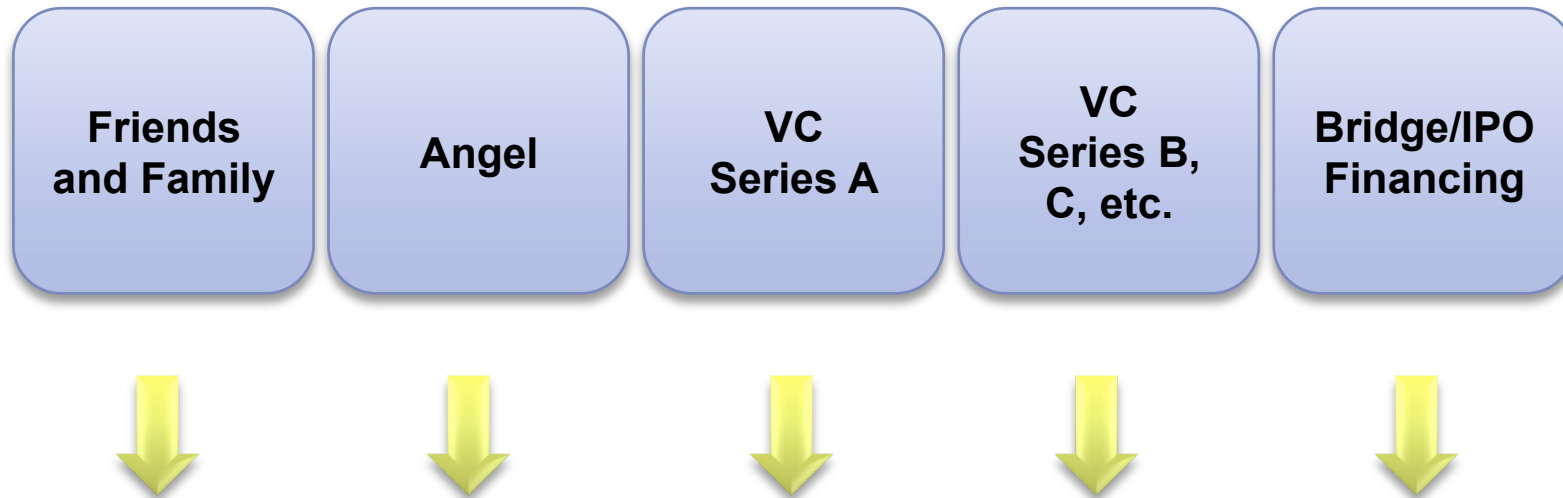


**In Japan,  
Venture  
Capital  
invests in  
Goods &  
Services  
and IT  
Related  
companies**

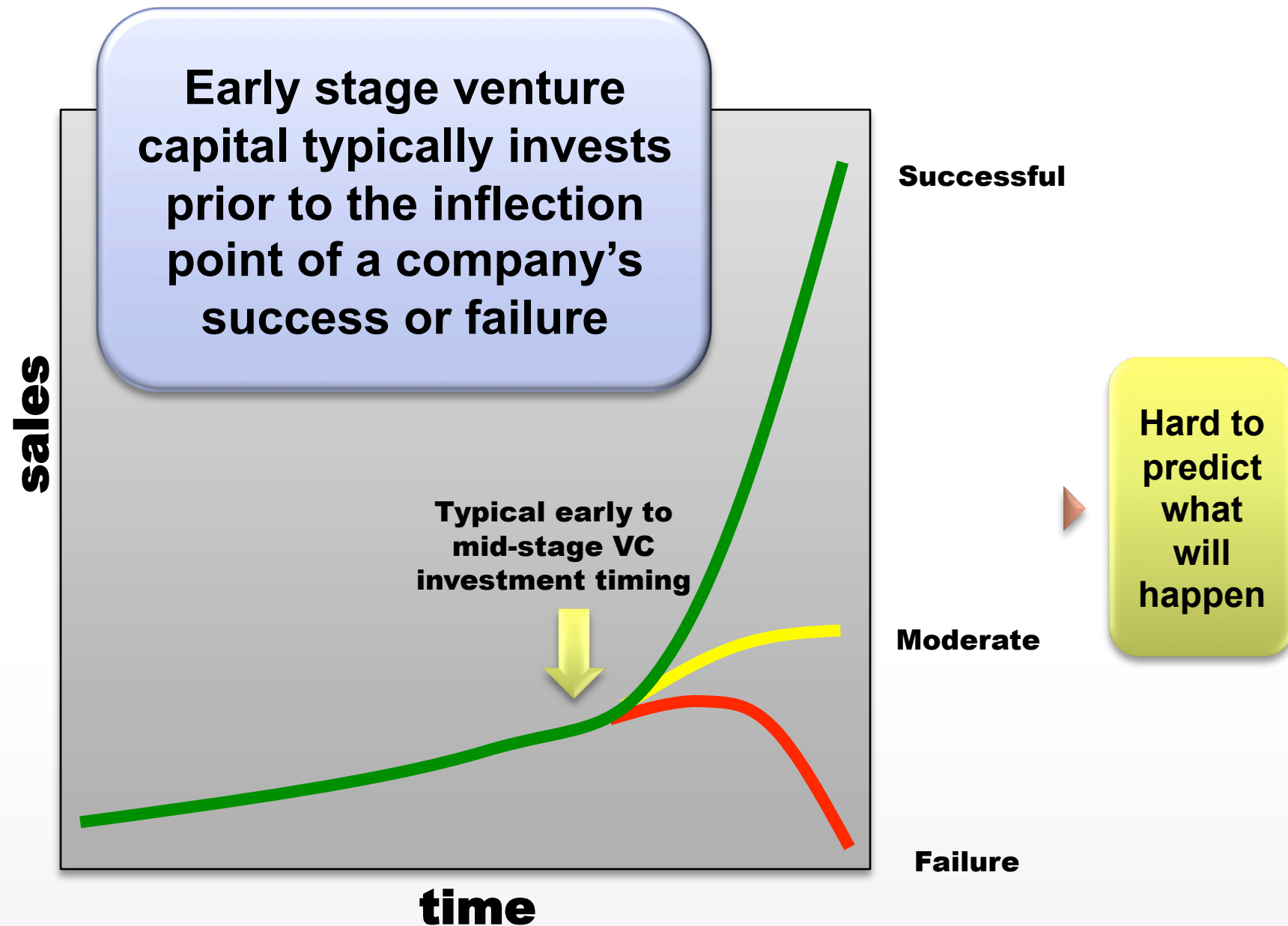


Source: <http://www.vec.or.jp/toushi.html>

## Company Funding Rounds

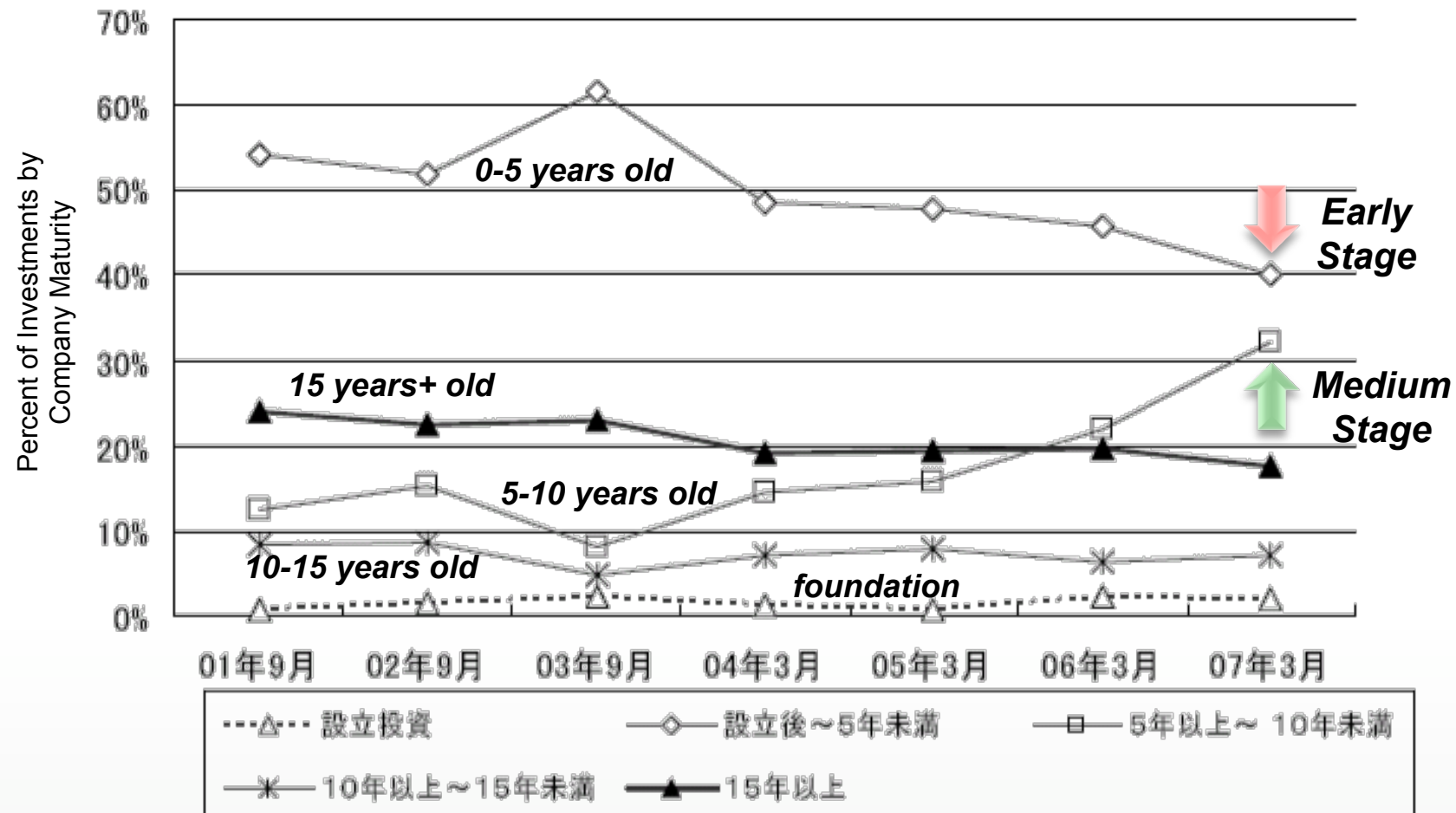


## Stage of Company Development



## About Venture Capital

**Investments in early stage companies (<5 yrs) is decreasing while medium stage (5<yrs<10) is increasing**



Source: <http://www.vec.or.jp/toushi.html>

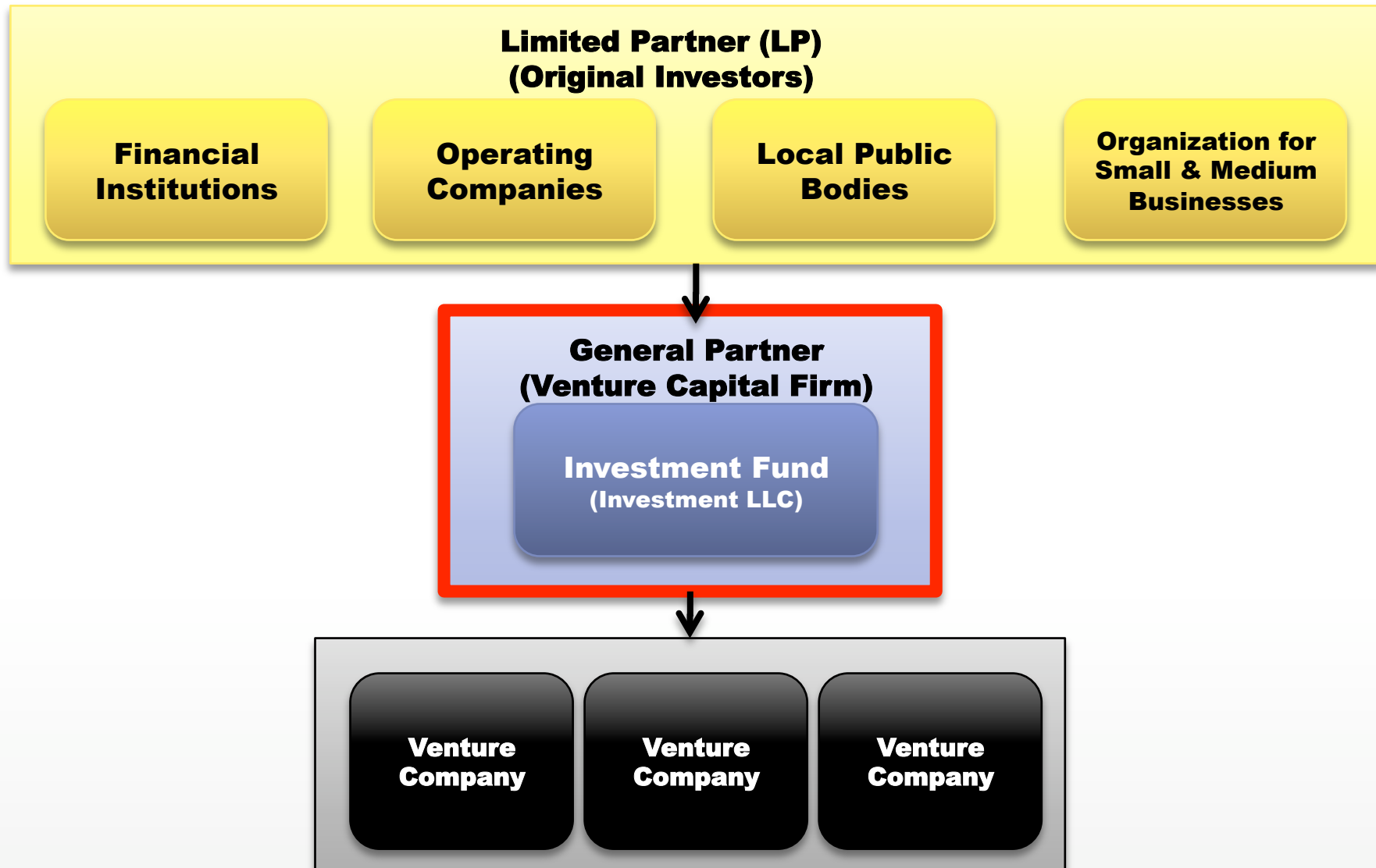


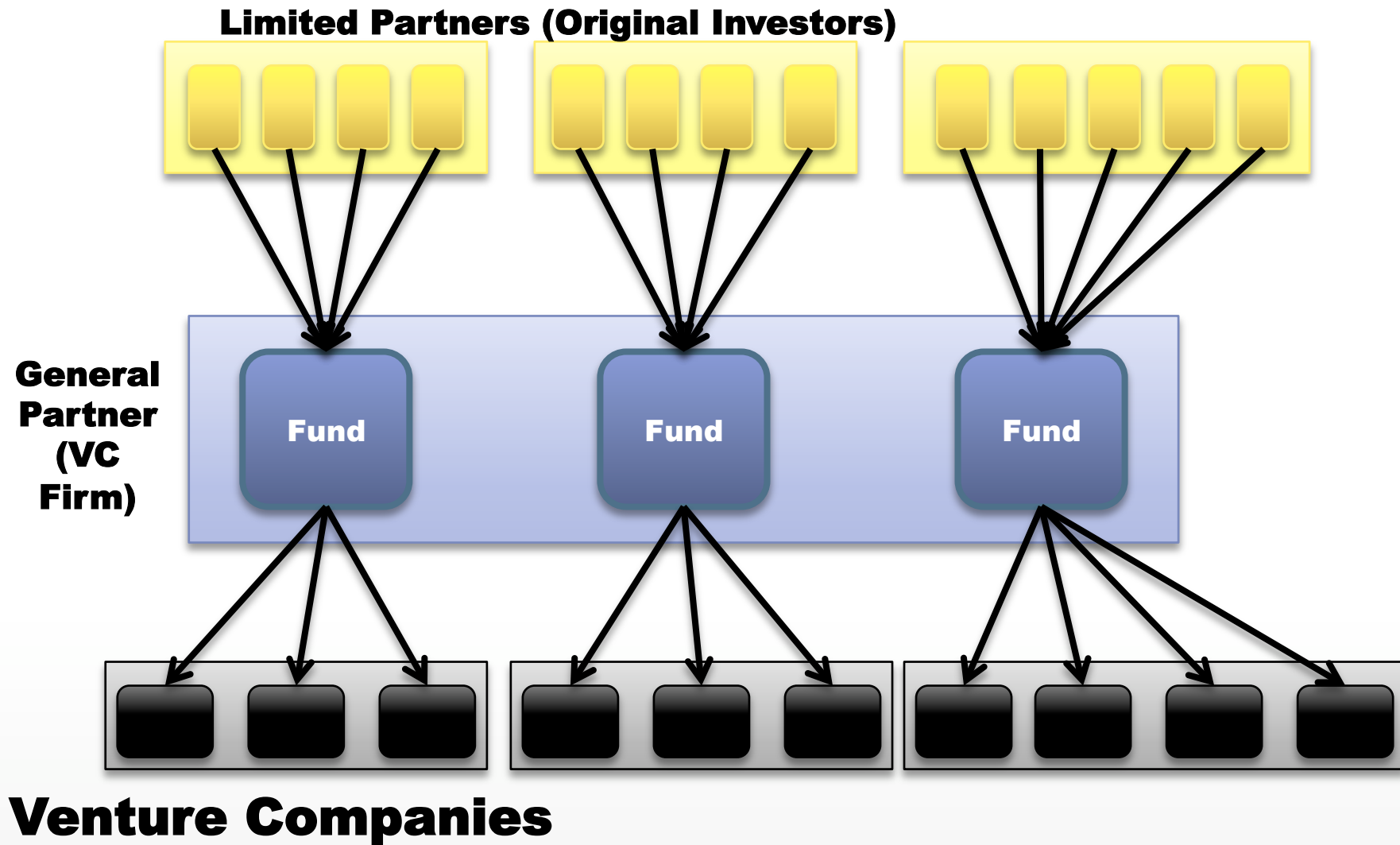
about venture capital

- how is it structured?



## Venture Capital Structure





## 10 Year Life of Fund

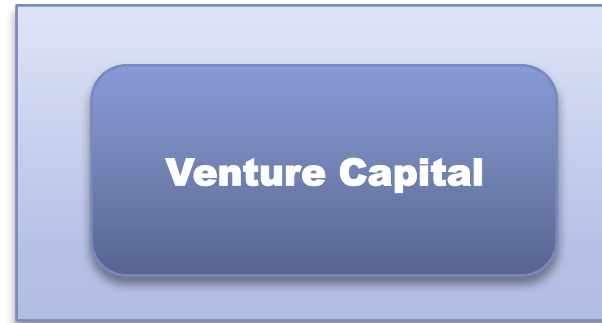
**Each Fund**

**1~4 years**  
Initial  
Investment

**3~7 years**  
Additional  
Round(s)

**3~10 years**  
Exit

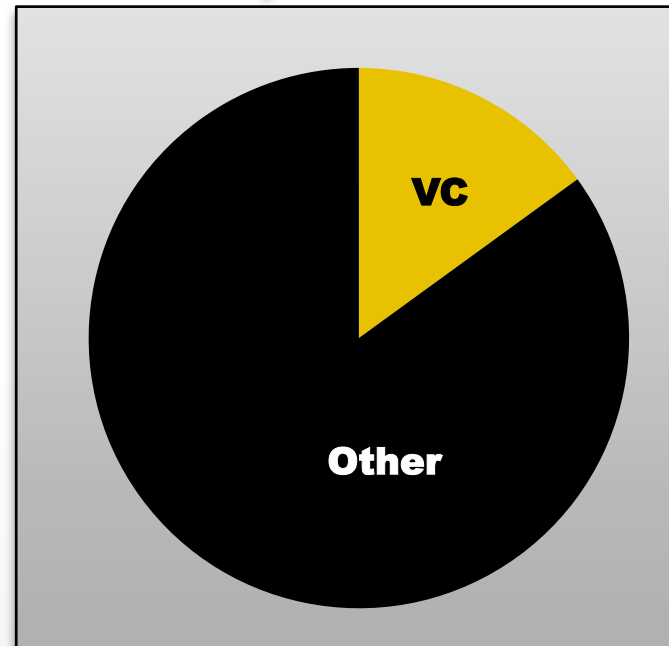
**General  
Partner**



**investment**



**Startup  
Company**

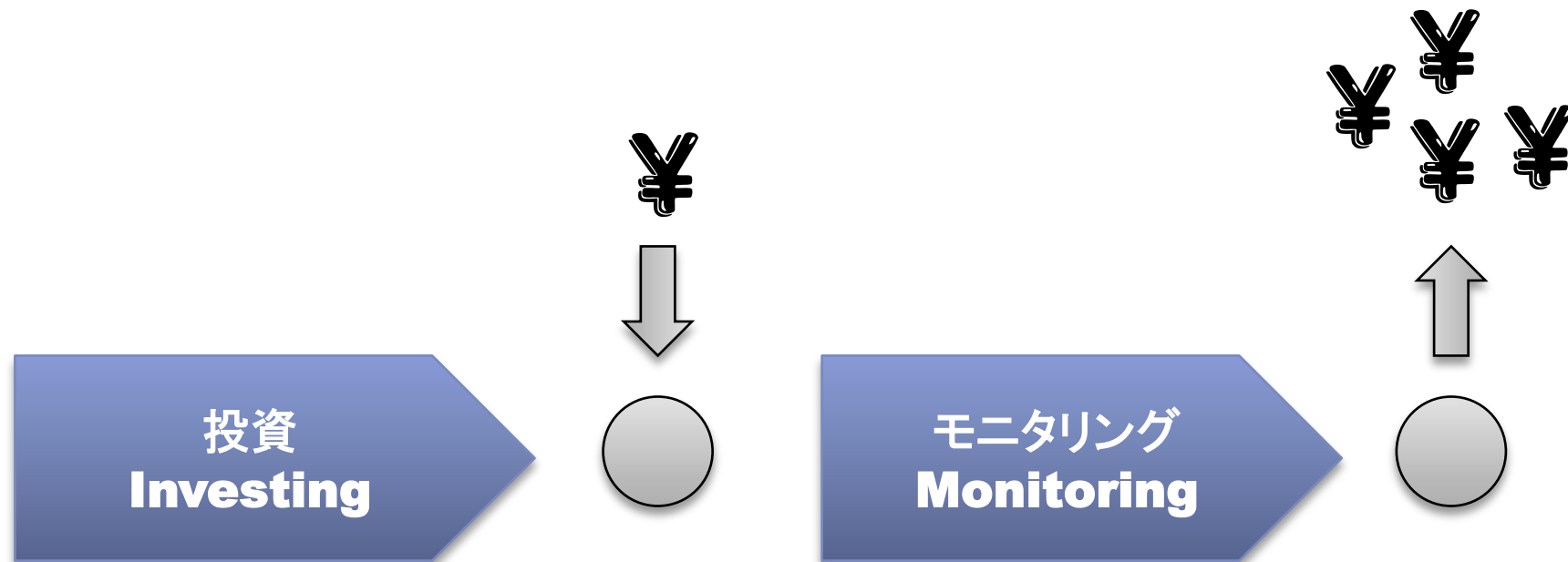




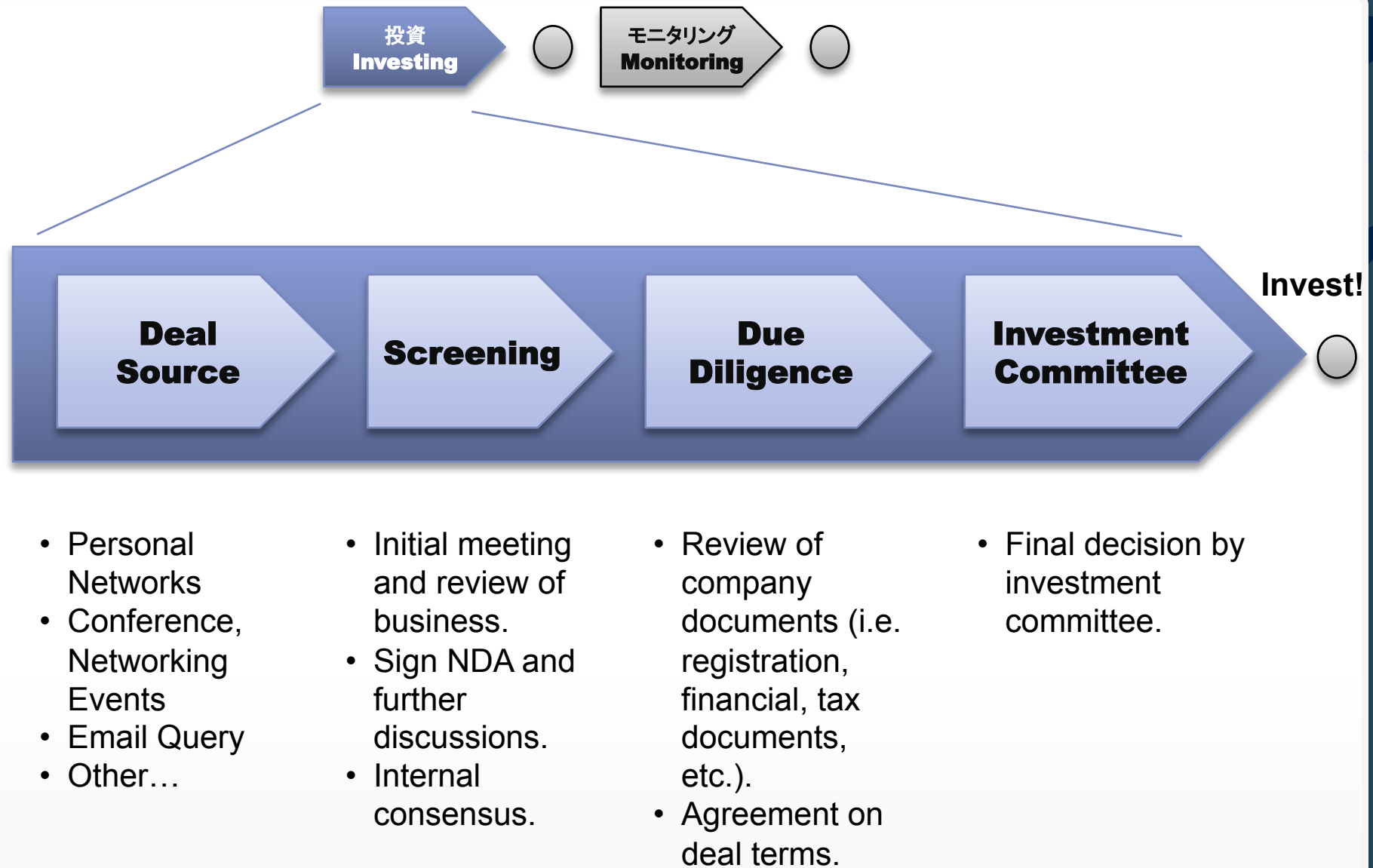
## about venture capital

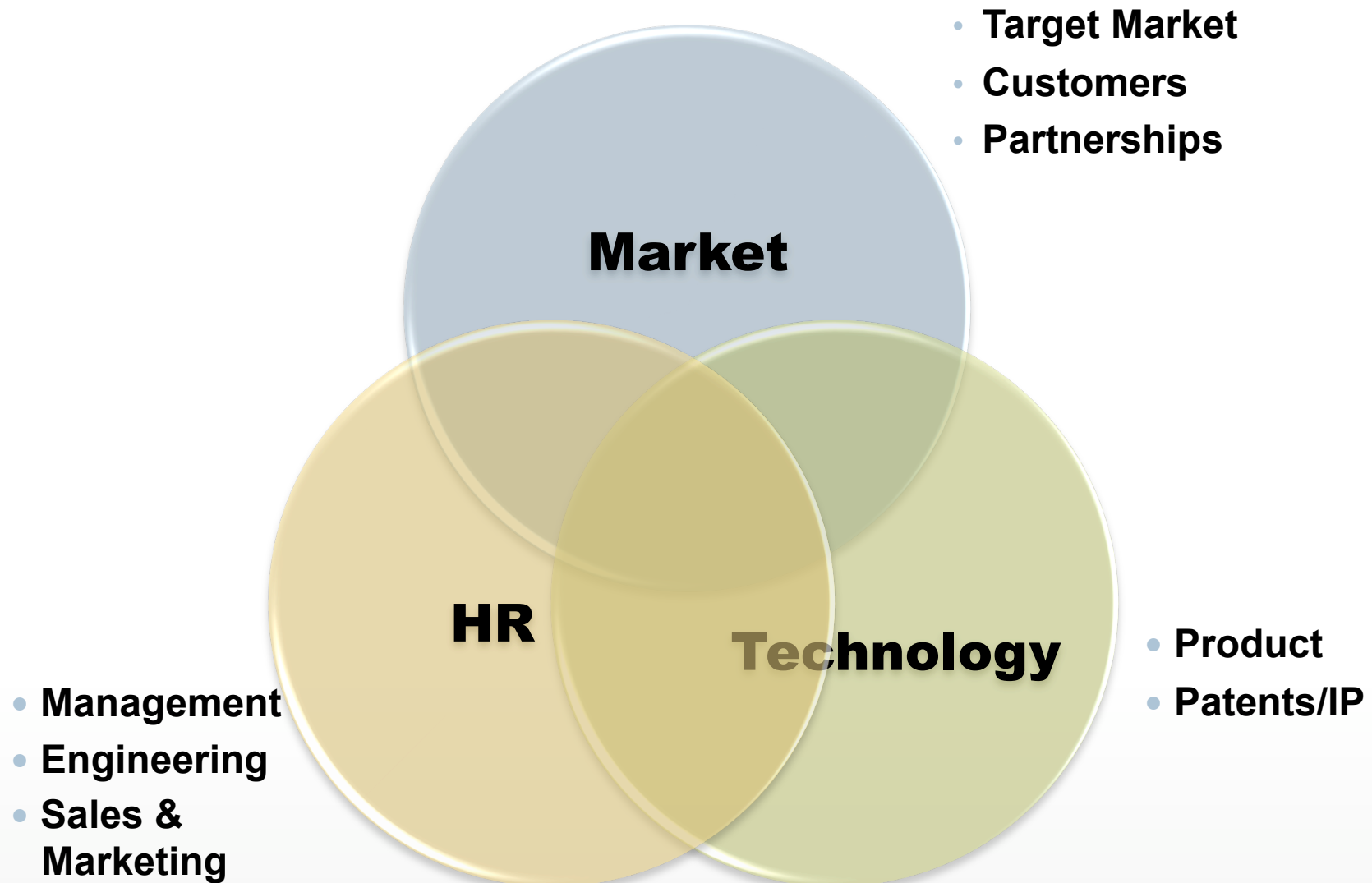
- what is the investment process?

There are two main parts to running a venture capital fund



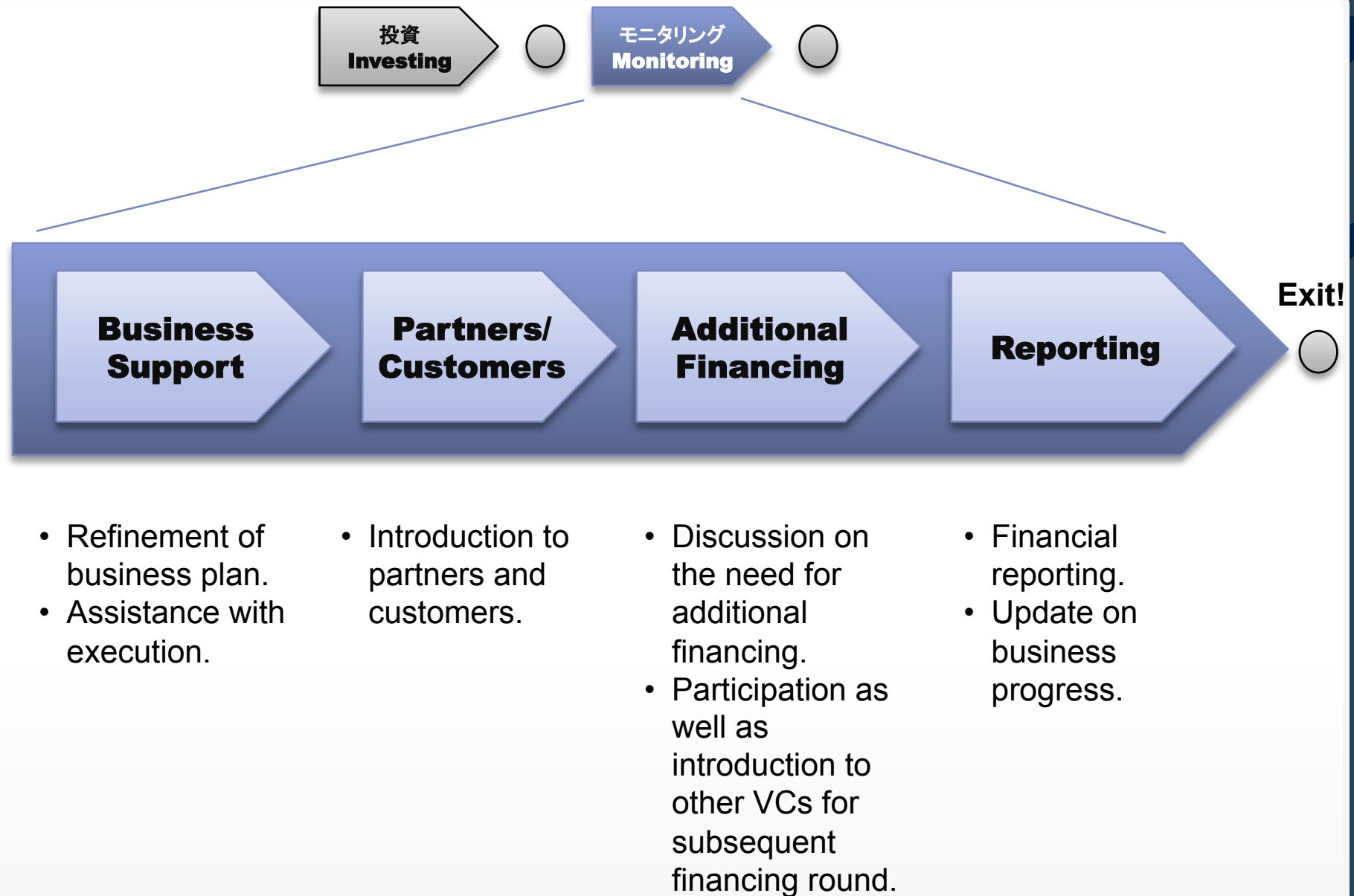
## About Venture Capital







## About Venture Capital





about venture capital

- japan vs. u.s.

**There are some large difference between the Japanese and US IT venture markets**

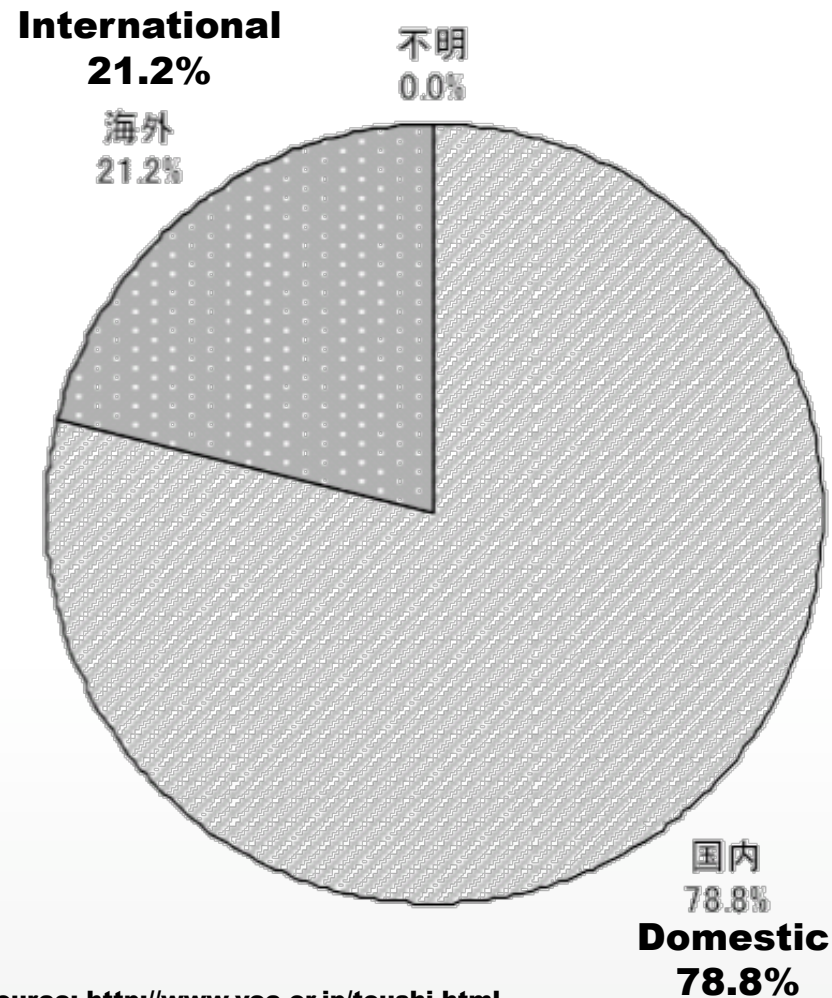
- **The IT startup environment is less mature in Japan:**
  - Fewer startups, fewer entrepreneurs, fewer engineers willing to join startups
  - Less innovation

**Cause or Result?**  
*(probably a little of both)*



- **In Japan, scale of VC is smaller**
  - Rounds are smaller
  - Valuations are lower
  - Valuation increases per round are lower
  - Time between subsequent rounds is shorter
- **In Japan, VC still performed mainly by corporations**
  - Investment division of financial institutions vs. Independent firms
  - Investors are career employees of the company vs. partners
  - Investment process is slower

**Average international deal size is over 3x  
average domestic deal size**



**The average  
domestic  
investment is ~  
\$600k while  
the average  
investment  
abroad is ~  
\$1.9m**

Source: <http://www.vec.or.jp/toushi.html>



about the ngi investment  
division



### Venture Capital Investments

- Seed/early stage IT companies
- Hands-on investing style
- 6 funds
- ~\$60 million under management
- ~70 portfolio companies
- 10 investment professionals

\*As of August 2008

### Operating Companies

#### Virtual Worlds Markets

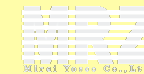


#### Mobile Phone Markets



#### Other

RSS advertising



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and many more...

## About ngi Venture Capital



## Mobile Phone Related Portfolio Companies



*Web and mobile based social network*



*Mobile based content provider and operator of a mobile based social network*



*Location based advertising technology*



*Mobile federated search*



*A variety of web and mobile based services*



*Web and mobile site analytics*



*A mobile 2D virtual world based social network*



*Web and mobile based avatar based social network*



*B2C and B2B web and mobile based avatars*



*Mobile service planning, development, operating, and consulting*



*Mobile advertising, listings, and consulting*



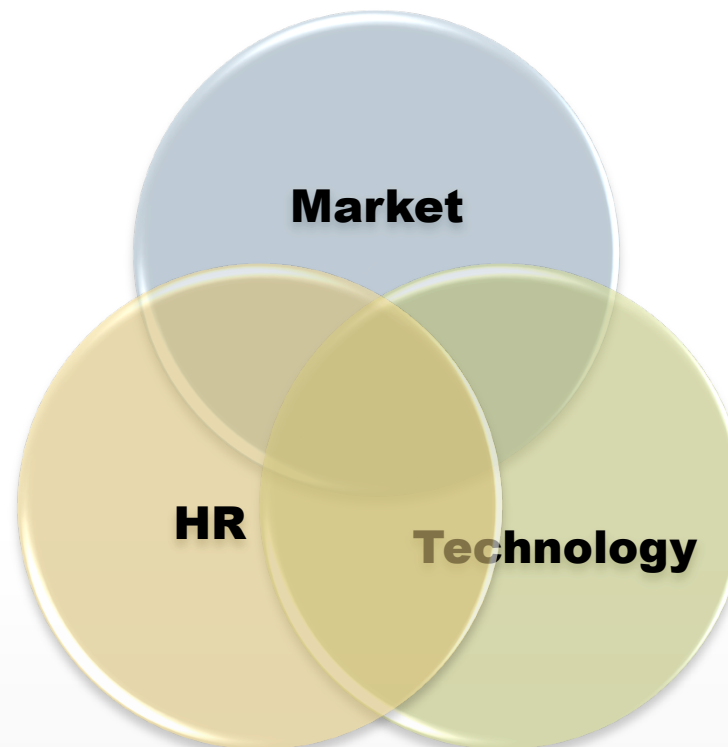
*Web and mobile ecommerce services*





when, why, and how to seek  
venture capital

**Companies we investment in typically excel in  
at least 2 of the 3 evaluation components**



### Typical Candidate for Investment

- **Your company is an early stage Internet or mobile phone related software or service**
- **Your product or service has the potential to scale extremely quickly with a relatively small amount of capital (i.e. not a manufactured product)**
- **Your company has a competitive advantage which is difficult or impossible to copy**
  - Key IP/technology
  - Key partner/relationships
  - Extraordinary management team
  - *Note: first mover advantage by itself is not enough*
- **Your product is in alpha or beta limited release**
- **You have a small amount of or no revenues (profits not necessary)**
- **All or most of management team has been hired**
- **Rapidly growing market (now or predicted)**

## When is Venture Capital not a Good Idea

- *It is too early*
- *You don't need much money (less than \$100K) or need a lot of money (\$100s of millions)*
- *You have no intellectual property (purely an operating play)*
- *You have the need to move extremely fast*
- *You can borrow money more cheaply from friends, relatives, banks, etc.*
- *You are dilution sensitive or need complete control*

**Prepare a 30 minute presentation  
to sell your idea to us**

- Intro to yourself, team
- Basic company info
- Problem/opportunity
- Solution
- Intellectual property
- Competitive advantage
- Go-to-market strategy
- Business model
  - Financial projection
  - Financing plan/milestones

And remember to:

**Tell a good story and  
show your  
excitement**

**Don't be late!**

**Dress appropriately**

**Keep the slides  
simple**

Finally,

**Our job is not only  
to make  
investments, but it  
is also to get to  
know you, the  
startup community.**

# Thank You!

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**ngi group, inc.**

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