

Venture Businesses: Source of Japan's Vitality

Until now, venture businesses (the word "venture" is derived from the same root as "adventure") have invigorated Japanese industries by developing new markets and new businesses. They continue to act as an economic driving force by spurring innovation and job creation. They underpin the competitiveness of Japanese industries, including the three venture businesses introduced here as typical ones, each of which has realized the provision of new added value to society. Regarding venture businesses as essential to Japan's growth strategy, the Ministry of Economy, Trade and Industry (METI) is providing multi-faceted support for them.



Satoshi Sugie, President

WHILL

Personal Mobility that's Fun and Smart

"WHILL" provides next-generation personal mobility to wheelchair users, the elderly as well as able-bodied people. We launched the WHILL project in response to a wheelchair user's comment: "I gave up going to the store just one block away." This comment reminded us that existing wheelchairs have ample room for improvement in terms of functionality as well as styling design. One of the strengths of venture businesses is their ability to try "reckless" challenges. We, at venture businesses, can pursue our own ways and carry out plans that might fail at large companies in the belief that what we do can change the world. We will continue to face various challenges as we engage in day-to-day activities, but we will continue to tackle our mission of "creating a society in which everybody can go out freely, enjoy themselves while maintaining a sense of cool."

CLICK! ● WHILL Inc.



B SIZE



Keita Yagi, Director

Providing Products and Services Combining "Truth, Good and Beauty"

In ancient Greek philosophy, "truth, good and beauty" were regarded as ideal, universal values in "learning, ethics and the arts," respectively. Our company pursues the equivalent of "truth, good and beauty" in the field of "monodzukuri" (manufacturing), namely, "technology, social contribution and design." The name of our company, B SIZE, reflects the Greek ideals; B stands for "beauty," SI derives from "shin," or "truth" in Japanese, and ZE derives from "zen," which means "good" in Japanese. We would not recognize products and services lacking in any one of these universal values as our own. One of the roles for venture businesses is taking risks to create innovation. We hope to help revitalize Japanese industries by complementing our strengths and weaknesses with those of large companies that can assure a stable supply of products because of their superiority in capital adequacy and organization. Starting a business is no more than a means to achieve an end. We will continue to do our utmost efforts to realize our ideals.

CLICK! ● B Size Inc.

aeru



Rika Yajima, Director

Enriching Life and Mind through Traditional Skills

Making better use of the skills of artisans in traditional industries for everyday life, creating an environment that enables children to become familiar with true Japanese craftsmanship, the hope to accomplish such jobs is the base of our business. When I was looking for a job, I was unable to find a company that offered me such work, so I started my own business. To pass on traditions for future generations, it is important to keep providing work for craftsmen. That makes it possible for craftsmen to foster apprentices. To that end, it is necessary to understand the essence of the craftsmanship and culture that have been passed down by artisans and to keep producing attractive products. Therefore, we ourselves continue efforts to create new cultures as bearers of traditions by blending ("aeru" in Japanese) traditional wisdom and modern concepts in ways that emphasize the benefits of both the old and new, rather than merely mixing them.

CLICK! ● aeru



Creating Vibrant Venture

Contributing to
New Working
Styles and
Ways of Living

Businesses

SPECIAL TALK | Soichi KARIYAZONO × Anri SAMATA



Soichi Kariyazono

After graduating from the Faculty of Law, Keio University, Kariyazono earned an MBA at the University of Pittsburgh in the United States. He worked at the Sanwa Research Institute as a business strategy consultant and then got involved in the establishment of the venture capital project of Globis Corporation in 1996. Currently, Kariyazono is a managing partner at Globis Capital Partners.

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Anri Samata

Born in 1984, Anri Samata graduated from the Faculty of Economics, Keio University. After working for the media technology division of Recruit, he joined Kronos Fund and East Ventures. He was involved in the establishment of four companies. As an individual investor, he has been supporting raksul, Inc. since the company's foundation. In 2012, Samata established his own venture capital fund, ANRI.

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Soichi Kariyazono from Globis Capital Partners and Anri Samata from ANRI, a venture capital fund, both of whom invest in venture businesses, will talk about changes occurring in the world of entrepreneurship and their hopes for the future.

Japan's Changing Venture Businesses

Samata: Six or seven years ago, there was a business startup boom among young people. Still, that was an exceptional phenomenon limited to a small group of people. However, I now feel that starting a business is emerging as a natural option for university students who are eager to study abroad or who are actively involved in club activities, for example.

Kariyazono: I see. Seventeen years ago, when I was a novice venture capitalist, I saw many venture businesses performing successfully by relying on their strong sales force. Later, as IT business developed, knowledge-oriented companies started to grow. All management and employees at such companies are people who are likely to be highly evaluated as employees at large companies. Indeed, some people start their own business after having successful experiences at large companies. Just like in the United States, starting a business is becoming a mainstream for elite people. In that respect, what you have pointed out is correct. We must pay attention to the fact that although the number of business startups is still small in Japan, the quality of entrepreneurship has been changing.

Samata: My investment targets are mainly entrepreneurs in their late 20s who have experience working at large companies. Younger generations of people who are proud of their ability to make valuable achievements while young can't wait as long as 30 years to climb to the top of a large company. Such people try to start their own business, hoping to fully exercise their capabilities in business.

Venture Businesses Helping to Revitalize Mature Industries

Kariyazono: I think there has been a change in the motivation to start a business, which used to be economic success. The change was triggered by the Lehman Shock (the global economic crisis that followed the collapse of Lehman Brothers) and the Great East Japan Earthquake. "Is fame obtained through money worthwhile?" "Does making money bring an enjoyable life?" "What does business success mean in the first place?" I suppose these questions have occurred to many people.

Samata: Come to think of it, we see a lot of entrepreneurs prodded into action by the simple idea that "Life would be more delightful if there was a product like this." Of course, as the number of stakeholders increases, the scope of responsibilities borne by the management will broaden. As a result, providing financial returns to shareholders as well as employees will become important. That will provide new motivation.

Kariyazono: To be sure, maximizing profits and increasing corporate value through reinvestment is one of the duties that companies must perform. However, we also want venture businesses to bring new working and living styles. At a time when the industrial structure that enabled postwar Japan to achieve growth and the lifetime employment system are being forced to change, I hope that venture businesses will help to create a new social system, and that, I believe, will be an inevitable course of events.

Samata: I agree with you. Indeed, venture businesses have the strong potential to increase job opportunities that enable working styles different from traditional ones. To cite an easy-to-understand example, they can provide jobs to freelance workers. There is also a case in which a venture business has revitalized a mature industry based on a business model using the Internet. A company, "raksul, Inc.," in which I have invested, operates a portal site that

provides comparison of printing costs and enables people unfamiliar with the printing business to place orders easily. The company supports efforts to increase the operating ratio for the printing industry, which suffers from excess supply, by meticulously satisfying needs.

As a Supporter of Entrepreneurs

Kariyazono: One of the important roles for us venture capitalists is providing guidance to companies in which we invest as to when to speed up and when to slow down in their growth process. Venture capital companies have accumulated experiences of cases of transition from the startup phase to the growth phase. If we make effective use of such experiences, we can predict, to some degree, what will happen in the future by taking account of the characteristics of the markets in which venture businesses operate and their management styles. However, 17 years after the foundation of our company, we have not yet gone beyond depending on empirical knowledge. It is an urgent task to shift to explicit knowledge and establish an optimal method of using our knowledge.

Samata: As I have the experience of starting a business myself, I can well understand fluctuations in the emotions of entrepreneurs between exaltation at success to pessimism. Although my experience as a venture capitalist is still short, I want to continue looking at entrepreneurs objectively at their side and remain a supporter who shares their hardships and who always stays with them. I would also like to respect the strong emotions which people trying to start their own business have and which are difficult to express in words and enable them to exercise their capabilities.

Kariyazono: Although it is not easy to describe in words what superior entrepreneurs are like, I think that "sincere and high aspiration," "strong resolve to finish jobs" and "ability to bring people together and harness their power" are the three elements of success. Let's provide steadfast support for venture businesses so that people who have those elements can serve as a source of vitality for Japan.



Question: What roles do venture businesses play?

Answer: One of their roles is to function as a barometer that indicates which business sectors are growing. In a sense, venture businesses are a symbol of vitality. (Kariyazono)



Question: Is there anything that you would like the government to do in order to support venture businesses?

Answer: While subsidies are important, it is also important not to be too indulgent in terms of financial support. I hope that the government will invigorate venture businesses by promoting deregulation. (Samata)



case

1



I'm planning to open a bakery shop together with other housewives. But our preparation has made little progress because we are around 2 million yen short of the necessary startup funds.



case
2

I have provided some of the startup funds for a venture business started by a friend of mine. I would like to know about an income tax break.

case

5



I have started a business based on a club activity that I launched with friends of mine while at university. I would like to expand the business by receiving more orders, but we have had difficulty passing loan screening.

Useful Venture Support Programs

For both people wanting to start a business and those wishing to support them

Business startup requires various elements, including funds, credibility and management knowhow. Here is an overview of specific governmental support programs together with examples of questions and inquiries that entrepreneurs may have.

For further details, such as application requirements, please consult with the organizations in charge.

CLICK! ● Business Startup Support Programs

Subsidy Programs

▶ Start-up Grants

This program subsidizes part of funds needed by female and young entrepreneurs to start local businesses and start new businesses based on existing family businesses.

▶ Subsidy Program to Revitalize Small Businesses

This program supports development of new products and services and expansion of sales channels by small businesses.

Preferential Investment and Tax Treatment

▶ Business Startup Support Fund

Under this program, private venture capital funds and other funds in which SME Support Japan invests provide support to venture businesses which are five years old or younger.

▶ Business Startup Support Tax Incentives (Angel Tax Incentives)

This program provides preferential tax treatment to investors investing in young companies.

▶ Investment by Innovation Network Corporation of Japan

Under this program, Innovation Network Corporation of Japan invests in venture businesses and projects to commercialize cutting-edge technologies.

Loan Programs

▶ Funds to Enhance SME Business Capabilities Enhancement Support

This program provides low-interest loans to small and medium-size enterprises receiving support from certified support organizations.

▶ New Business Startup Loan Program

This program provides unsecured, non-guaranteed loans of up to 15 million yen to persons planning to start a business and companies which are second-phase old or younger.

▶ Guarantee related to Business Startup/ Guarantee related to Business Startup, etc.

This program guarantees loans of up to 25 million yen borrowed by persons planning to start a business and companies which are five years old or younger from private financial institutions.

▶ Quasi-capital Funds

This program provides long-term, lump-sum redemption funds necessary for operating new businesses.

Management Consulting

▶ Professional Support for New Business Creation Program

Under this program, professionals, including top venture capitalists, lawyers and accountants provide support to venture businesses with strong growth potential.

▶ Business Creation Support

Under this program, a portal site for matching of small and medium-size enterprises and people receiving support will be established. In addition, experts will be dispatched as supporters.

▶ Certified Support Organizations

Certified support organizations provide consulting service as easily accessible consultation windows based on the The SME Business Capabilities Enhancement Support Act.

case

3



I will spin off a new business of a manufacturer I work for into an independent venture business. As I need strategies for capital expenditures and intellectual properties, I would like to seek advice from a venture capitalist.



case
4

I have succeeded in developing a processed food using locally produced fruits. To establish this business as a corporation and expand it nationwide, I would like to solicit investment from companies and individuals who might be interested.



case
6

I would like to retire from a small company I have worked at for 30 years and start a business. I have professional knowhow, but the problem is my lack of knowledge concerning the development of sales channels and accounting affairs.