

VENTURE CAPITAL INVESTMENT ITS OPERATIONS & TRENDS

KAZ TERADA

PRESIDENT & CEO OF A2O, INC.
PRESIDENT OF TIE JAPAN CHAPTER
MENTOR OF 500 STARTUPS

INTRODUCTION

1. About Kaz Terada

2. About TiE Japan

ABOUT KAZ TERADA

2013/10/01 - Current:

A2O, Inc., President & CEO

<http://www.a2oventures.com/>

TiE Japan, President

<http://tie.org/>

500 Startups, Mentor

<http://500.co/mentor/kaz-terada/>

METI: Jump Start Nippon Project, Supporting Member

<http://jumpstartnippon.jp/mekiki25/pdf/222.pdf>

MIC: I-Challenge Project, Advisor

http://www.soumu.go.jp/main_content/000316938.pdf

Tokyo Innovation Leaders Summit, Advisor

http://www.dreamgate.gr.jp/InnovationLeadersSummit/advisory_board/

Kamiyama Foundation, Advisor

<http://www.kamiyama-f.jp/about/directors/>

1988/04/01 - 2013/09/30:

ITOCHU Corporation:

2006-: ITOCHU Technology Ventures, Board Member, Managing Director

2004-: ITOCHU Technology(Silicon Valley), SVP-Head of BD&Strategic Investment

1999-: CTCSP, Board Member, Head of Corp. Planning & Business Development

1997-: ITOCHU International(New York), PM-Development&Venture (Horizon Ventures)

1995-: ITC Technology Taiwan(Taiwan), Founder

1992-: Takisawa USA(Chicago), VP&GM

1988/3: Waseda Univ. B.S.E.E.



www.linkedin.com/in/kaztrd/en



Serial INTrepreneur (造語: 「社内連続起業家」)

- ・一貫して情報産業分野での数多くの国内外新規事業開発&経営に携わる
- ・新規事業開発の仕組みとしてのVCを新規事業として立ち上げる
- ・数多くの国内外ベンチャーとのビジネス (投資&事業開発) を20年以上行う

About TiE Japan



TiE is World Largest NPO

to foster Entrepreneurship!

It was originally called
“**The **Indus **Entrepreneurs”****
when it started in 1992.**

← *A community for Indian
Americans in Silicon Valley.*

Now it's “**TiE**”

(One Word, a Brand Name).

← To become a global community.

61 Chapters
in
18 countries
with more than
14,000 members
in the world!

TiE's Vision, Mission & Strategy

Vision

To support and grow entrepreneurship globally

Mission

Fostering Entrepreneurship through:

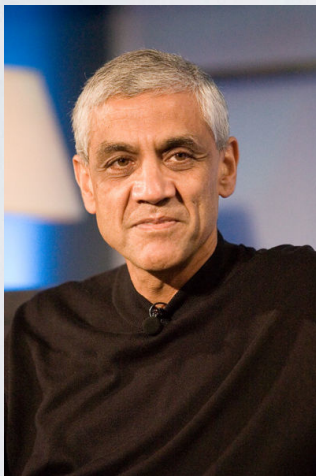
- Mentoring
- Networking
- Education

Strategy

Providing effective inter-connectivities between our members across chapters to leverage the network

The Mission to be mainly accomplished by Charter Members (CMs):

More than **2,500** CMs globally who are Experienced High Profile People in the Industry:
Venture Capitalists, Executive Management,
Top Entrepreneurs, Lawyers such as ...



Vinod Khosla
Co-founder
Sun Microsystems
CEO Khosla Ventures (\$1 Billion Fund)



Reid Hoffman
Founder LinkedIn



Narayan Murthy
Founder Infosys



Steve Wesley
Former Controller, State of California
CEO Wesley Group (Venture Capital)



Aneesh Chopra,
CTO, United States of America

TiE Japan Charter Members

Kaz Terada, CEO - A2O (President/Founding CM/BM)

Takuro Wakabayashi, CEO - Astec (Secretary/Founding CM/BM)

Hide Takahashi, Prof. of Keio Univ. (Founding CM/BM)

Devadas Parakkal, CEO - Teknowmics (Founding CM/BM)

Sandeep Casi, CEO - Cinemacraft (Founding CM/BM)

Terrie Lloyd, CEO - Linc Media (Founding CM/BM)

Sriram Venkataraman, CEO - Infosys Japan

Hiro Sato, CEO - Hiro Consulting

Ikkei Matsuda, CEO - SARR

Sherwin Faden, Founder - NetLED

Ron Huber, CEO - Huber Law Office

Shigeru Urushibara, CEO - UL Systems

Tasuku Yazaki, Ex. Exec. - SONY

Nalin Advani, CEO - Barco Japan

Brian Jung, CEO - J&K Global₁₁

TiE Japan Events

+ TiE Japan Monthly Event (Monthly) :

Start Up Presentation: 2-3 Start Ups/Event
and Networking Dinner

+ TiE Japan “My Story” (Quarterly):

Presentation by the Guest Speakers or Charter Members

+ TiE Japan Special Event (Half Annually):

Some Open Event such as X'Mas Networking Party and
Collaboration with the other activities such as 500 StartUps, etc.

+ TiE Global Event (Annually):

TiECON in Silicon Valley in May 6th & 7th, 2016 :

www.tiecon.org

TiE Charter Member Retreat:

<http://tie.org/tie-annual+charter-member-retreat/>

TiEcon 2015

4,000+ senior tech professionals
22+ countries represented
unlimited opportunities to make an impact

May 15 & 16, 2015
Santa Clara Convention Center, Santa Clara, CA
www.tiecon.org

ABOUT TiE

TiE is a non-profit global organization dedicated to fostering entrepreneurship globally through funding, mentoring, networking, and education. TiE has hosted TiEcon for 22 years now, making it one of the longest ongoing entrepreneurship conferences.

14,000



Members

ATTENDEE PROFILE

4,000 people attended
in 2015

17%

15%

Vice Presidents
Directors

Academia

Founders





Vivek
Found
TIBCO



Blanca
Found
Softtek



Phil Libin
Founder & CEO
Evernote

Suja
Chandrasekharan
Global CTO
Walmart



Ashar Aziz
Founder & CSO
FireEye

Anand Oswal
VP, Engineering
Cisco Systems



Marathe
President
San Francisco
49ers



Poonen
EVP
VMWare

TiE50 : StartUp Competition at TiECON

Selected 50 Winners out of 3,000+ Applicants every year



TiE Japan is looking for the candidates for the Winners in 2016!!

”VENTURE CAPITAL INVESTMENT ITS OPERATIONS & TRENDS”

CONTENTS

1. Operations:

- 1.1. What's VC?
- 1.2. Investment Strategy
- 1.3. Investment Criteria
- 1.4. Case Study

2. Trends:

- 2.1. Key Indicators
- 2.2. Sectors
- 2.3. Stages
- 2.4. New Activities

Open discussion item:

Japan vs US

1.1. WHAT'S VC?

**Position: Professional “High Risk” Money Provider
for Potentially “High Return” Startup Projects
in Potentially “High Growth” Industries.**

「成長領域の有望スタートアップに
ハイリスク・ハイリターン投資を行うプロフェッショナル」

Venture capital (VC) is financial capital provided to early-stage, high-potential, high risk, growth startup companies. The venture capital fund makes money by owning equity in the companies it invests in, which usually have a novel technology or business model in high technology industries, such as biotechnology, IT, software, etc. The typical venture capital investment occurs after the seed funding round as growth funding round (also referred to as Series A round) in the interest of generating a return through an eventual realization event, such as an IPO or trade sale of the company. Venture capital is a subset of private equity. Therefore, all venture capital is private equity, but not all private equity is venture capital.

1.1. What's VC?

BASICS OF VC FUND STRUCTURE AND FORMATION

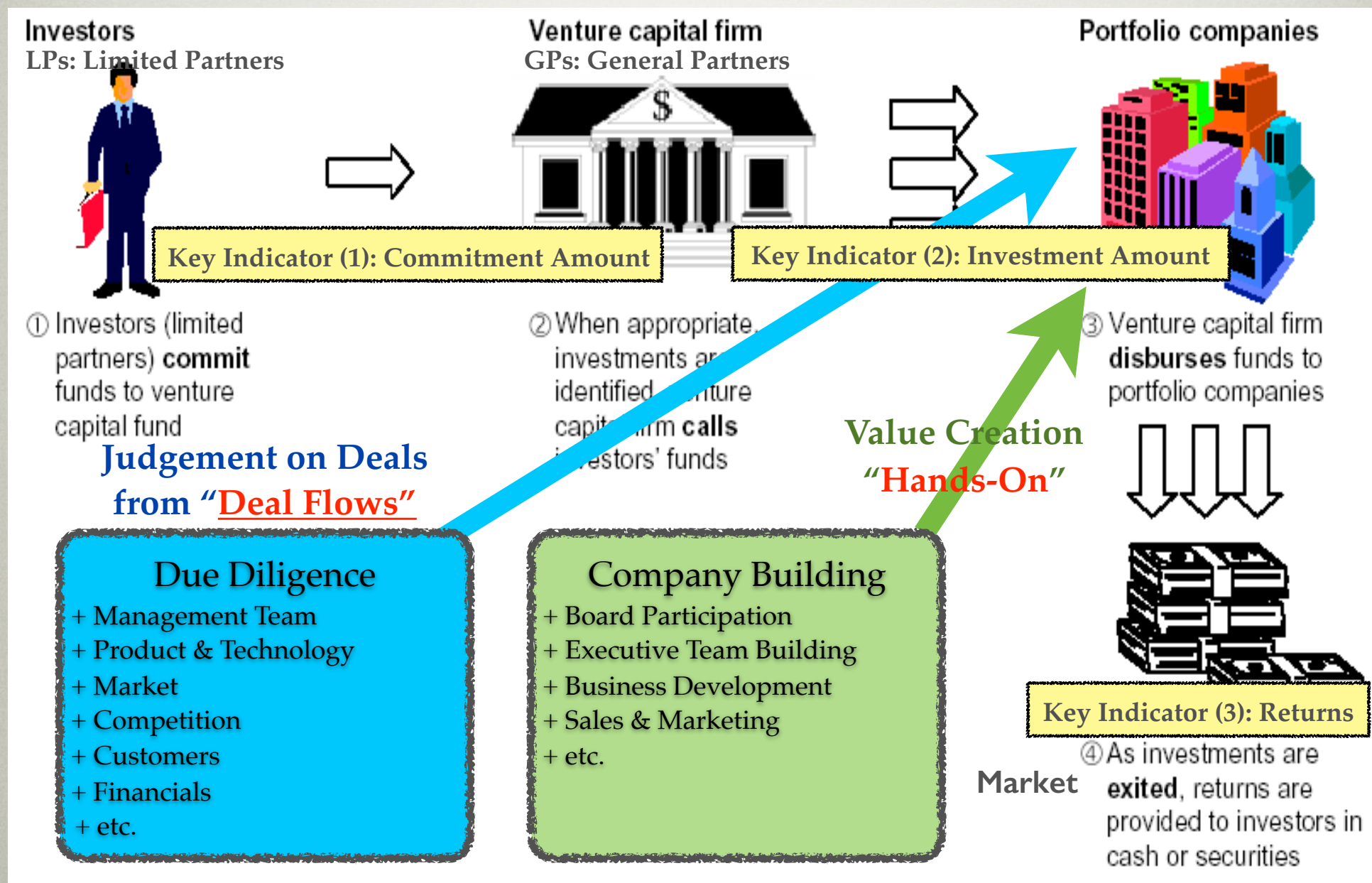
- Structured as a limited partnership ("LP")

- In LP, many limited partners contribute money, which is then managed and invested by a general partner (the VC firm).
- Income received by the limited partners is not subject to double taxation.
- Limited partners are only liable for the amount of their investment.
- Many VC funds have a fixed term of 10 years (but may be extended up to 3 years to permit orderly liquidation).
- A VC firm will "raise" a VC fund by distributing a Private Placement Memorandum (PPM). A PPM provides detailed information about the fund, including its target size, its investment strategy, and how portfolio companies will be valued by the fund.
- Limited partners make "commitments" to contribute capital
- Once the VC fund is ready to begin investing, the fund makes "capital calls" of its limited partners.
- A VC fund will generally have a target size of pooled capital of anywhere from a few million dollars to over a billion dollars.
- Once the fund has reached its target size (i.e., received aggregate commitments in that amount), the fund will be closed to further investment.
- If successful, a firm may raise several VC funds over the course of many years in order to permit new investors to join.

[Typical Business Model: Management Fee: 2.5% & Carried Interest: 20%]

1.1. What's VC?

VC's BUSINESS MODEL



1.2. INVESTMENT STRATEGY

Deeply depends on GPs' expertise and their environment (in consideration of "Risk vs Return Factors") to create superior return to the industry average:

1. Size of Investments: Initial and Follow-on
2. Stages: Early vs Later
3. Sectors: ICT, Healthcare, Clean Tech. and others
4. Geography: Local, Remote or Global
5. Exit Policy: IPO vs Trade Sale
6. Others

1.3. INVESTMENT CRITERIA

1. Visionally Founder

People, People, People ...

2. Large Potential Market

How big? Defining? Accessible? ...

3. Fundamental Advantage

Differentiations, Entry Barriers ...

4. Modest Capital Requirement

Clean Tech. Investment Failures ...

1.4. CASE STUDY

FROM STARTUP SUCCESS PROCESS (EXAMPLE)

- 1) Come up with an innovative business idea or technology
- 2) Resign from a current job
- 3) Start a new business in a garage
- 4) Establish a Delaware corporation with capital of \$0.00001 per share of common stock to run the business
- 5) Prepare a preliminary business plan
- 6) Obtain seed financing from angels
- 7) Employ technology personnel and management team through use of stock options
- 8) Develop and complete a business plan
- 9) Apply for IP protection such as patent and trademark
- 10) First preferred stock round financing from venture capitalists
and/or others through Series A Preferred Stock and raise \$3 M at \$1 per share
- 11) Further develop technology/products
- 12) Second preferred round financing through Series B Preferred Stock and raise \$5 M at \$2 per share
- 13) Further develop technology/products, and develop a marketing plan and start building sales channels
- 14) Obtain bridge financing
- 15) Complete products and execute agreements with major companies for license
or distribution of products and start sales
- 16) Third round financing from venture capitalists
and/or others through Series C Preferred Stock and raise \$10 M at \$3 per share
- 17) Further build sales channels and increase sales
- 18) Build reputation as successful startup
- 19) Mezzanine financing round
- 20) IPO at NASDAQ at \$5 per share or acquisition by a larger corporation

Founder's Round

Seed Stage

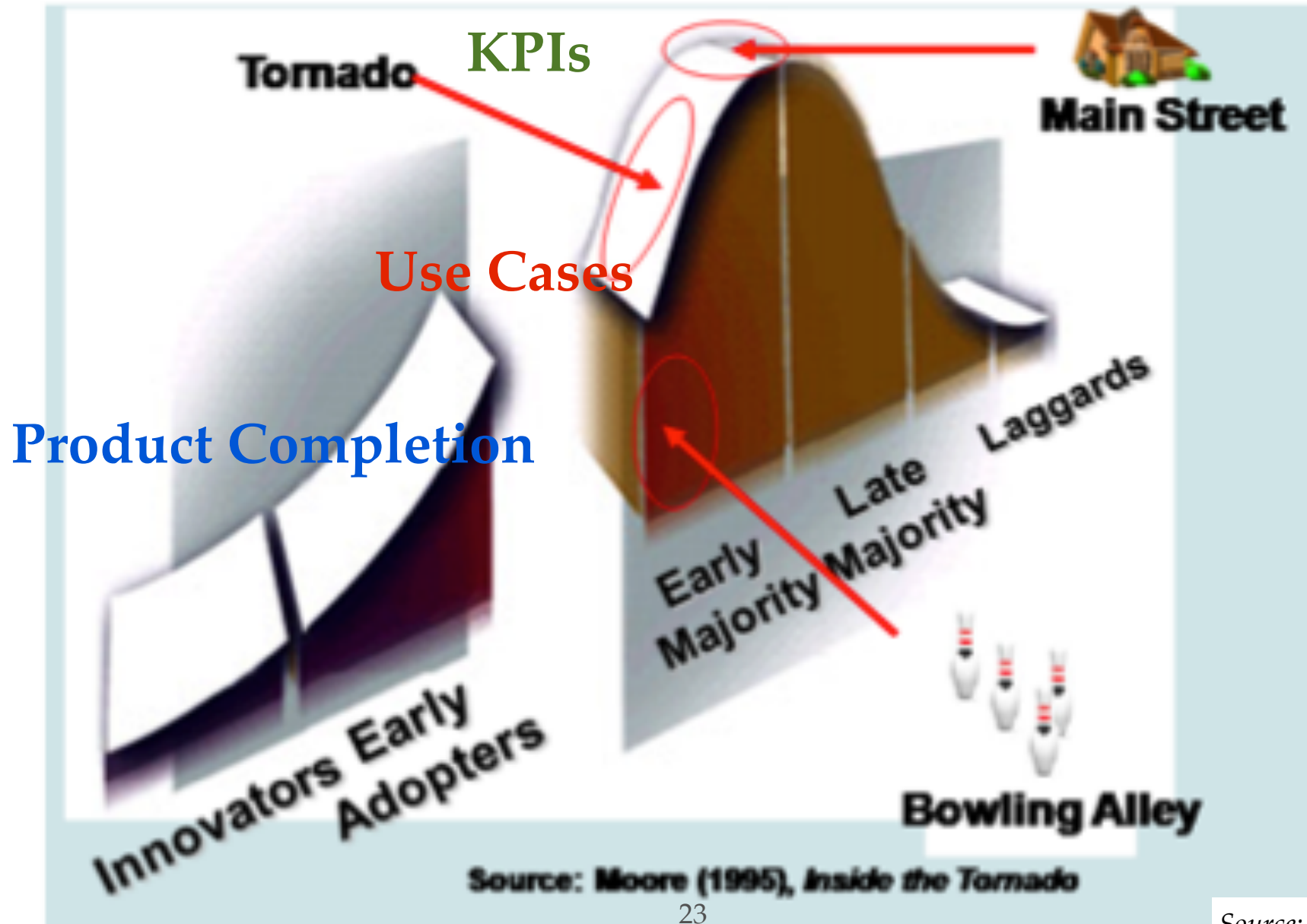
Early Stage

Mid Stage

Later Stage

1.4. Case Study

Crossing the Chasm



1.4. Case Study

LEARN FROM OUR MISTAKES

MISREAD TEA LEAVES

TOO EARLY

A FEATURE, NOT A PRODUCT

CLUTTERED MARKETS

TOO LATE

A PRODUCT, NOT A BUSINESS

CAPITAL INTENSIVE

DECEIVED BY COMPARABLES

LACK OPERATING CONTROLS

SLOPPY DUE DILIGENCE

DILUTIVE IPOs

GROWING TOO FAST

MOMENTUM INVESTING

FEELING TOO WEAK

WRONG DNA

WEAK SYNDICATE

FEELING TOO STRONG

BAD LISTENERS

UNPREDICTABLE DIRECTORS

POOR CUSTOMER SELECTION

POOR CUSTOMER SERVICE

DAZZLED BY SCIENCE

STRETCHED TOO THIN

DECEIVED BY SUCCESSES

BOY SCOUT REFERENCES

NOT ADDRESSING A TRUE PAIN

DRUNKEN PARADE LEADERS

TOO MUCH MONEY

CAN'T ARTICULATE THE BUSINESS

EYEBALLS CONVERTS TO \$s

LONG EVALUATION CYCLES

SMALL GROSS MARGINS

CAPEX CONVERTS TO \$s

SLOW PAYING CUSTOMERS

SMALLER OPERATING MARGINS

IGNORING FUNDAMENTALS

GOING NATIVE

NO MODEL FOR MAKING MONEY

REPEATING HISTORY

1.4. Case Study

「資金調達：スタートアップ側の重要注意事項」

FUND RAISING POLICY

FOR STARTUPS

1. Necessary Amount:

- Minimum & Enough (vs Too Much)
- Based upon Mile Stones (for Business)

2. Timely (Delayed: Less Choices)

3. Smart Money (vs Easy Money)

「基本はマイルストーン経営」

「必要・最低限かつ十分な資金をタイムリーに
必要なところ（ヒト）から調達する」

5年前の今日、
とある会社が創業前から数十億円もの莫大な資金を集めてスタートしたという報道がなされた。

Colorという会社だ。

アップルへの成功裏Exit経験をもつシリアル起業家チームで、
投資家は泣く子も黙るSequoia、VCではなくPEのBainなど錚々たるメンバー。
しかしこの会社は翌年、たったの一年ちょっとで実質破たんした。

そこから得られる、教訓はなんだろうか。

Overview:

[Color Labs Inc.](#) has been closed and acquired

Total Equity Funding:

\$41M in 1 Round from 3 Investors (Sequoia, Bain Capital, Silicon Valley Bank)

Headquarters:

Palo Alto, CA

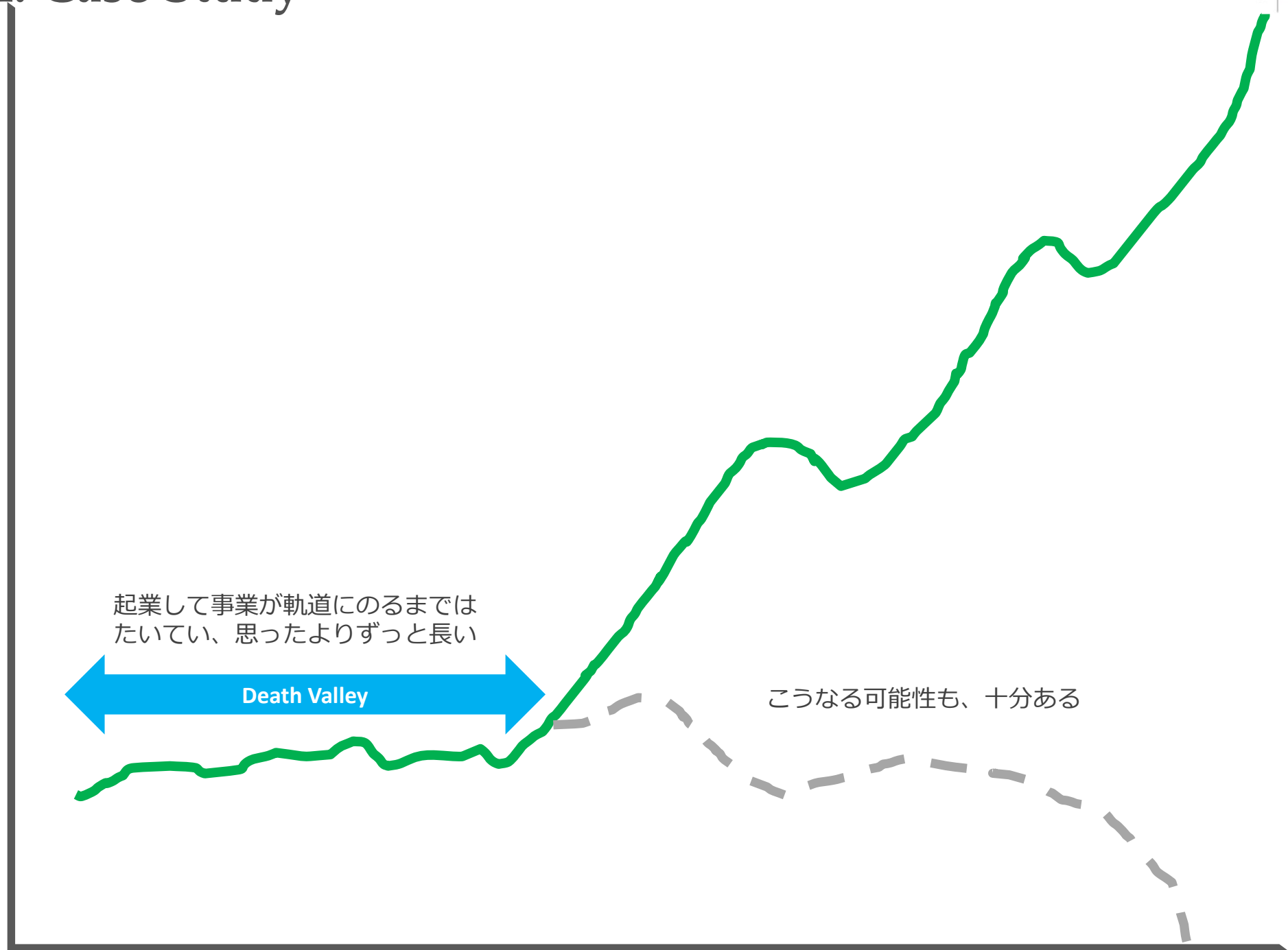
Description:

Color Labs aims to reinvent social interaction through Color, its mobile photo app.

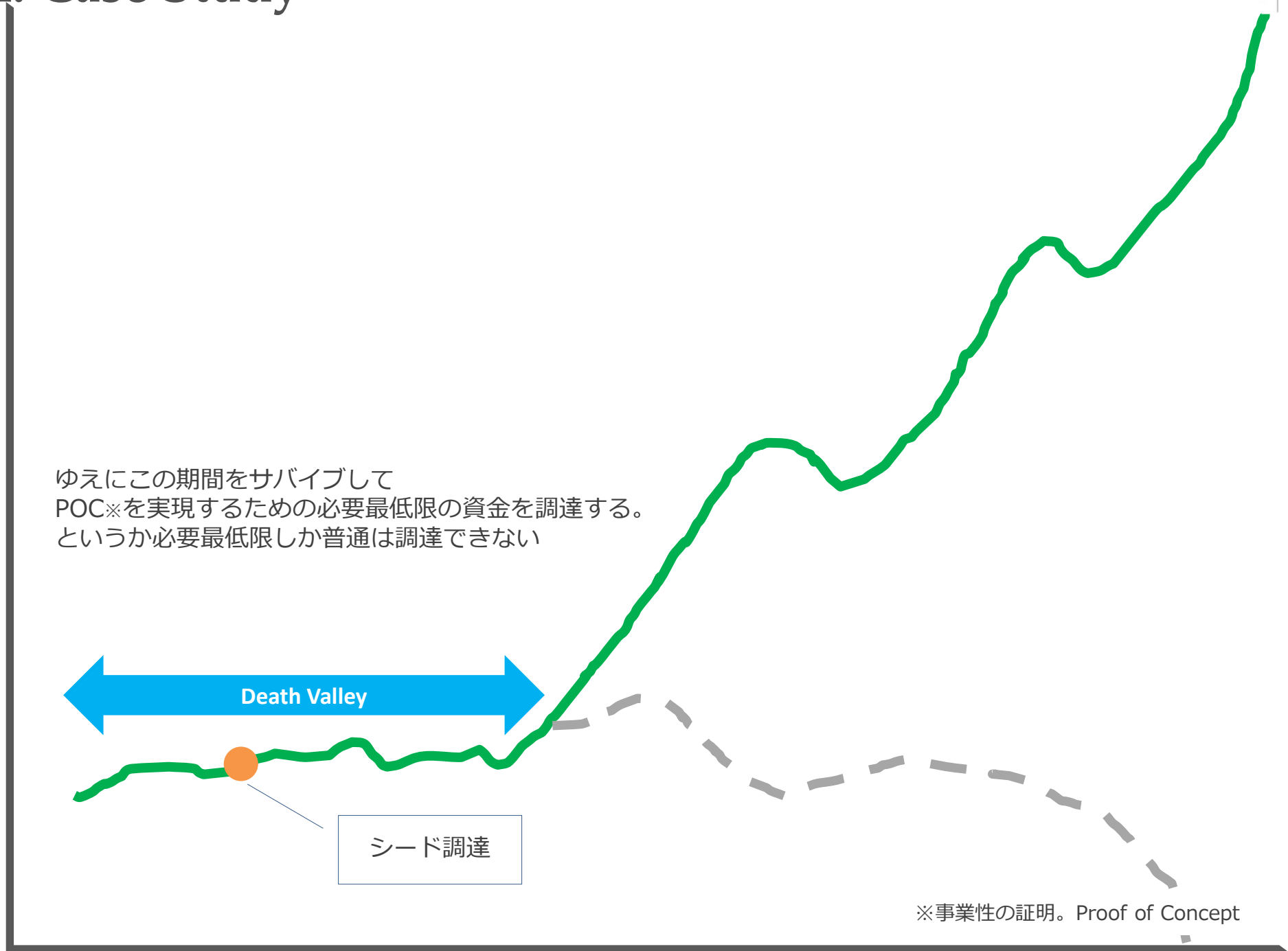
Founders:

Bill Nguyen, Peter Pham

1.4. Case Study



1.4. Case Study



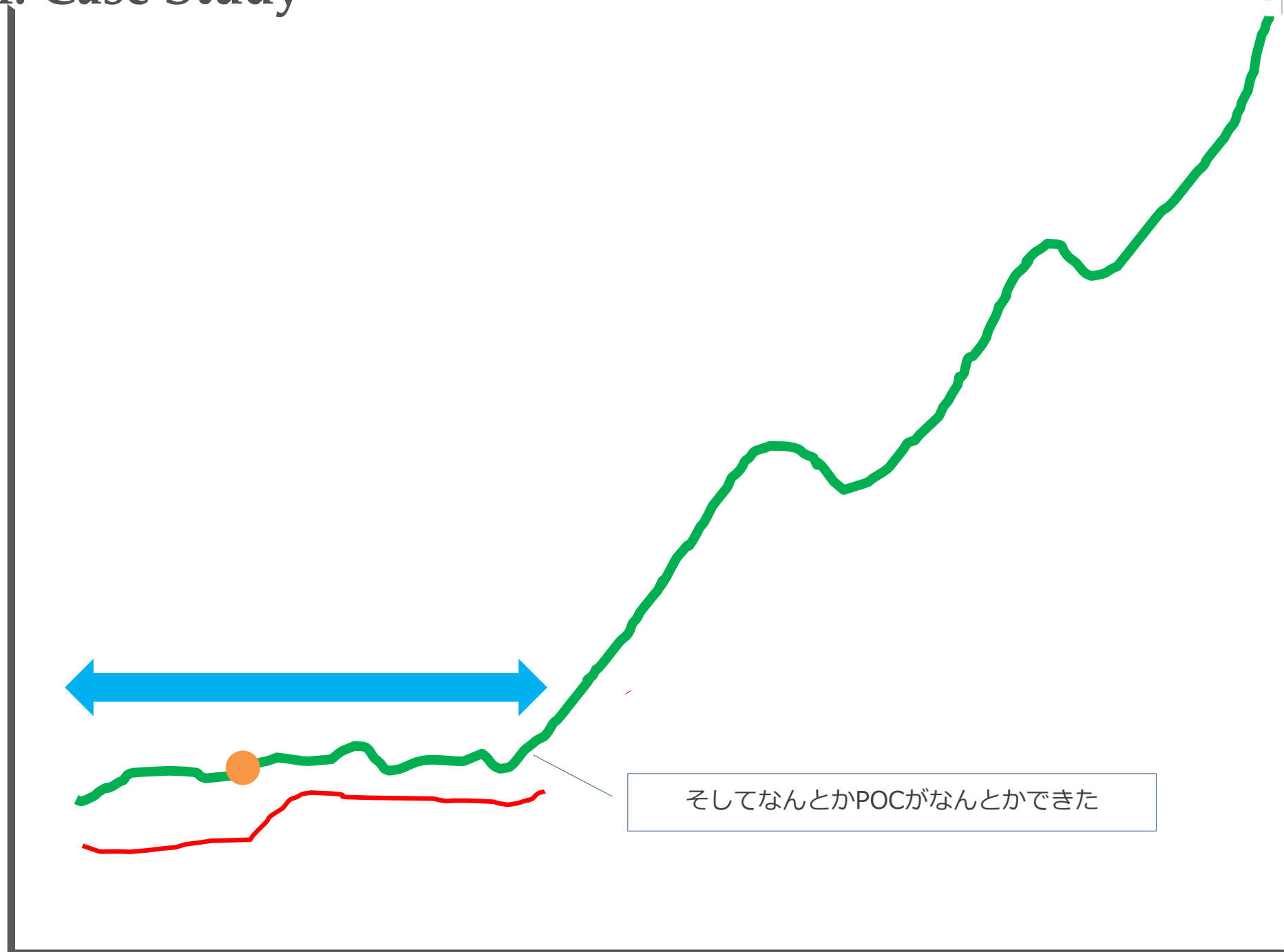
1.4. Case Study

調達が無事できたら、
POCまで生きながらえる分だけの資金を徐々に使う

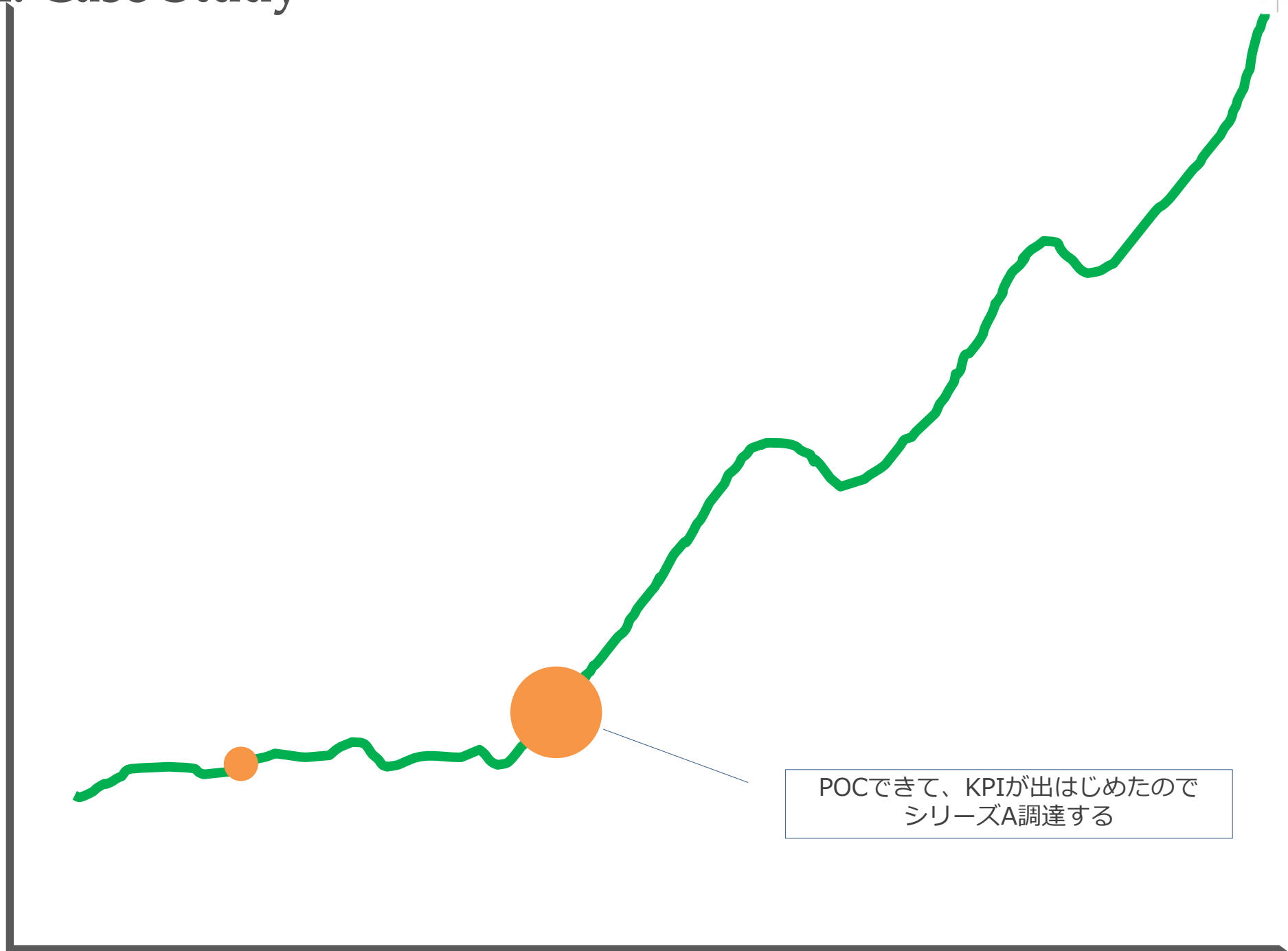


※Burn : キャッシュアウト、固定費の意。

1.4. Case Study

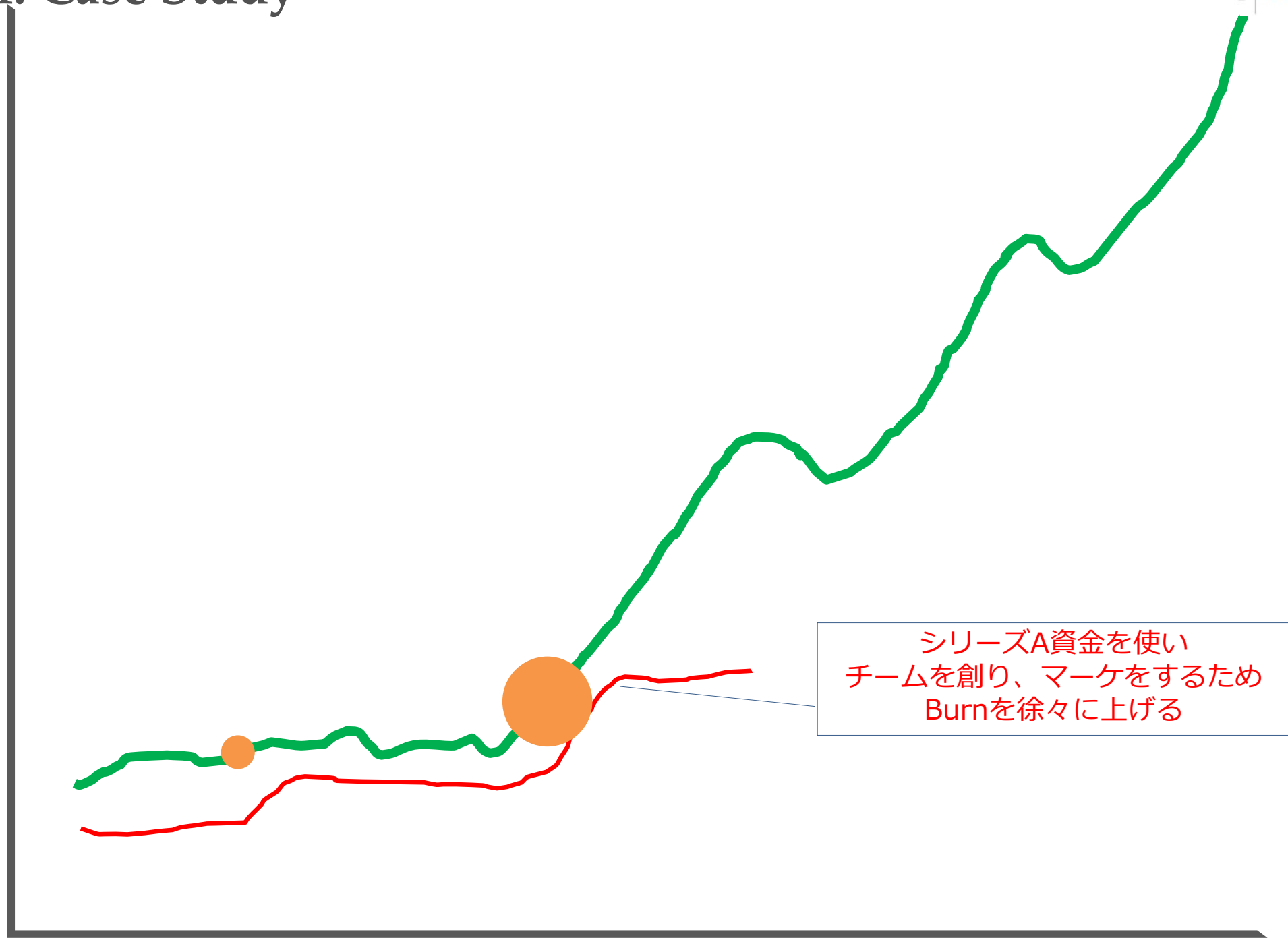


1.4. Case Study

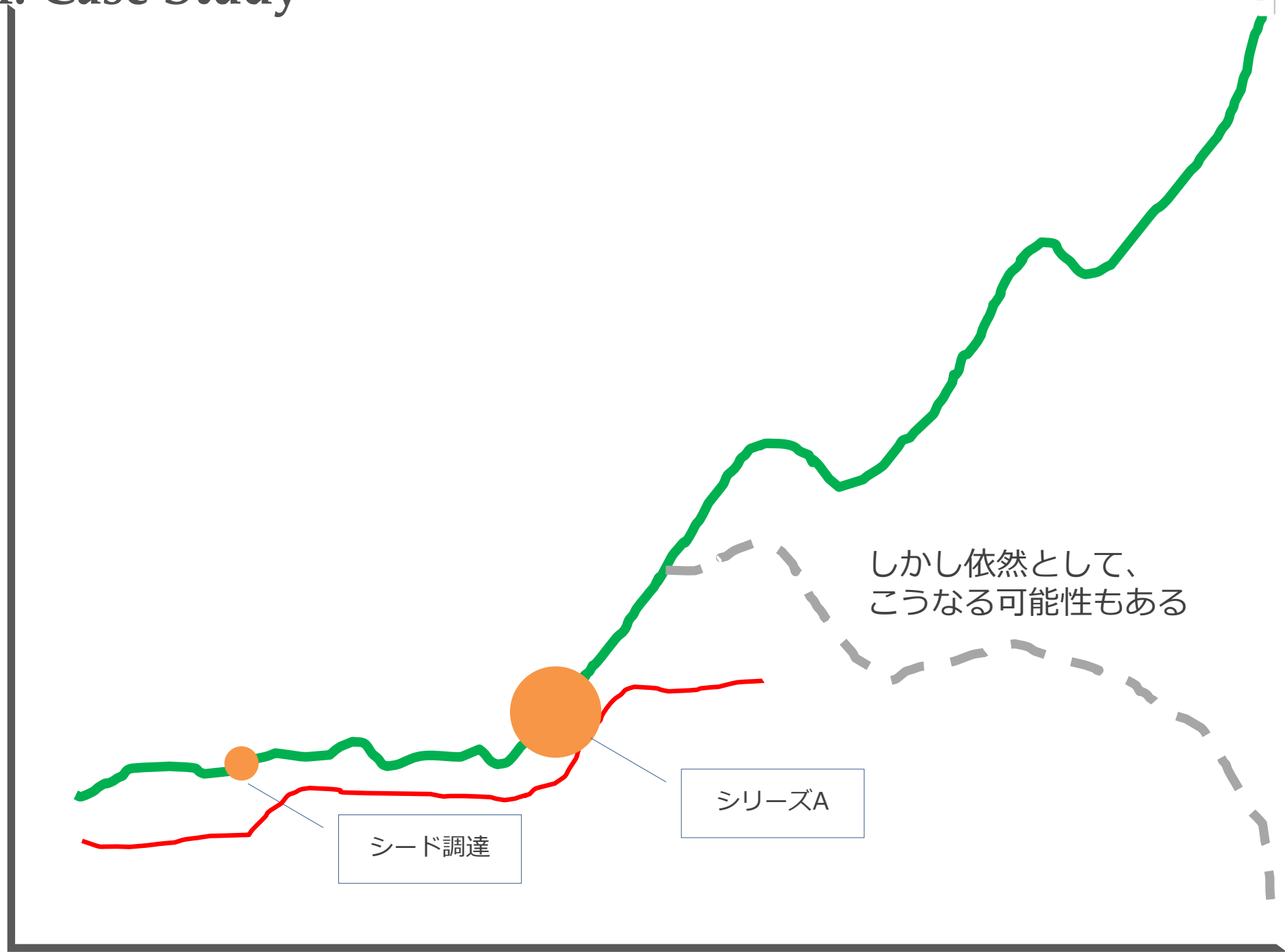


POCできて、KPIが出はじめたので
シリーズA調達する

1.4. Case Study



1.4. Case Study



シード調達

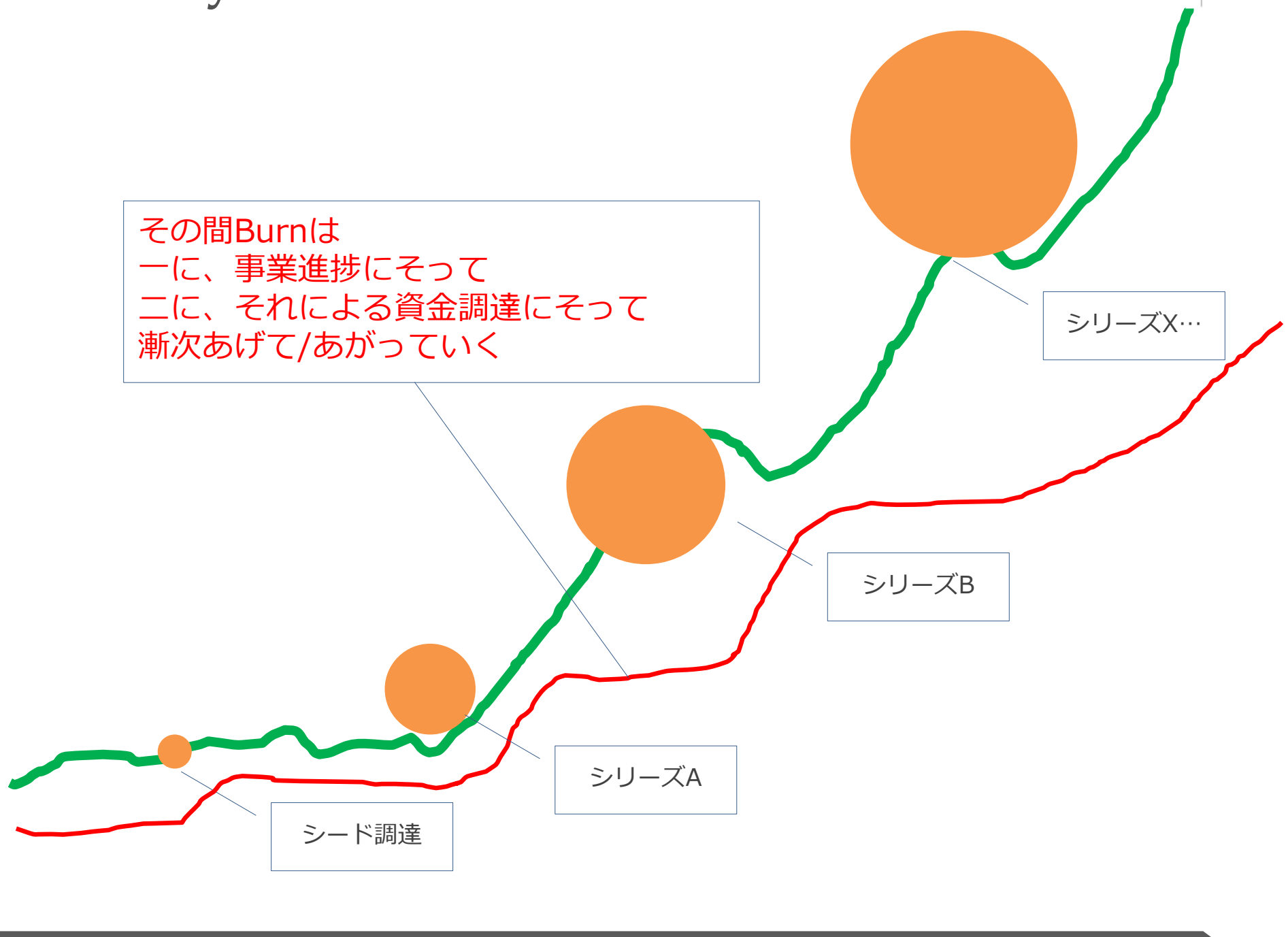
シリーズA

しかし依然として、
こうなる可能性もある

1.4. Case Study

この繰り返し…

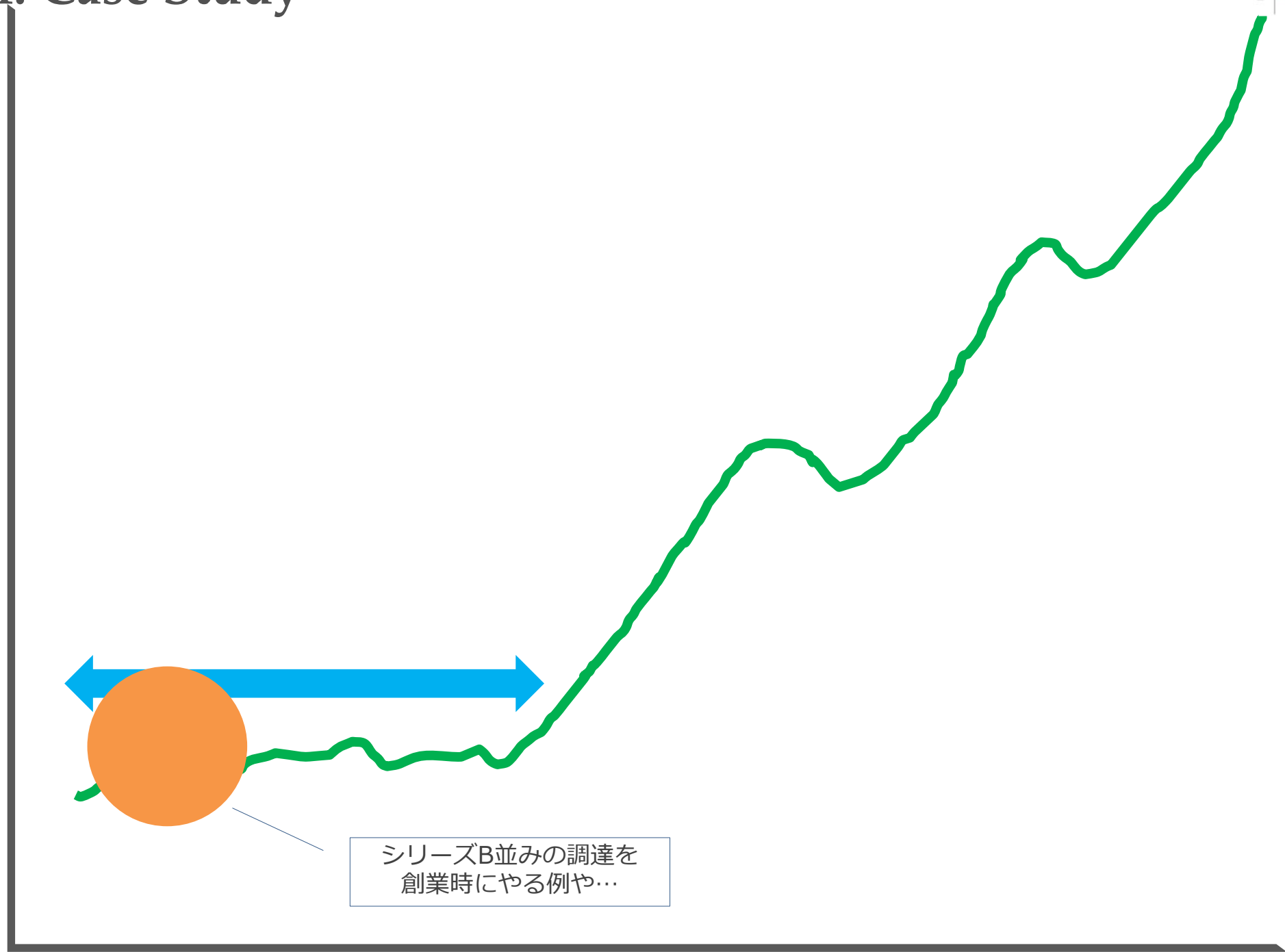
1.4. Case Study



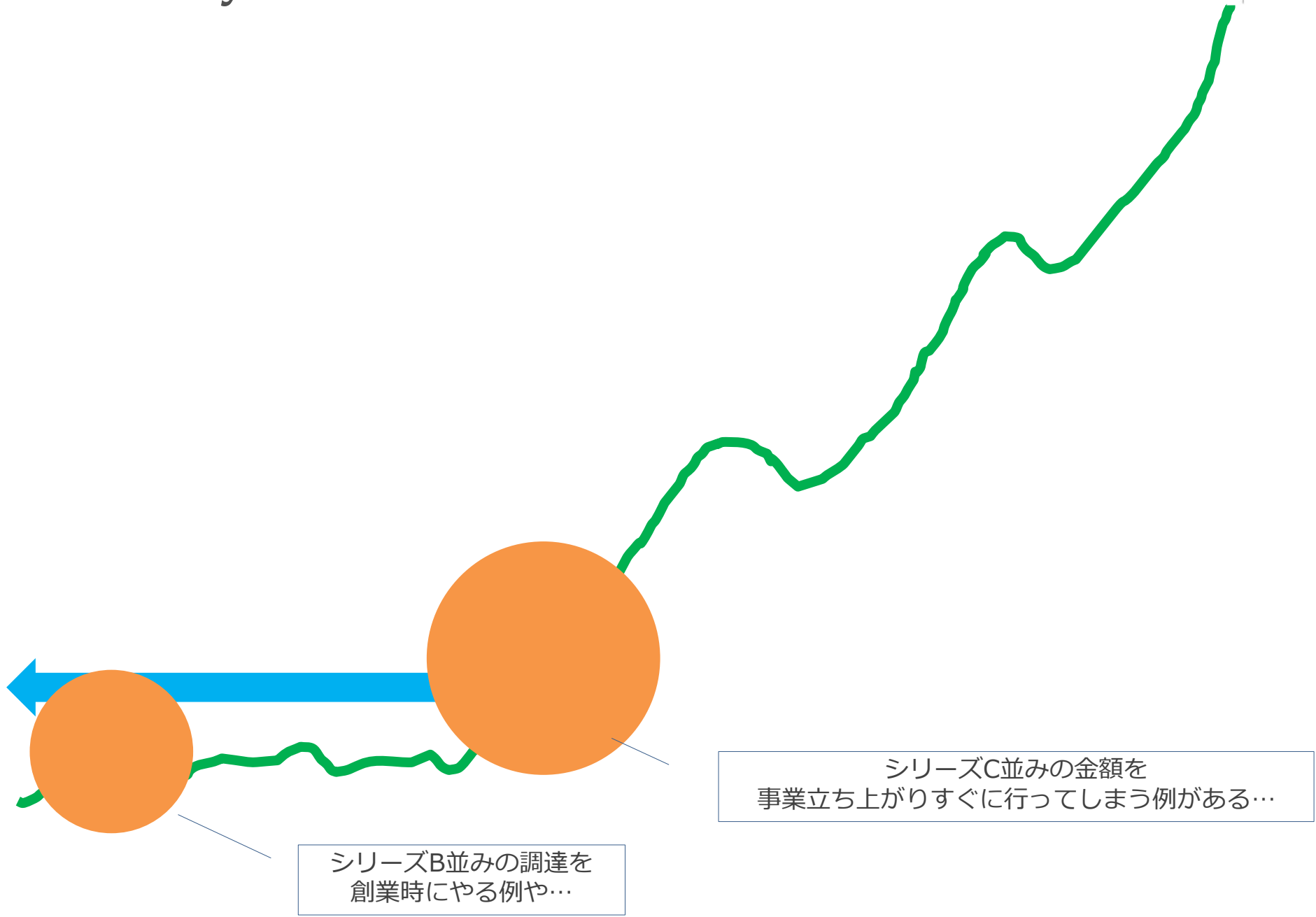
1.4. Case Study

これが普通。しかし好況時は

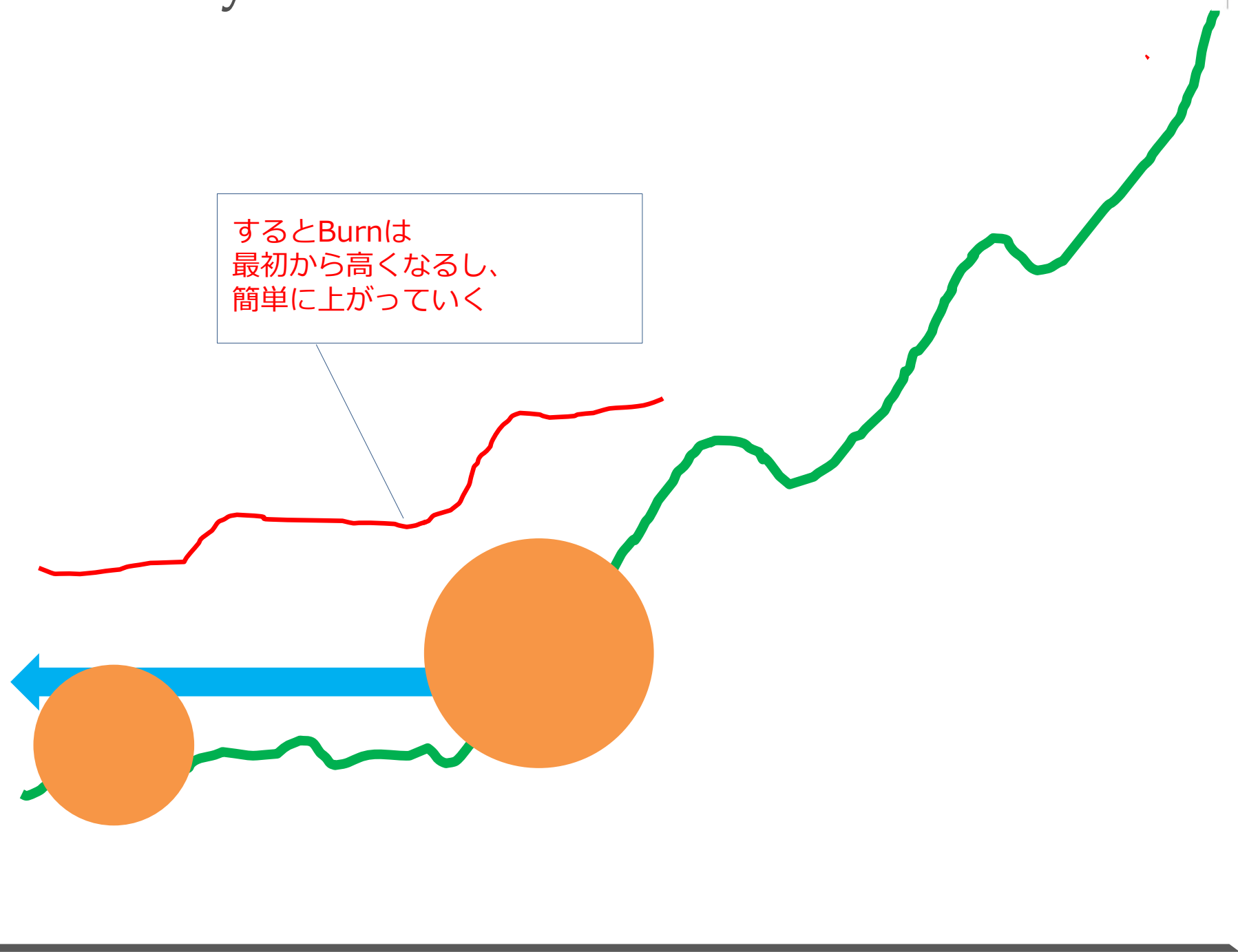
1.4. Case Study



1.4. Case Study



1.4. Case Study



1.4. Case Study

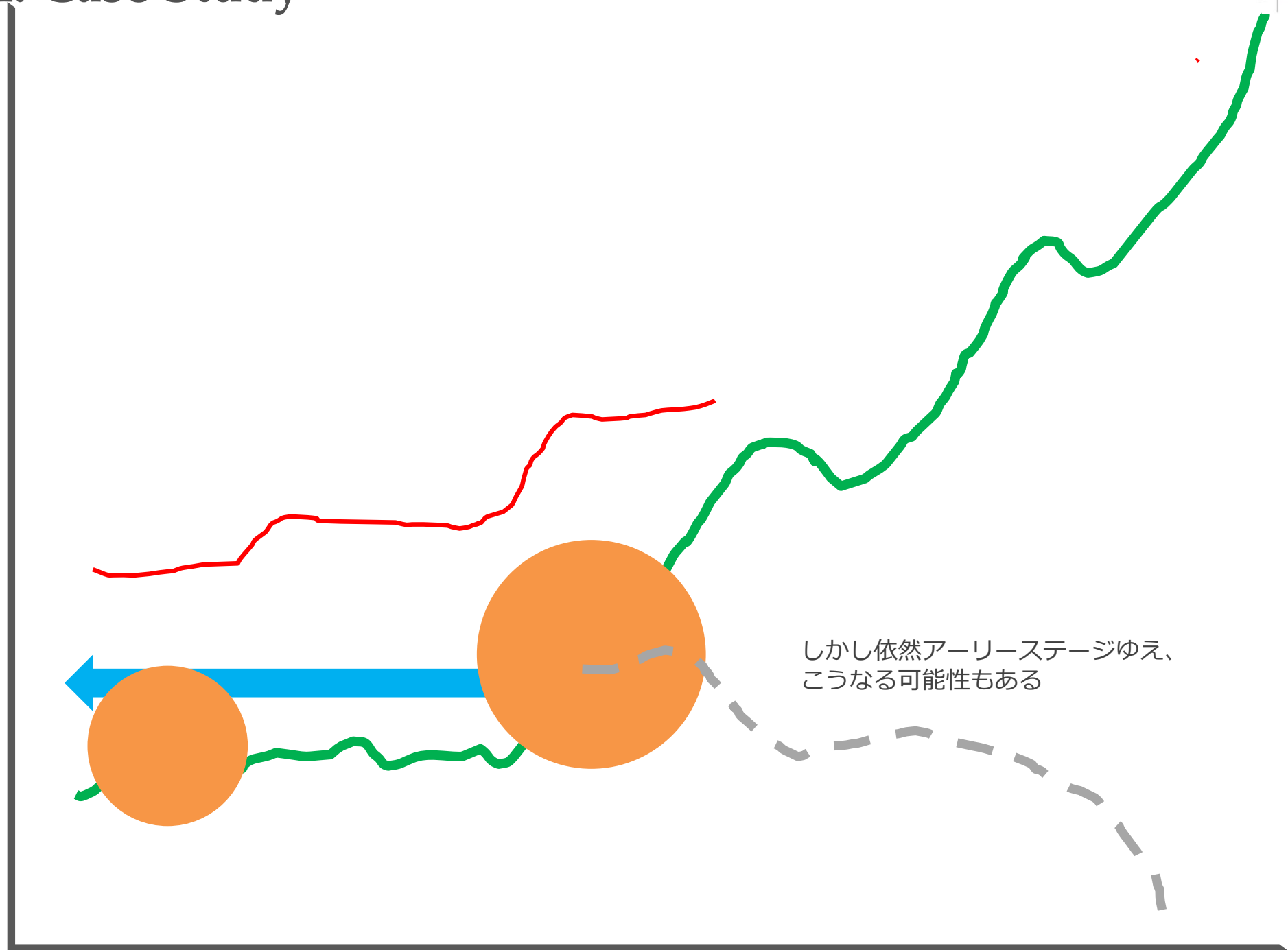
するとBurnは
最初から高くなるし、
簡単に上がっていく

なぜなら

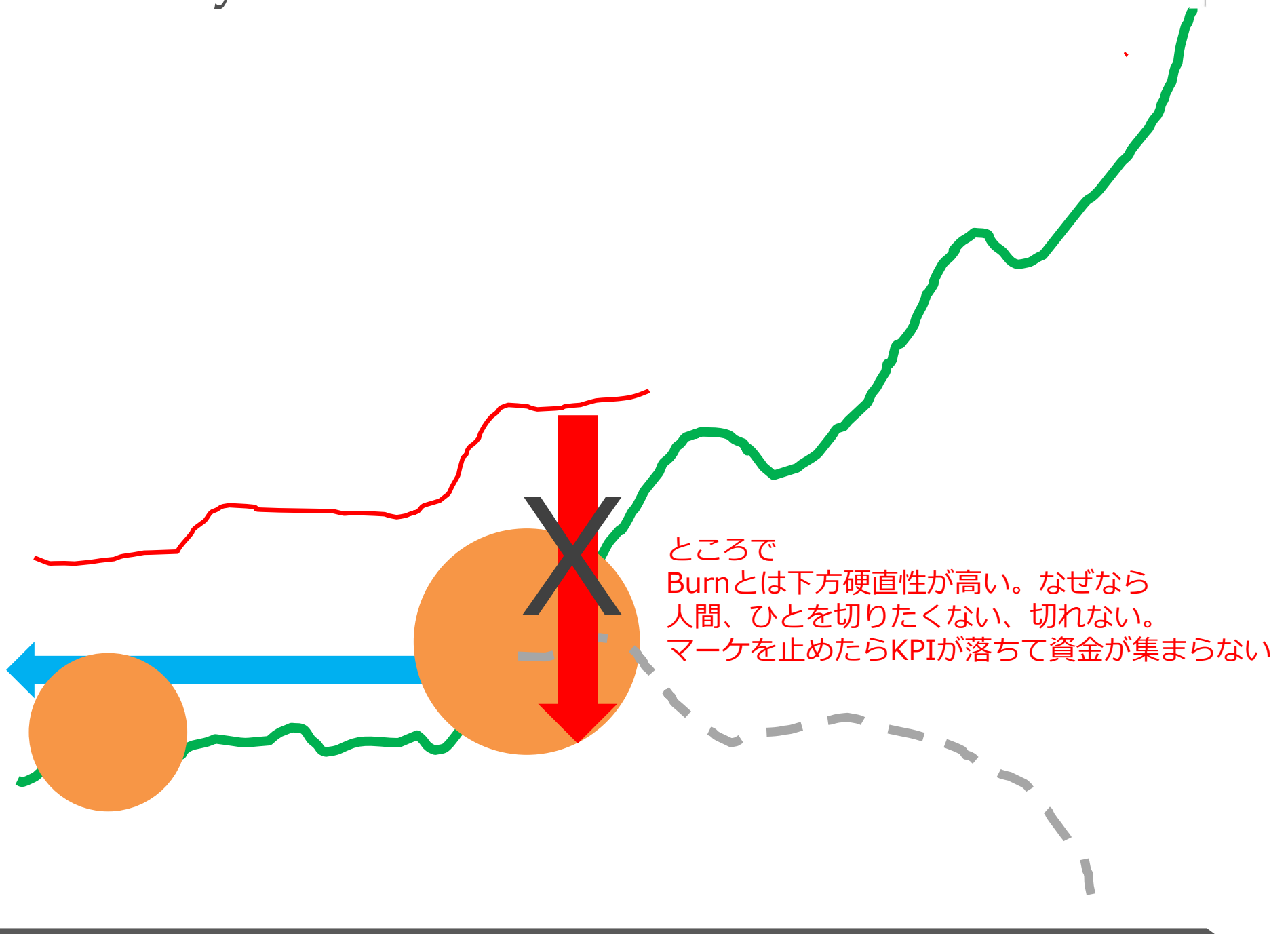
- 第一に、どんな人間であれ調達した金を使わず取っておくというのは古今東西出来ないものだ。
- 第二に、そもそもスタートアップが調達するリスクマネーとは、使って(Burn)事業を短期レバレッジする事を宿命づけられているものだからである。



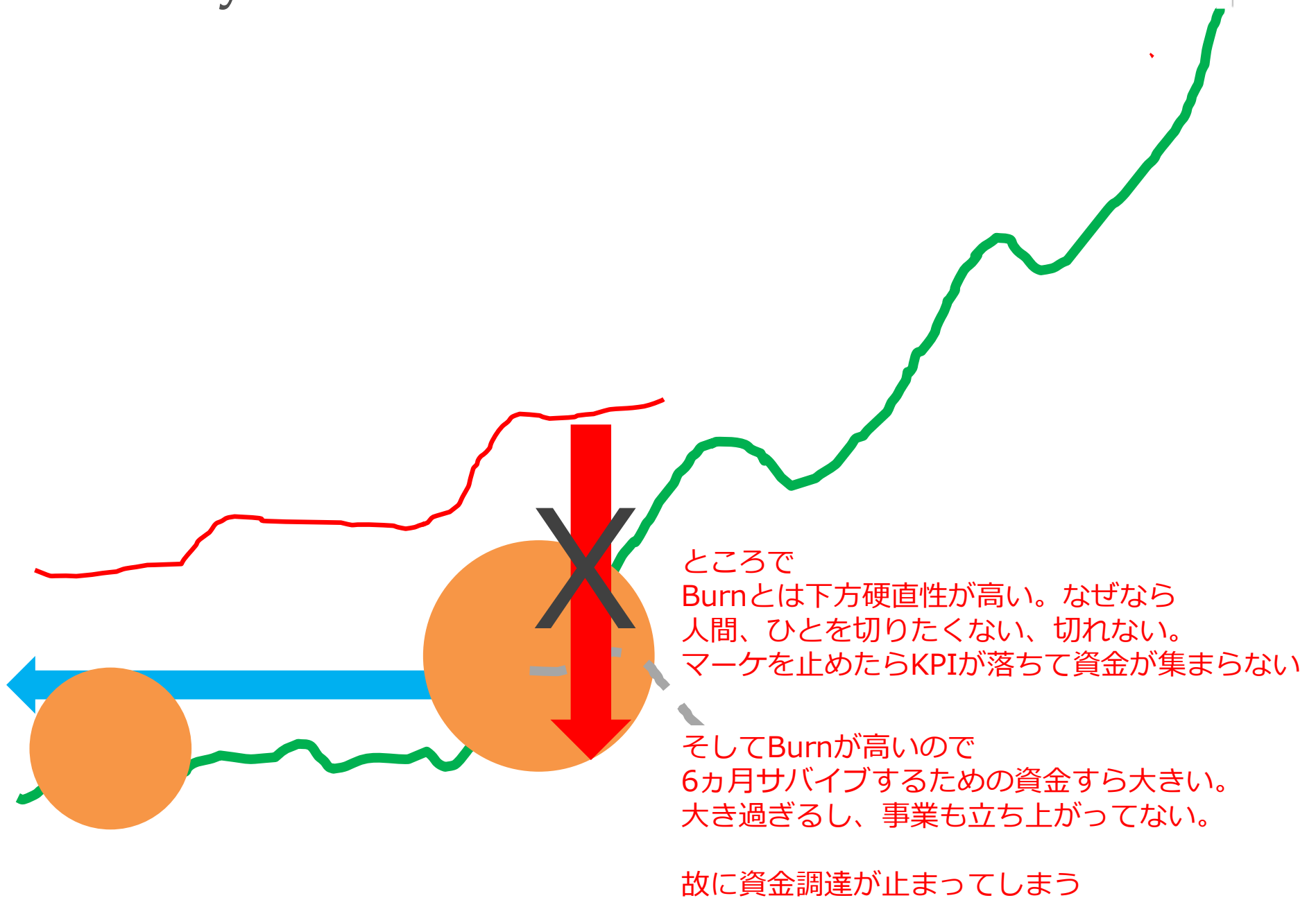
1.4. Case Study



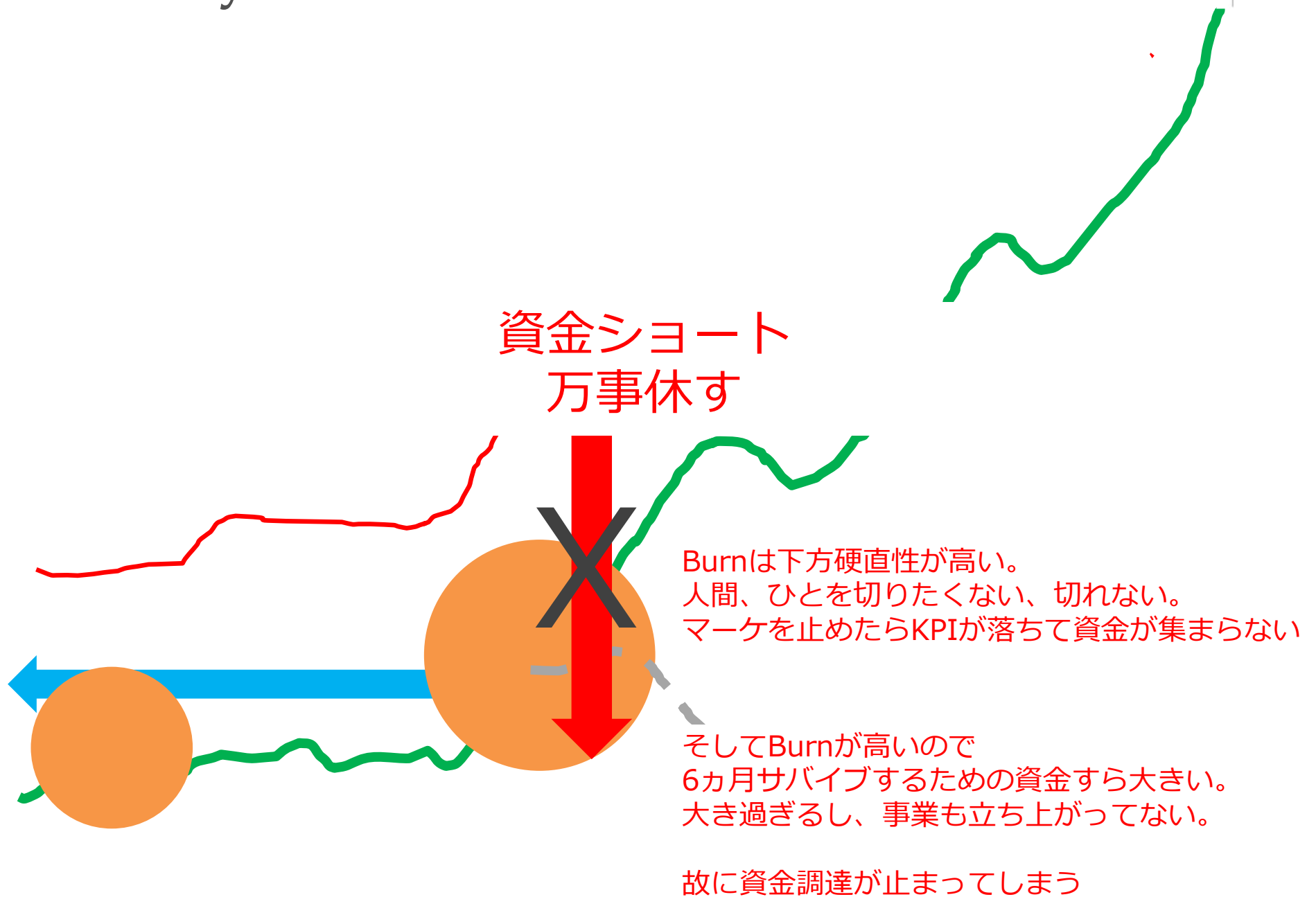
1.4. Case Study



1.4. Case Study



1.4. Case Study

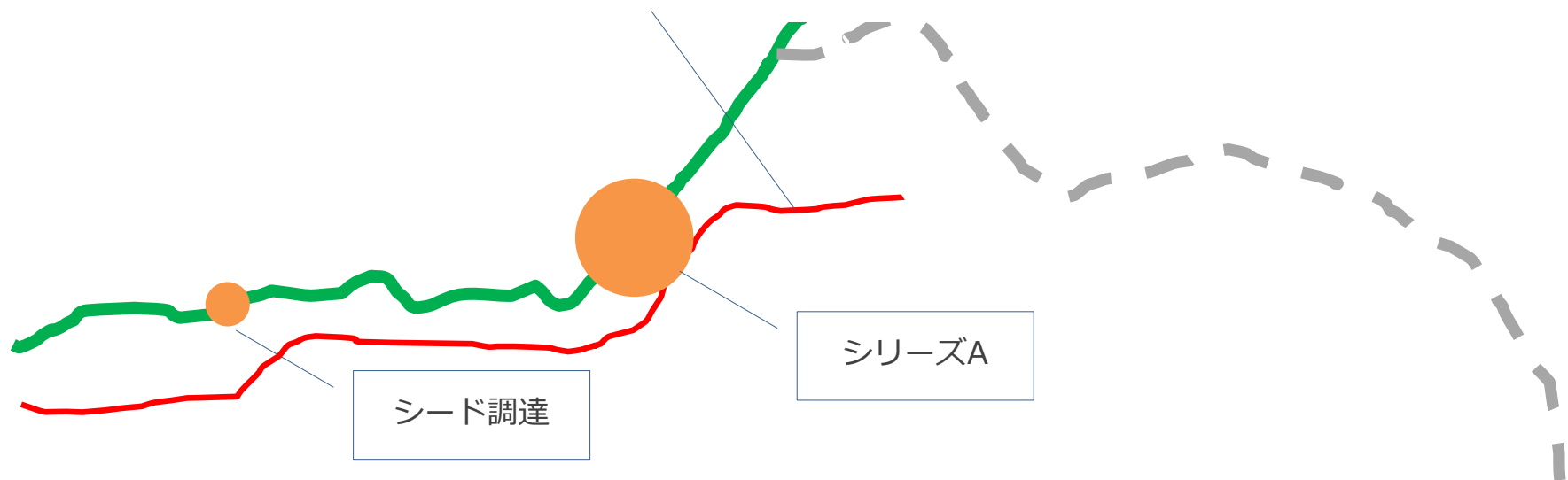


1.4. Case Study

もし最初の例のように徐々に調達とBurnを上げて行ったなら…

1.4. Case Study

「マイルストーン経営の大切さ」
「必要・最低限かつ十分な資金をタイムリーに
必要なところ（ヒト）から調達する」



1.4. Case Study

「危機からの学び」

DEATH SPIRAL

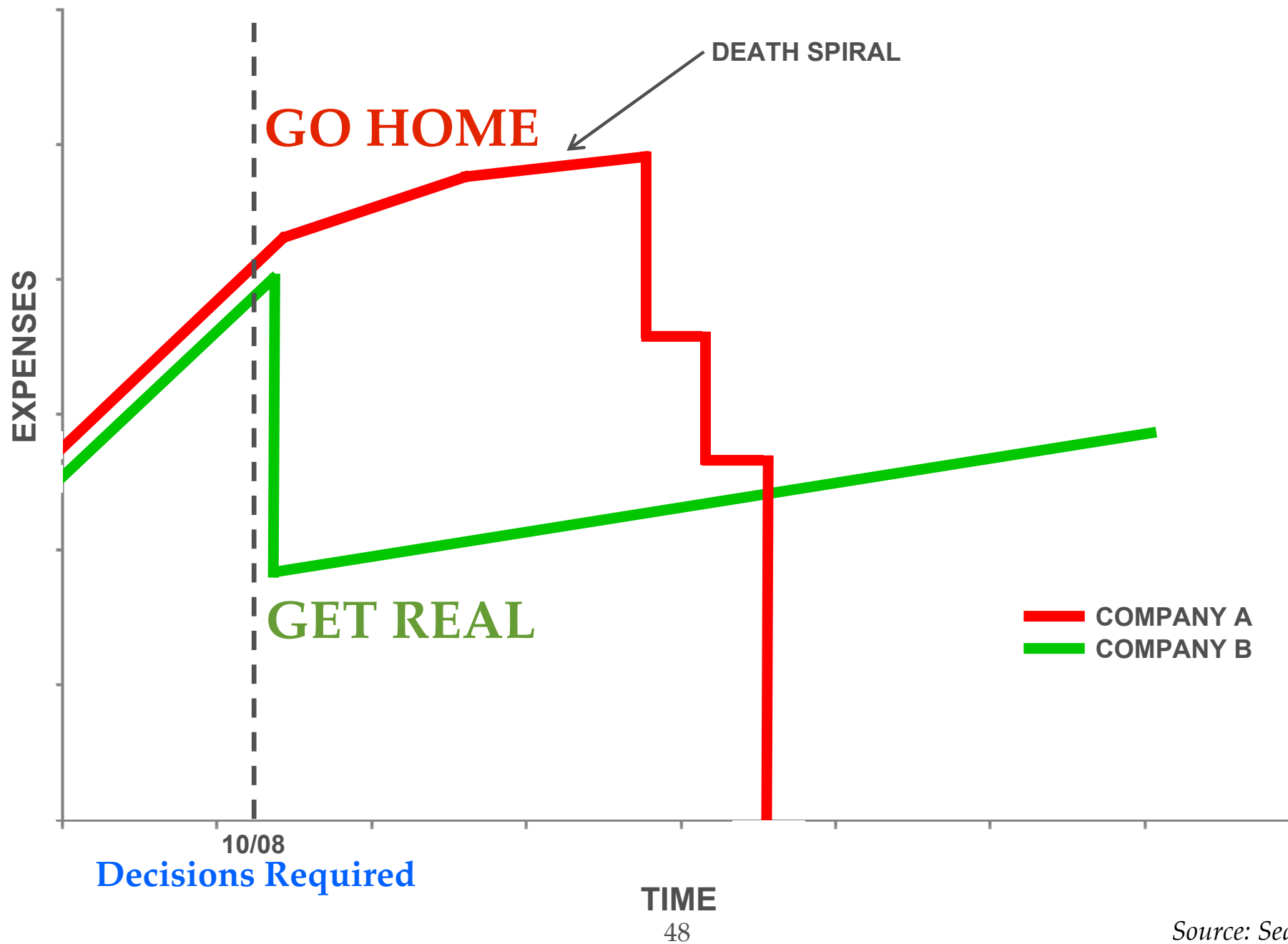


**The industry faced the terrible CRISIS
after the Lehman Shock in 09/13/2008.**

1.4. Case Study

SURVIVAL OF THE QUICKEST

What decisions do you plan to make? vs What decisions do you wish you had made?



1.4. Case Study

THE SOLUTION

「一先ずしゃがんで生き延びる」

PERFORM SITUATION ANALYSIS

ADAPT QUICKLY

USE A ZERO-BASED BUDGETING APPROACH

MAKE CUTS

REVIEW SALARIES

EMPLOY A HEAVILY COMMISSIONED SALES STRUCTURE

BOLSTER BALANCE SHEETS

BECOME CASH FLOW POSITIVE AS SOON AS POSSIBLE

SPEND EVERY DOLLAR AS IF IT WERE YOUR LAST

指標①：コミットメント金額（\$） **景気潜在要因**

どれだけのお金がベンチャー投資に向けられているか？
(業界プロの存在・過去の実績・イノベーション&将来の成長領域への期待)

指標②：投資金額（\$） **景気直接要因**

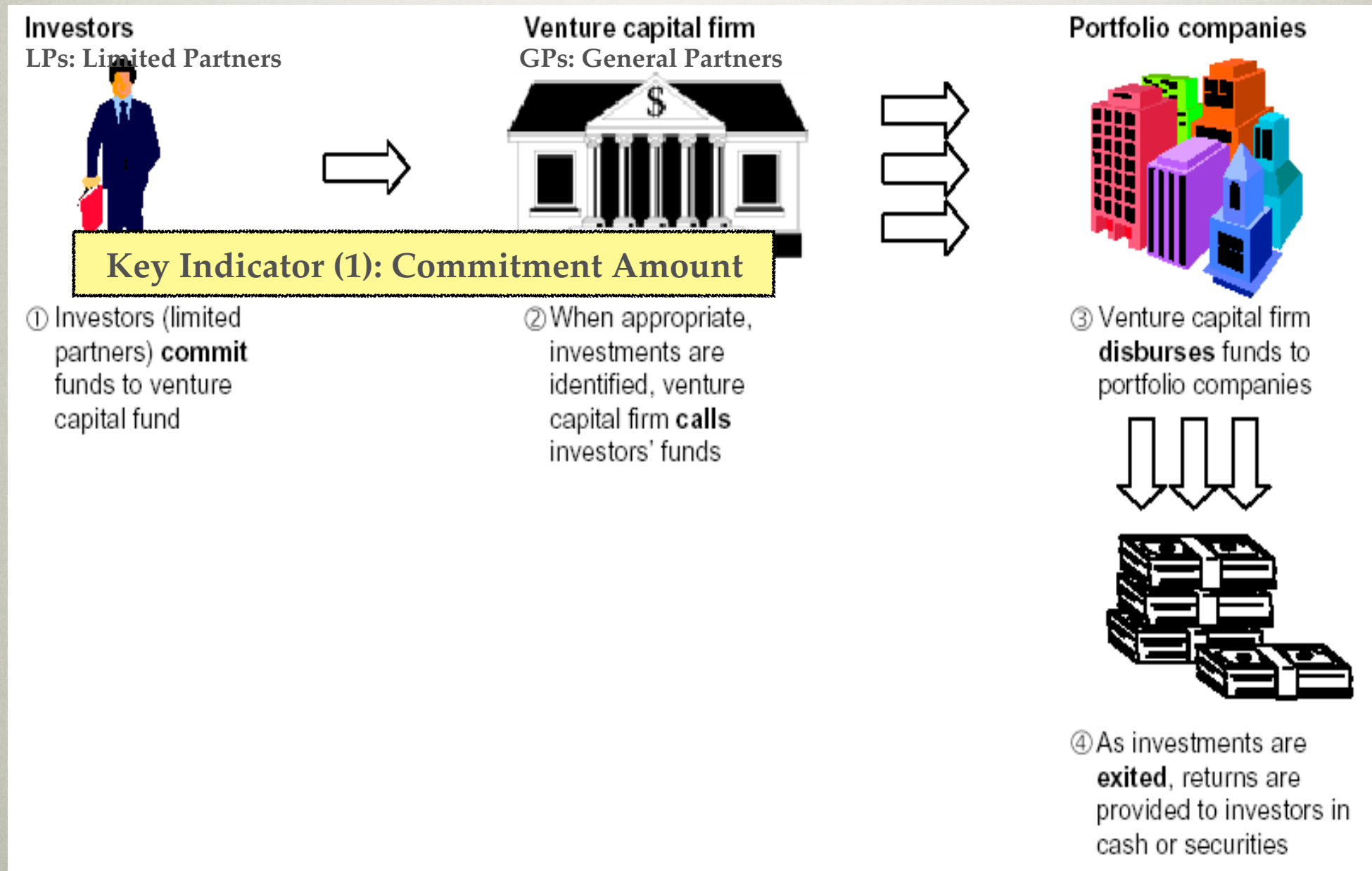
どれだけのお金がベンチャー企業に流れているか？
(どの分野にどれだけのお金が流れているか)

指標③：リターン（%） **景気循環要因**

どれだけのリターンがベンチャー企業付加価値化により創出されているか？
(いつはじめたファンドが平均どれだけのリターンを出しているか)

2.1. Key Indicators

Commitment Amount



2.1. Key Indicators

VENTURE FUNDRAISING INCREASES IN U.S. DURING 4Q 2015

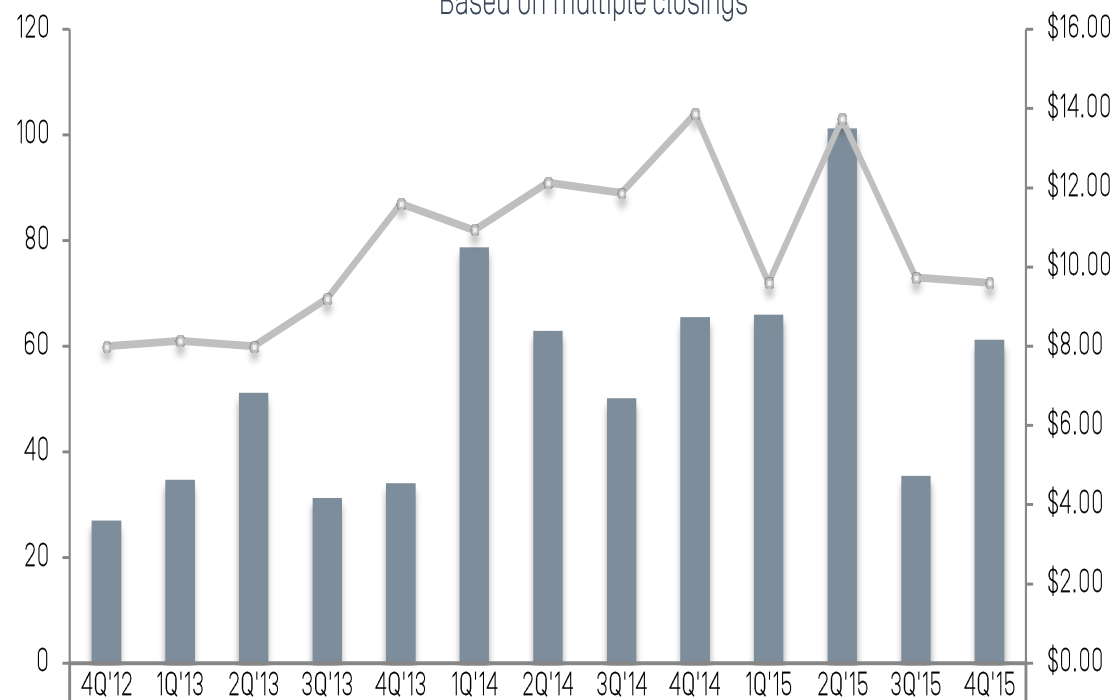
FUNDRAISING

72 funds garnered \$8.16 billion in 4Q 2015, an increase in the amount raised (72%) from the prior quarter, while number of funds remains almost unchanged.

- Tiger Global Private Investment Partners X was the largest U.S. venture capital fund of 4Q 2015 raising almost \$2.5 billion and accounting for 31% of the total amount raised during the quarter.
- Median U.S. fund size was \$125 million in 2015.

U.S. VC Fundraising (2012 - 2015)

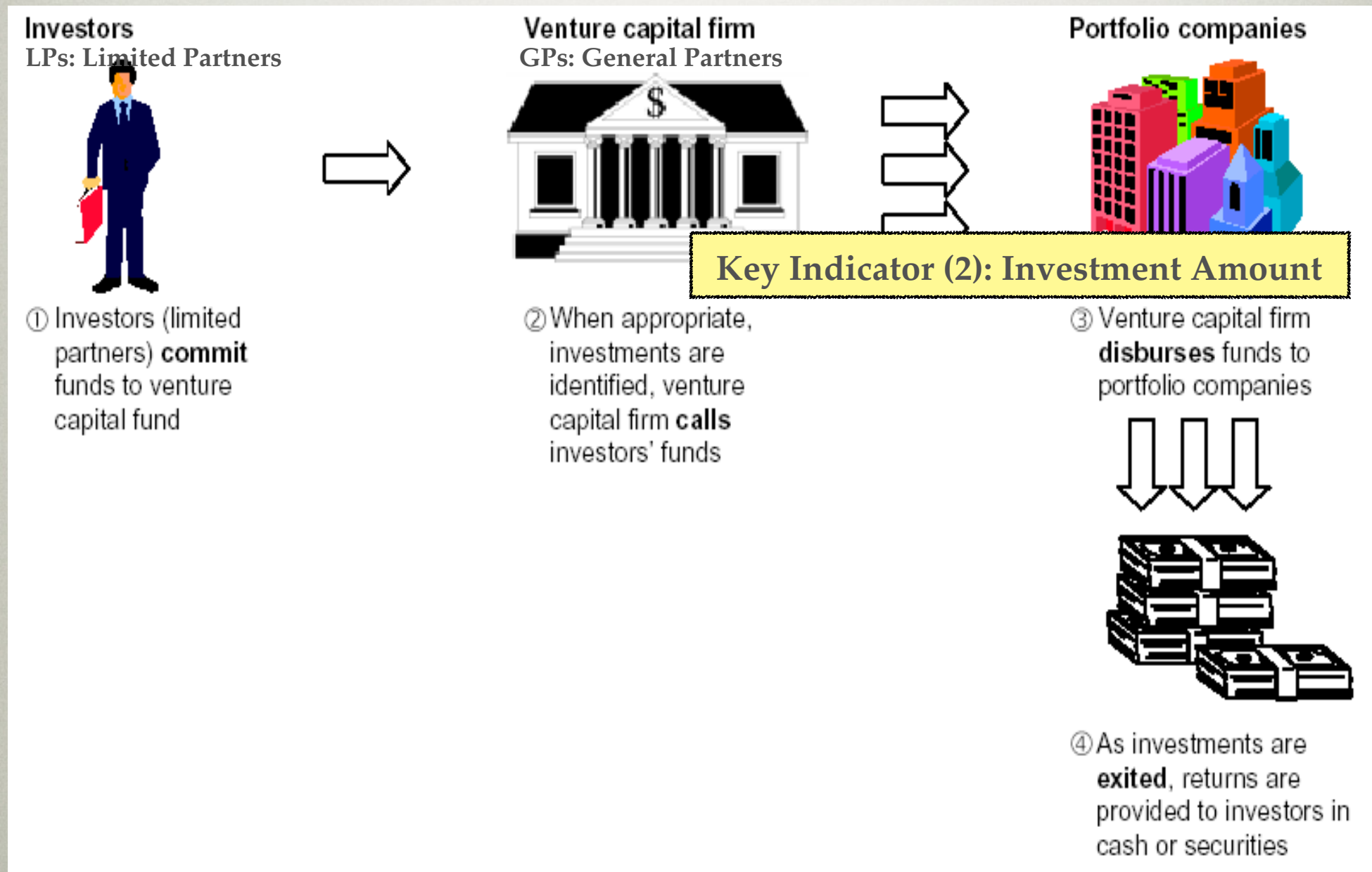
Based on multiple closings



■ Amount Raised (\$B)	\$3.60	\$4.63	\$6.82	\$4.17	\$4.54	\$10.5	\$8.39	\$6.68	\$8.73	\$8.80	\$13.5	\$4.73	\$8.16
—○ Number of Funds	60	61	60	69	87	82	91	89	104	72	103	73	72

2.1. Key Indicators

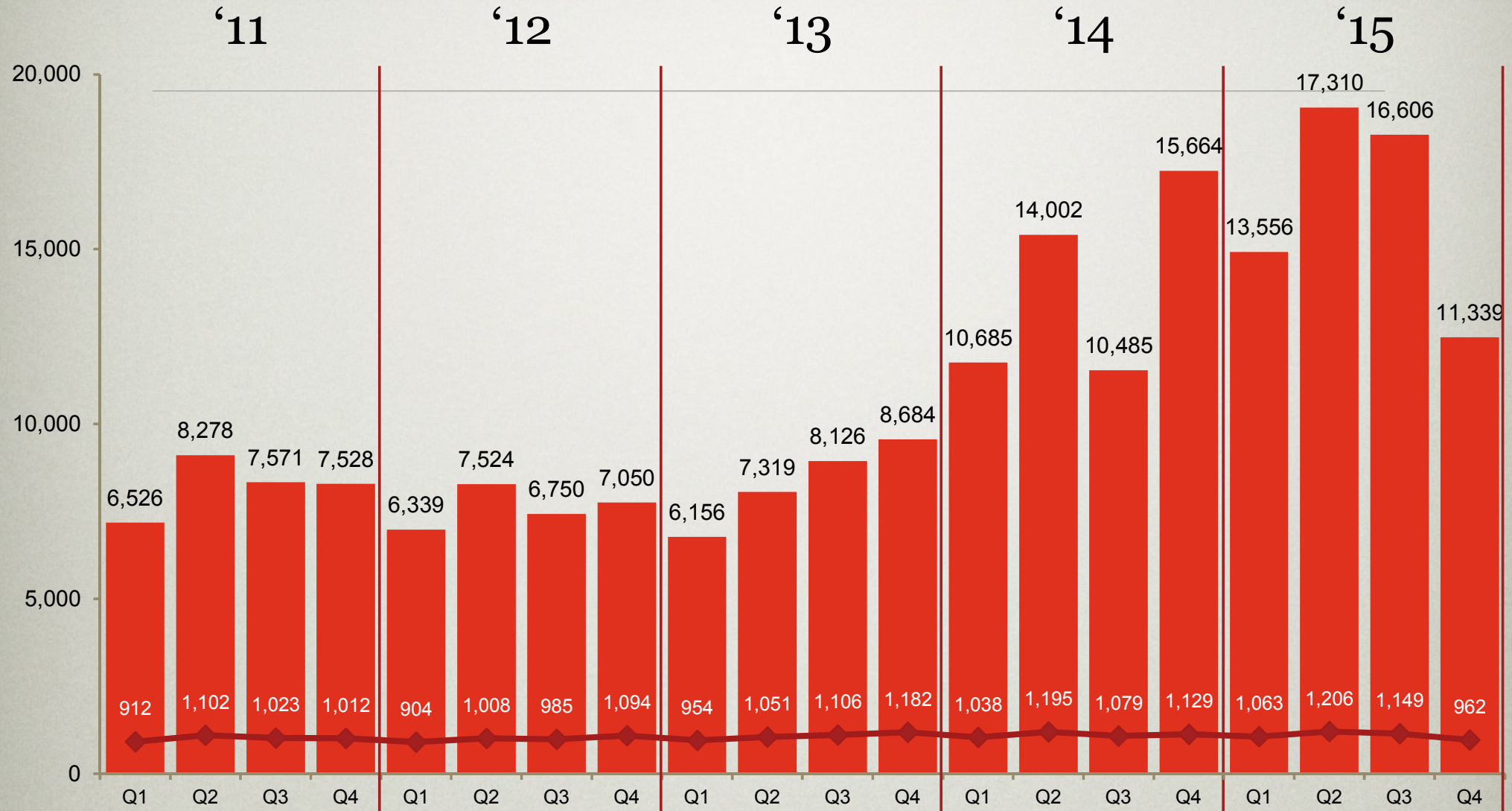
Investment Amount



2.1. Key Indicators

Key Indicator (2): Investment Amount

(\$ in millions)
All results rounded



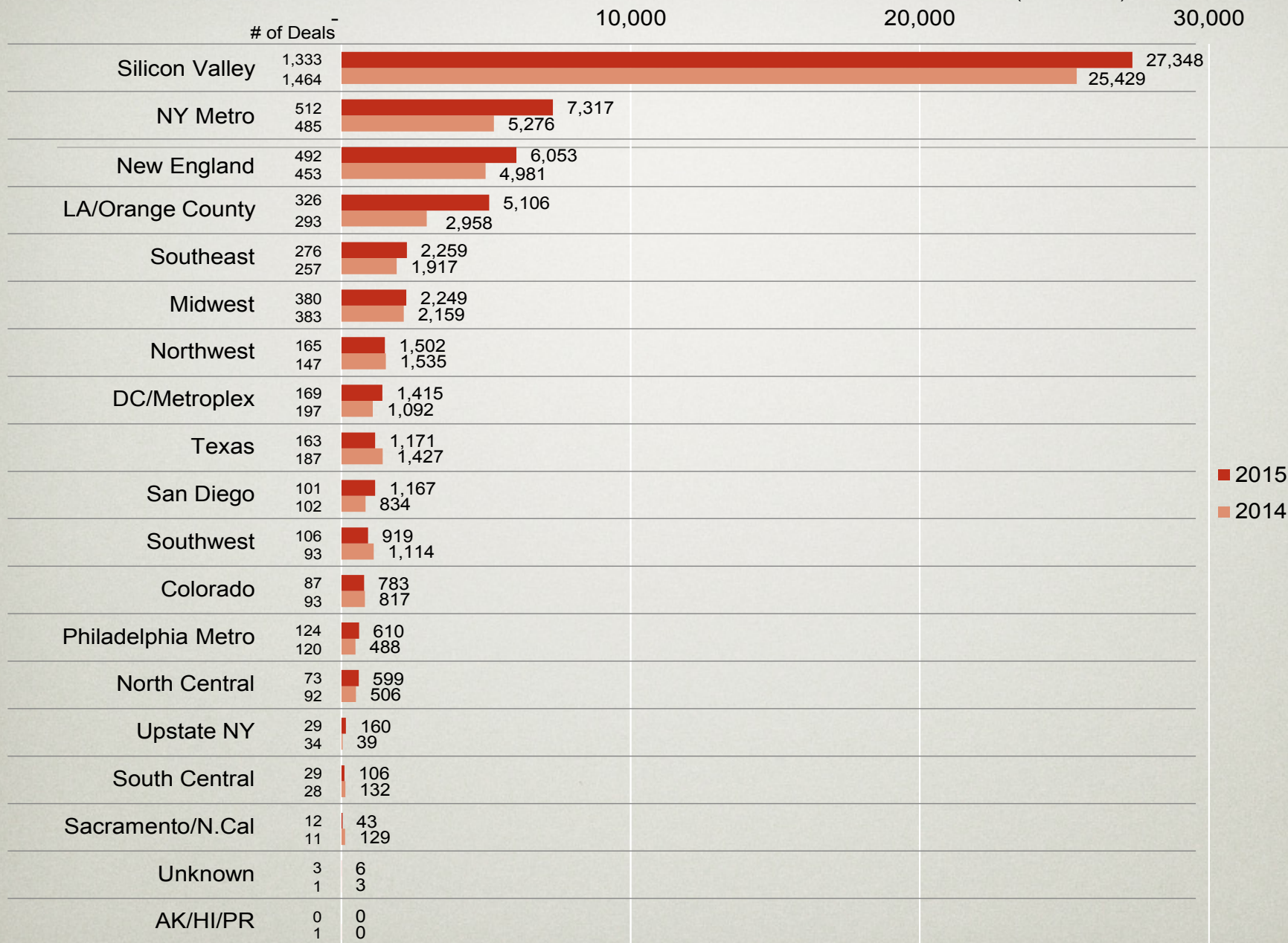
■ Amount Invested ◆ # of Deals
2013 **2014** **2015**
\$30,285(mil) **\$50,836(mil)** **\$58,811(mil)**

\$72,000(mil)
Incl. Angel Money
[PWC-MoneyTree]

2.1. Key Indicators

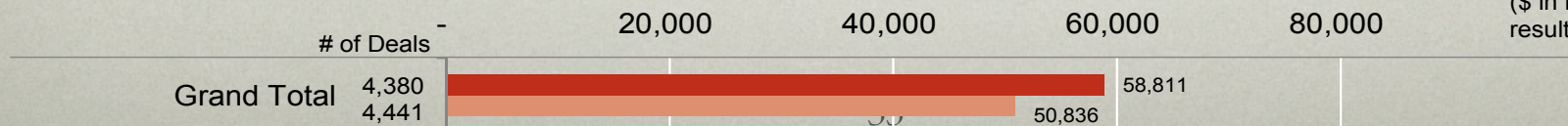
Key Indicator (2): Investment Amount

(\$ in millions) All results rounded



■ 2015
■ 2014

(\$ in millions) All results rounded



2.1. Key Indicators

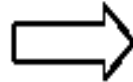
Returns

Investors

LPs: Limited Partners



① Investors (limited partners) **commit** funds to venture capital fund



Venture capital firm

GPs: General Partners



② When appropriate, investments are identified, venture capital firm **calls** investors' funds



Portfolio companies



③ Venture capital firm **disburses** funds to portfolio companies



Key Indicator (3): Returns

④ As investments are **exited**, returns are provided to investors in cash or securities

2.1. Key Indicators

Key Indicator (3): Return



U.S. Venture Capital Index and Selected Benchmark Statistics

Data as of December 31, 2014

U.S. Venture Capital: Since Inception IRR & Multiples by Fund Vintage Year
Net to Limited Partners

Vintage Year	Pooled Return (%)	Arithmetic Mean (%)	Median (%)	Equal-Weighted Pooled Return (%)	Upper Quartile (%)	Lower Quartile (%)	Standard Deviation (%)	DPI	RVPI	TVPI	Number of Funds
1981	8.47	9.01	7.87	9.03	13.24	5.94	5.59	1.76	0.00	1.76	9
1982	7.38	7.20	7.90	7.36	9.11	4.87	3.29	1.79	0.00	1.79	11
1983	10.23	9.55	8.72	10.09	12.46	7.10	5.73	2.01	0.00	2.01	28
1984	8.65	7.76	6.27	8.11	12.92	3.78	8.82	1.77	0.00	1.77	32
1985	12.91	11.70	12.86	12.88	17.35	5.49	8.21	2.69	0.00	2.69	26
1986	14.52	8.81	9.43	9.11	12.90	5.27	5.13	2.89	0.00	2.90	30
1987	18.26	14.53	15.65	15.82	22.18	8.70	10.64	2.72	0.00	2.72	34
1988	18.89	14.31	11.87	14.70	21.65	6.60	13.77	2.41	0.09	2.51	26
1989	19.16	17.05	13.31	18.88	28.80	7.75	14.46	2.59	0.00	2.59	37
1990	33.11	24.07	21.54	26.28	31.19	14.28	19.60	3.15	0.00	3.15	17
1991	27.89	24.02	18.56	25.64	27.86	11.64	20.33	3.17	0.00	3.17	17
1992	32.60	28.23	19.65	37.29	35.86	10.85	30.55	3.09	0.00	3.09	22
1993	46.71	30.44	18.83	41.09	46.49	12.19	31.10	4.13	0.00	4.13	36
1994	59.26	34.24	26.45	44.87	46.45	6.73	47.15	5.40	0.01	5.40	42
1995	88.48	56.60	41.65	77.43	80.62	21.54	58.50	6.07	0.00	6.07	35
1996	100.73	60.60	37.06	87.55	81.49	7.18	77.87	4.89	0.02	4.91	42
1997	91.80	53.70	9.64	73.71	63.32	-2.60	102.09	3.08	0.02	3.10	71
1998	11.94	16.80	-0.27	15.71	15.19	-6.15	71.44	1.47	0.03	1.50	81
1999	-0.56	-3.03	-2.49	-1.05	3.70	-10.90	17.78	0.89	0.08	0.96	113
2000	0.89	-2.19	-0.69	0.46	4.61	-6.66	12.51	0.86	0.21	1.06	158
2001	3.00	0.25	1.66	4.15	7.79	-5.26	19.03	0.93	0.26	1.19	55
2002	0.50	0.96	0.70	2.71	6.56	-3.88	8.85	0.74	0.29	1.03	34
2003	9.30	-1.39	1.83	6.03	7.32	-4.16	25.42	1.18	0.49	1.68	40
2004	8.95	3.05	1.22	9.50	8.92	-4.59	20.88	0.93	0.68	1.61	67
2005	8.05	3.37	4.98	7.10	10.93	-0.40	17.79	0.56	0.91	1.48	63
2006	9.66	4.89	6.65	7.81	13.81	-1.22	13.75	0.62	0.93	1.55	85
2007	17.55	15.74	15.40	18.26	22.80	5.95	17.30	0.73	1.18	1.91	66
2008	17.62	13.29	11.81	15.88	21.13	5.90	14.33	0.43	1.27	1.70	65
2009	20.63	15.01	15.52	17.47	27.33	2.68	16.10	0.35	1.37	1.72	23
2010	39.40	27.08	21.33	32.79	34.37	14.84	29.58	0.45	1.88	2.34	43
2011	30.28	16.27	11.00	18.58	36.50	-4.37	31.37	0.08	1.49	1.57	40
2012	30.50	14.50	12.30	16.99	29.15	-3.68	30.95	0.08	1.33	1.41	50
2013	9.09	-4.89	-9.03	-5.77	10.83	-21.77	32.24	0.03	1.03	1.06	39

Notes: Based on data compiled from 1,537 U.S. venture capital funds, including fully liquidated partnerships, formed between 1981 and 2013. Internal rates of return are net of fees, expenses and carried interest. CA research shows that most funds take at least six years to settle into their final quartile ranking, and previous to this settling they typically rank in 2-3 other quartiles; therefore fund or benchmark performance metrics from more recent vintage years may be less meaningful.

IRR: Internal Rate of Return(内部収益率：複利計算に基づいた投資収益率)

2.1. Key Indicators

Key Indicator (3): Return

C | A

U.S. Venture Capital Index and Selected Benchmark Statistics

Data as of
December 31, 2014

U.S. Venture Capital Fund Index Summary: End-to-End Pooled Return
Net to Limited Partners

Index	1-Quarter	1-Year	3-Year	5-Year	10-Year	15-Year	20-Year	25-Year	30-Year
Cambridge Associates LLC U.S. Venture Capital Index ^{®1}	9.88	21.49	18.04	16.07	10.28	4.84	35.44	22.11	17.67
U.S. Venture Capital - Early Stage Index¹	10.93	23.09	19.25	16.83	9.81	4.47	56.67	29.41	21.29
U.S. Venture Capital - Late & Expansion Stage Index ¹	4.63	8.87	14.21	16.57	12.80	6.17	11.27	13.15	12.60
U.S. Venture Capital - Multi-Stage Index ¹	9.75	22.99	17.42	14.81	10.33	5.07	13.81	13.33	12.25
Barclays Government/Credit Bond Index	1.82	6.01	2.76	4.69	4.70	5.79	6.24	6.53	7.43
Dow Jones Industrial Average Index	5.20	10.04	16.29	14.22	7.91	5.44	10.48	10.43	12.36
Dow Jones U.S. Small Cap Index	8.46	8.39	20.36	16.38	9.16	8.94	11.31	NA	NA
Dow Jones U.S. TopCap Index	4.88	13.24	18.56	15.54	8.00	4.44	9.89	NA	NA
Nasdaq Composite Index[*]	5.40	13.40	22.05	15.85	8.09	1.02	9.64	9.83	10.34
Russell 1000 [®] Index	4.88	13.24	20.62	15.64	7.96	4.62	10.04	9.82	11.40
Russell 2000 [®] Index	9.73	4.89	19.21	15.55	7.77	7.38	9.63	9.75	10.27
S&P 500 Index	4.93	13.69	20.41	15.45	7.67	4.24	9.85	9.62	11.33
Wilshire 5000 Total Market Index	5.25	12.71	20.29	15.54	7.99	4.75	9.93	9.71	11.22

The Cambridge Associates LLC U.S. Venture Capital Index[®] is an end-to-end calculation based on data compiled from 1,569 U.S. venture capital funds (1,002 early stage, 175 late & expansion stage, 386 multi-stage and 6 venture debt funds), including fully liquidated partnerships, formed between 1981 and 2014.

¹Pooled end-to-end return, net of fees, expenses, and carried interest.

Sources: Cambridge Associates LLC, Barclays, Dow Jones Indexes, Frank Russell Company, Standard & Poor's, Thomson Reuters Datastream, and Wilshire Associates, Inc.

2.1. Key Indicators

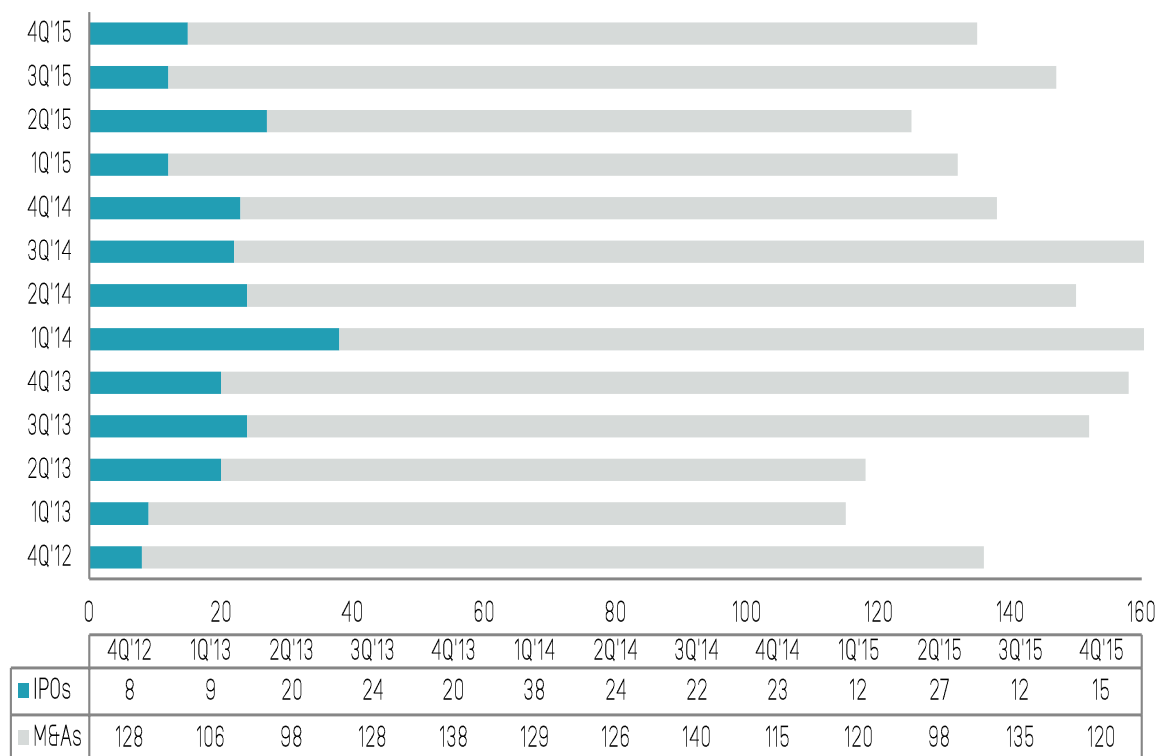
VENTURE M&A AND IPO MARKET ACTIVITY IN THE U.S. DURING 4Q 2015

LIQUIDITY

Mergers and acquisitions (M&As) of venture-backed companies decreased 4% in value from 3Q 2015, with 120 deals garnering \$15 billion.

Initial public offering (IPO) activity decreased in 4Q 2015 raising \$1.3 billion, down 17% from the previous quarter.

Exit Opportunities for U.S. VC-backed Companies (2012–2015)



2.1. Key Indicators

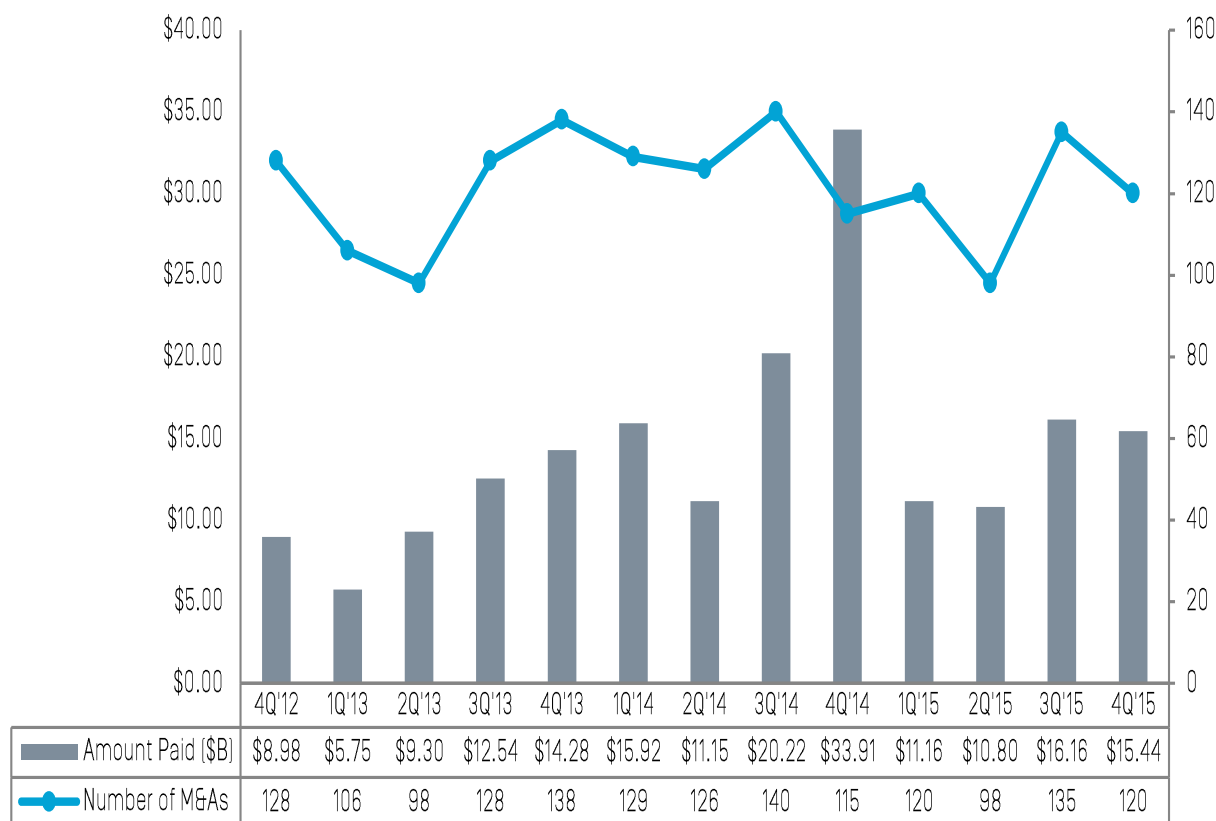
U.S. VC-BACKED M&As (2012-2015)

LIQUIDITY

120 M&As of venture-backed companies in the U.S. garnered \$15 billion during 4Q 2015.

- In contrast with 3Q 2015, when a total of 135 transactions accumulated almost \$16 billion, number of deals and amount raised decreased by 11% and 4% respectively.
- The largest M&A of the quarter was Cardioxyl Pharmaceuticals Inc., which was acquired by Bristol-Myers Squibb Company (NASDAQ: BMY) for \$2.1 billion.

U.S. VC-backed M&A Activity (2012 - 2015)



2.1. Key Indicators

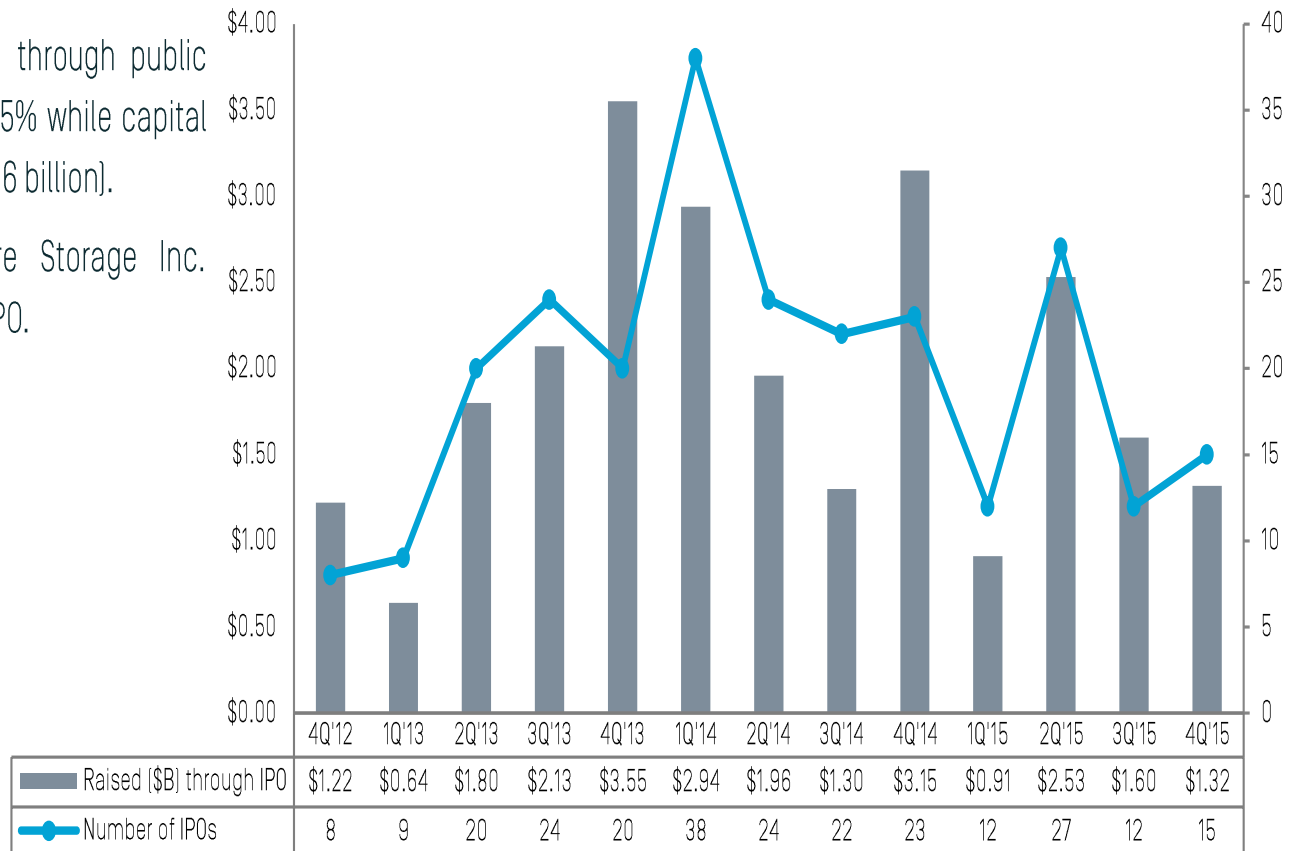
U.S. VC-BACKED IPOs [2012-2015]

LIQUIDITY

15 venture-backed companies raised \$1.3 billion through public offerings in 4Q 2015. Number of deals increased 25% while capital raised decreased 17% from the previous quarter (\$1.6 billion).

- The largest IPO of the quarter was Pure Storage Inc. (NYSE:PSTG), which completed a \$425 million IPO.

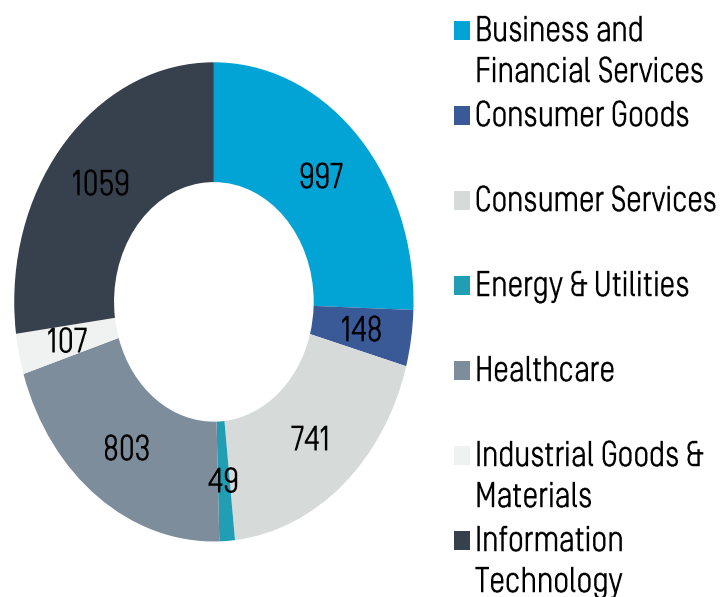
U.S. VC-backed IPO Activity (2012 - 2015)



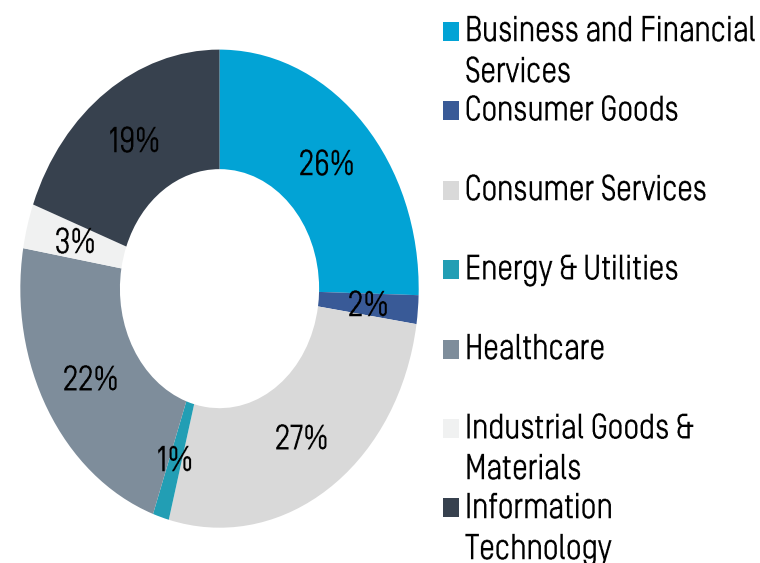
2.2. Sectors

EQUITY FINANCINGS INTO U.S.-BASED, VC-BACKED COMPANIES, BY INDUSTRY GROUP [2015]

2015 Industry Breakdown By Number of Deals



2015 Industry Breakdown By Amount Raised



2.2. Sectors

TOP 5 DEALS INTO VC-BACKED COMPANIES [4Q 2015]

FINANCING

Co. Name	Location	Industry Code	Industry Segment	Industry Group	Brief Description	Close Date	Round Type	Raised (\$M)	Round Investors (* denotes lead)
Uber Technologies Inc.	San Francisco, CA	Transportation Services	Travel and Leisure	Consumer Services	Provider of an on-demand transportation service platform.	12/3/2015	8 th	\$2,100.00	China Broadband Capital Partners LP, China Life Insurance Co., China Minsheng Banking Corp. Ltd., China Taiping Insurance Group Ltd., China Vanke Co. Ltd., CITIC Securities Co. Ltd., Guangzhou Automobile Group, HNA Group, T. Rowe Price Group Inc., Tiger Global Management LLC
Lyft Inc.	San Francisco, CA	Transportation Services	Travel and Leisure	Consumer Services	Provider of an on-demand ridesharing service platform.	12/31/2015	7 th	\$1,000.00	General Motors*, Janus Capital Group, Kingdom Holding Company, Rakuten Ventures
Jet.com Inc.	Montclair, NJ	Mixed Retailing	Retailers	Consumer Services	Provider of a daily fantasy sports games platform.	11/4/2015	3 rd	\$350.00	Alibaba Group Holding Ltd., Bain Capital Ventures, Fidelity Investments*, Google Ventures, Norwest Venture Partners
Avant Inc.	Chicago, IL	Lending	Financial Institutions and Services	Business and Financial Services	Provider of a consumer lending platform.	10/29/2015	5 th	\$325.00	August Capital, Balyasny Asset Management, Draper Fisher Jurvetson, General Atlantic LLC*, RRE Ventures LLC, Tiger Global Management LLC
Sunnova Energy Corp.	Houston, TX	Solar Energy	Renewable Energy	Energy and Utilities	Provider of residential solar services.	10/22/2015	Second Round	\$300.00	Franklin Square Capital Partners, Triangle Peak Partners LP*

Car Sales Business: \$23bil vs Car Service Business: \$54bil

2.2. Sectors

U.S. Venture Capital Index and Selected Benchmark Statistics

Data as of
December 31, 2014

U.S. Venture Capital: Since Inception IRR by Company Initial Investment Year
By Industry

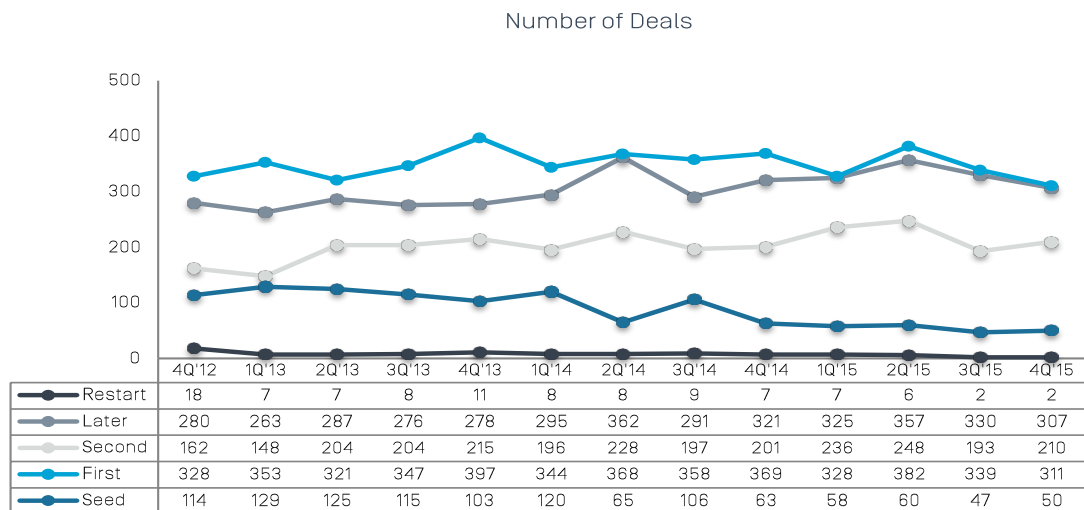
Pooled Gross IRR (%) of Companies Receiving Initial Investment In:																	
Industry	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Chemical/Materials	5.66	12.79	-8.38	-57.26	-18.85	-19.75	-0.13	-14.37	8.02	-7.61	15.43	-0.93	2.51	6.02	118.10	20.16	52.94
Consumer/Retail	-6.42	6.91	0.56	-1.16	11.34	3.88	11.92	13.56	3.61	2.47	-1.25	13.10	-2.64	16.82	22.09	39.92	97.36
Electronics	58.55	183.47	3.12	-12.44	-1.94	0.30	-6.16	2.54	-5.19	-4.49	-3.14	11.60	3.05	33.90	8.91	47.50	249.66
Energy	10.33	6.50	-2.47	5.31	-4.04	9.97	33.45	-2.37	-7.08	-10.55	8.37	-10.38	-6.40	6.72	0.57	3.86	29.74
Environmental	-100.00	NA	NA	NA	-26.38	21.63	-74.06	-99.16	-72.08	-97.46	-29.20	-5.24	-9.20	12.47	8.32	-3.85	-0.04
Financial Services	9.57	32.22	5.14	12.15	22.27	18.67	19.50	28.58	9.60	18.33	3.96	12.59	16.80	19.57	23.82	50.04	65.18
Hardware/Systems	56.83	201.03	2.12	-7.98	14.38	7.11	4.22	16.54	-0.22	-2.81	46.19	17.38	53.45	47.26	58.88	26.19	10.03
Health Care/Biotech *	7.71	17.52	13.03	2.44	8.89	6.92	14.52	8.62	10.76	6.60	14.02	16.60	21.50	31.92	37.03	52.66	85.89
Industrial	-99.89	16.32	10.88	-99.99	-100.00	NA	42.48	70.67	-1.70	13.72	-0.02	20.82	NA	-29.51	85.62	-100.00	153.00
Information Technology *	272.55	276.87	34.34	-2.91	-1.33	9.66	16.90	15.92	24.93	17.23	22.54	28.90	46.91	40.64	28.24	40.86	50.74
Manufacturing	58.55	-14.77	8.42	-2.64	15.96	-13.52	21.16	-1.18	-11.98	14.88	5.87	16.71	27.01	7.25	42.64	3.54	25.32
Media/Communications	-0.99	206.60	12.20	0.45	5.08	3.72	9.47	13.79	10.16	-7.04	5.11	21.06	30.88	43.96	19.13	20.69	56.90
Software/Services	121.57	106.49	-3.75	-5.55	1.66	17.72	9.69	25.07	6.67	14.09	13.64	24.28	48.68	38.75	75.98	61.52	59.60
Other/Fund of Funds	32.54	4.29	-16.36	-8.87	2.32	-5.84	22.99	6.05	6.15	6.14	7.08	5.38	27.55	18.05	16.55	33.24	8.41
All Companies	137.13	153.64	18.10	-2.65	4.01	9.85	11.75	13.84	12.14	8.58	14.50	19.57	31.96	34.06	39.49	46.15	69.07
Number of Companies	1,067	1,541	2,406	3,086	1,543	1,326	1,325	1,580	1,499	1,698	1,806	1,609	1,030	1,383	1,702	1,499	1,447

* See following exhibit for industry subgroups.
NA indicates inadequate number of companies in sample.

2.3. Stages

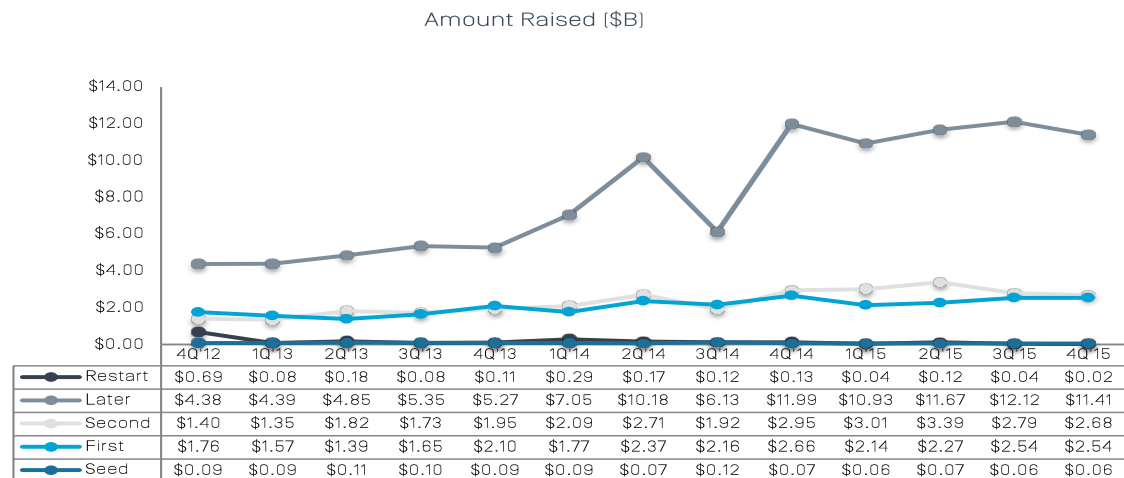
EQUITY FINANCINGS INTO U.S.-BASED, VC-BACKED COMPANIES, BY ROUND CLASS [QUARTER OVER QUARTER, 2012-2015]

FINANCING



EQUITY FINANCINGS INTO U.S.-BASED, VC-BACKED COMPANIES, BY ROUND CLASS [QUARTER OVER QUARTER, 2012-2015]

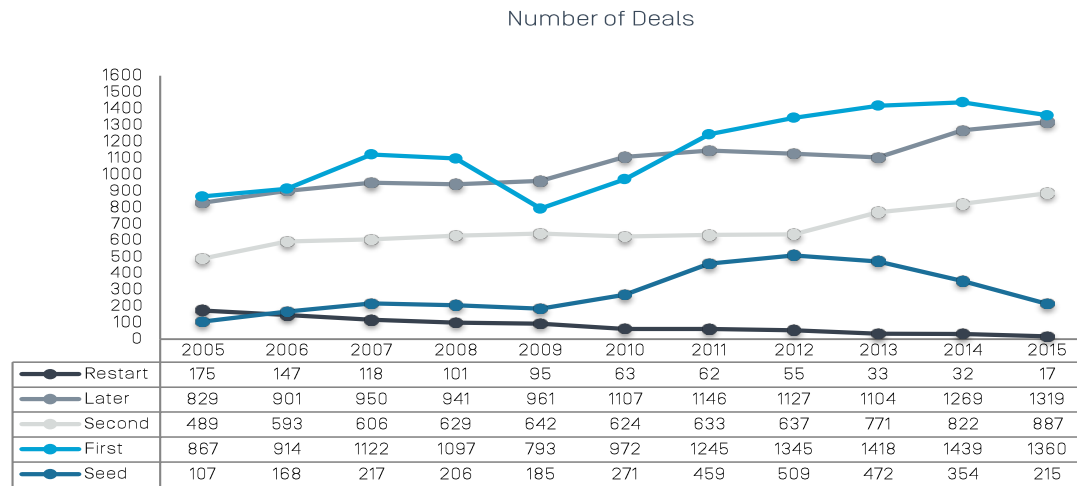
FINANCING



2.3. Stages

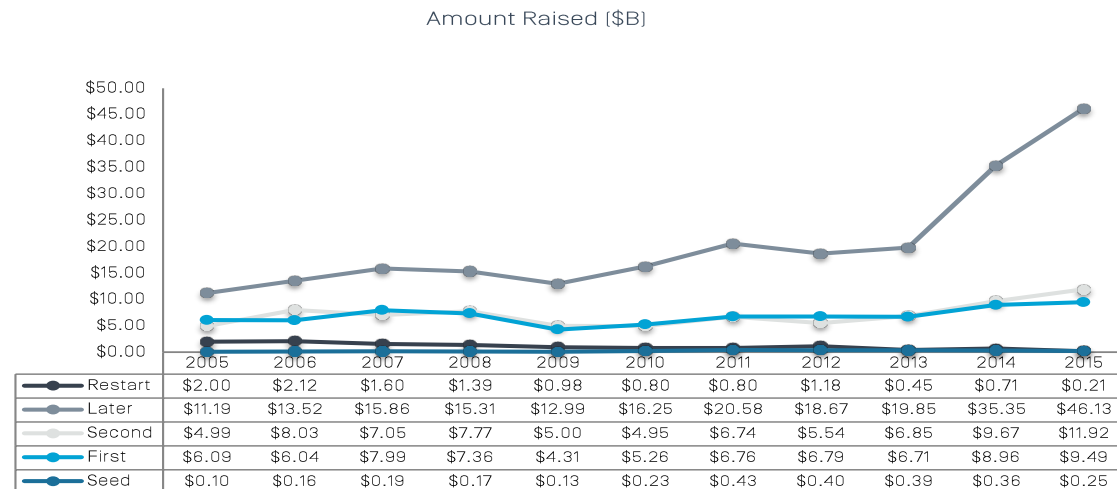
EQUITY FINANCINGS INTO U.S.-BASED, VC-BACKED COMPANIES, BY ROUND CLASS [YEAR OVER YEAR, 2005-2015]

FINANCING



EQUITY FINANCINGS INTO U.S.-BASED, VC-BACKED COMPANIES, BY ROUND CLASS [YEAR OVER YEAR, 2005-2015]

FINANCING



2.4. New Activities

Most Active VC Investors in North America Q2'15

Rank	Investor	Rank	Investor
1	New Enterprise Associates [1977- / \$9.25bil+]	7	First Round Capital
2	Kleiner Perkins Caufield & Byers [1972- / \$10bil+]	10	Sequoia Capital [1972- / \$4.12bil+]
3	Andreessen Horowitz [2009- / \$4.35bil]	10	RRE Ventures
4	Accel Partners [1983- / \$19.06bil]	10	500 Startups [2010-]
5	Foundry Group	10	Bessemer Venture Partners
6	Google Ventures	14	True Ventures
7	General Catalyst Partners	14	Intel Capital
7	Greycroft Partners		Y-Combinators [2005-]

2.4. New Activities

Andreessen Horowitz

Marc and I share a simple belief that became the basis for our new venture capital firm: in general, founding CEOs perform better than professional CEOs over the long term, and a venture capital firm that enables founding CEOs to succeed would help build the best companies and yield superior investment returns.

“Why Has Andreessen Horowitz Raised \$2.7B in 3 Years?”

By Ben Horowitz

1/31/2011

<http://bhorowitz.com/2012/01/31/why-has-andreessen-horowitz-raised-2-7b-in-3-years/>

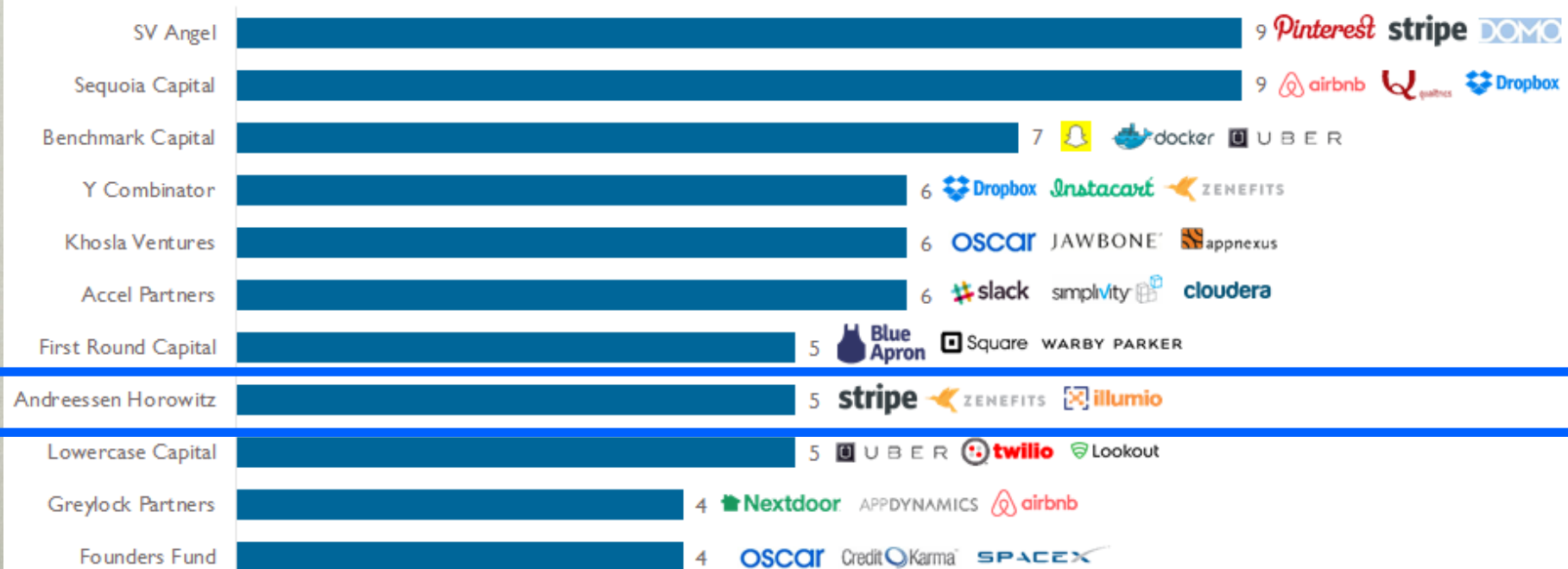
2.4. New Activities

	Investor	2015 Investments	Top Co-investor(s)	Co-investments	Largest Deal
1	Sequoia Capital	136	Lightspeed Venture Partners	10	Docker (\$113M, \$1.1B valuation)
2	New Enterprise Associates	126	AME Cloud Ventures Accel Partners Correlation Ventures	6	Pluribus Networks (\$52M Series D) Wallpop (\$87.5M Series C) Casper (\$55M Series B, \$555M valuation)
3	Accel Partners	114	Kleiner Perkins Caufield & Byers New Enterprise Associates	6	SimpliVity (\$175M Series D, \$1B valuation) Wallpop (\$87.5M Series C)
4	Andreessen Horowitz	75	Google Ventures Index Ventures	9	Slack (\$160M Series E, \$2.9B valuation)
5	Google Ventures	68	Andreessen Horowitz Kleiner Perkins Caufield & Byers	9	Slack (\$160M Series E, \$2.9B valuation)
6	Intel Capital	68	Techstars Goldman Sachs	3	Skully Helmets (\$11M Series A, \$30M valuation) Mirantis (\$100M Series B, \$556M valuation)

Early Stage Investors In Unicorns (7/21/2015)

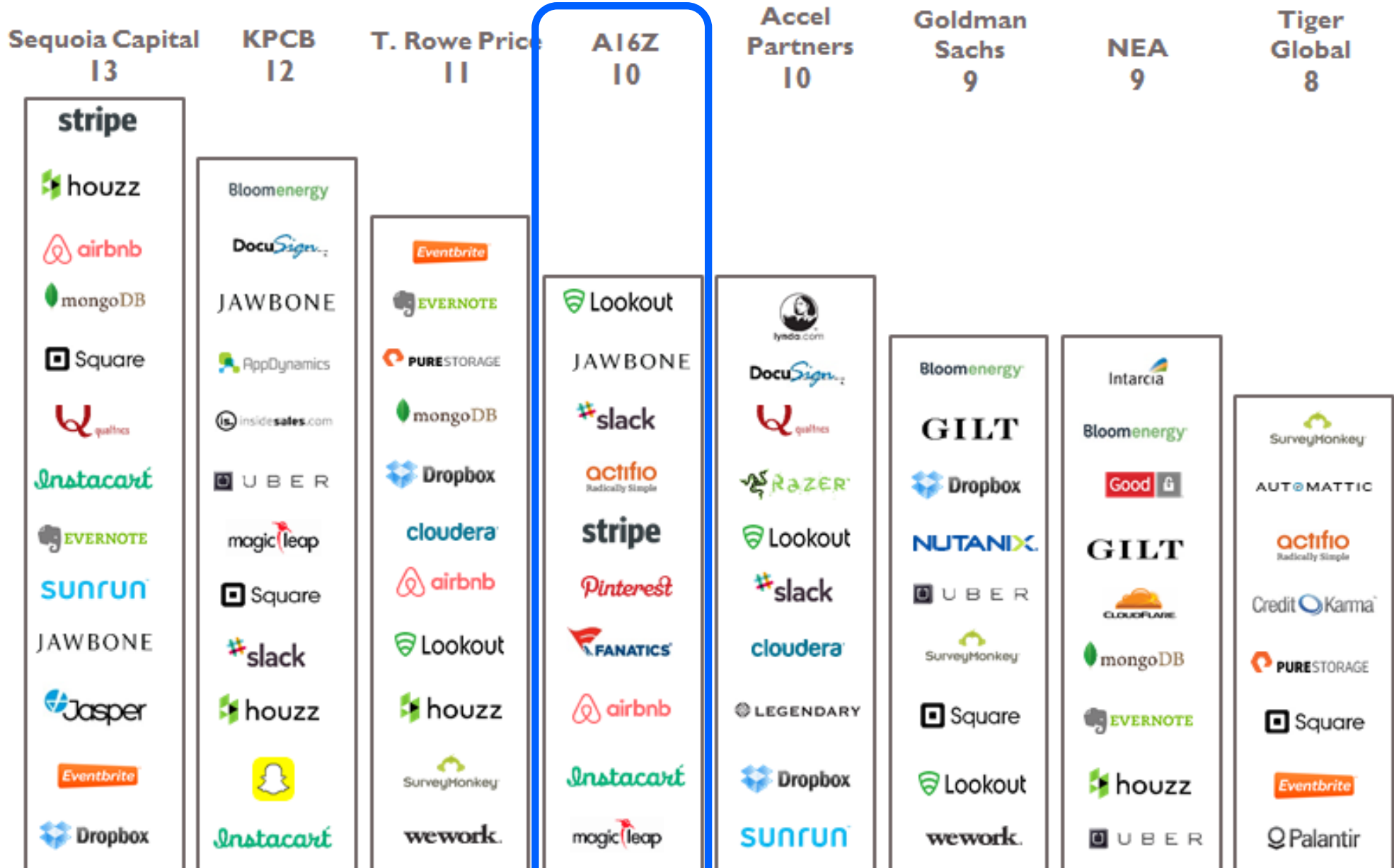
Number of Unicorns Invested at Seed/Series A Stage

Select Companies



2.4. New Activities

Top Investors In The Current Billion Dollar Club



Venture Industry: JPN vs US

GDP: ■ ■ 1 : 3

Venture Investment: 1 : 30 (60)

Exit Opportunities: IPO(80%), M&A(20%) : IPO(20%), M&A(80%)

Stock Market: 1 : 70

「最後に」

INTRODUCTION ABOUT A2O BUSINESS



A2O
Acorns to Oaks

BUSINESS CONSULTING

- To support finding out Newly Growing Business Opportunities objectively with A2O's Business Expertise and Global Network.

← Key Item: "Seriousness"

- To support defining New Business Development Projects based upon Strategies (Hypothesis).

← Key Item: "Necessary Conditions"

- To support realizing them to fully utilize Business Assets both Inside and Outside.

← Key Item: "Open Innovation"

Thank you!

