

Money and Innovation

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Speaker background

- ▶ MD, PhD, SM (=MBA)
- ▶ BioPharma CEO/board member (25 years)



- ▶ Angel investor (10 years)

- Managing Director, Kiyozumi Advisory, LLC



- ▶ Venture capitalist

- Executive Advisor, FinTech Global Capital

- ▶ JFIT Executive Manager, UCSD



Tech Startup Funding

- ▶ Own, Family, Friends
- ▶ Business loan/personal debt
- ▶ Angel Investors/groups (US)
- ▶ VCs (Early Stage, Corporate)
- ▶ Public money/Grants
 - US: NIH, SBA, DARPA, DTRA, etc.
 - JPN: NEDO, AMED, 中小機構, etc.
- ▶ Licensing/Strategic Alliances
- ▶ Crowdfunding: **KICKSTARTER**



Japan – No angel investor groups and small VC pool

	US	JPN
Total VC investment (2015)	\$60 bil.	\$1.1 bil.
Seed stage VC	\$1.1 bil. (1.8%)	\$0.15 bil. (14%)
Total Angel group investment (2014)	\$24 bil.	–
Seed stage Angel	\$6 bil. (25%)	–
GDP (2013)	\$16 tril.	\$5 tril.

sources:
 PWC Moneytree Report
 Center for Venture Research
 Venture Enterprise Center

Seed Stage Investment Return

- ▶ Angel investor's investment criteria (US)
10x return in (within) 5 years: IRR=58.49%

However, if the **success rate** is,

1 out of 4 investments, IRR = 20.11%

1 out of 6 investments, IRR = 10.76%

1 out of 8 investments, IRR = 4.56%

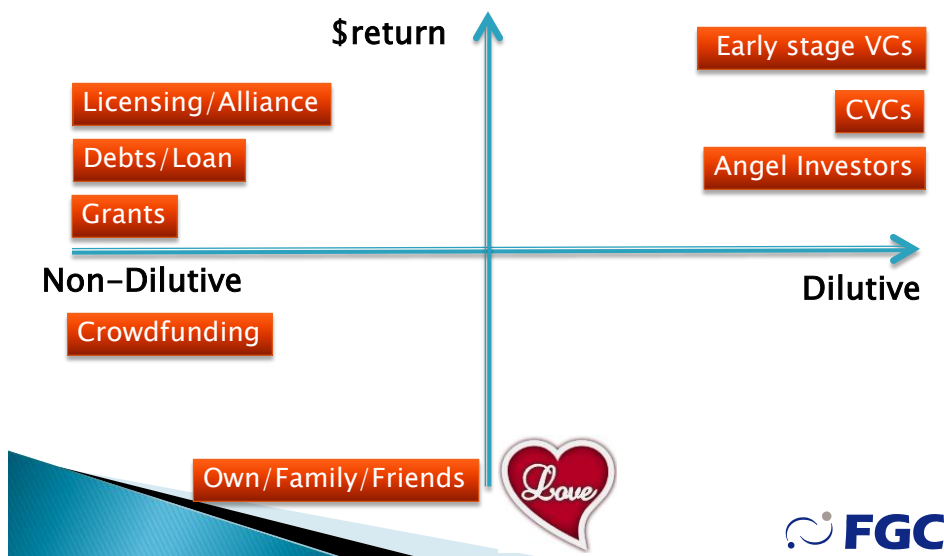


How can we reduce initial risks and increase successes?

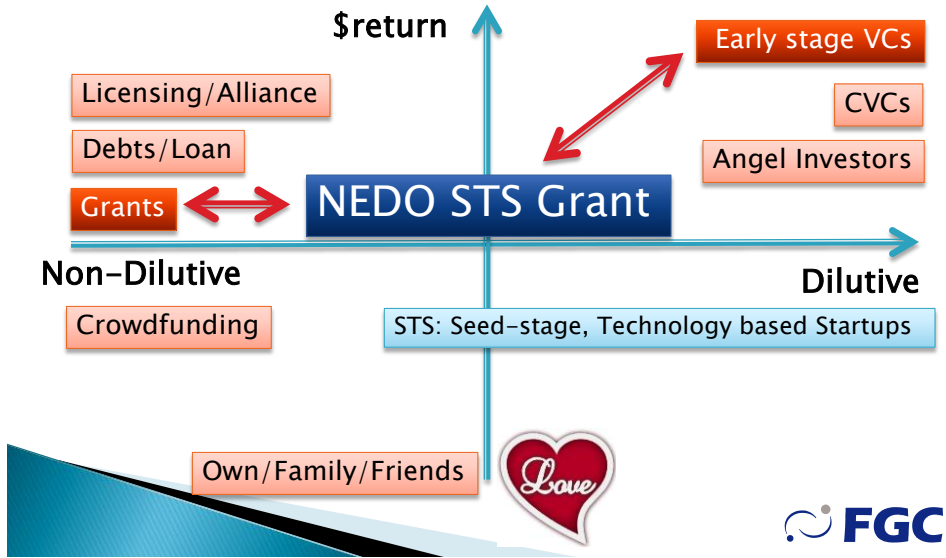
Risks: 1) Technology, 2) Financial, 3) Management



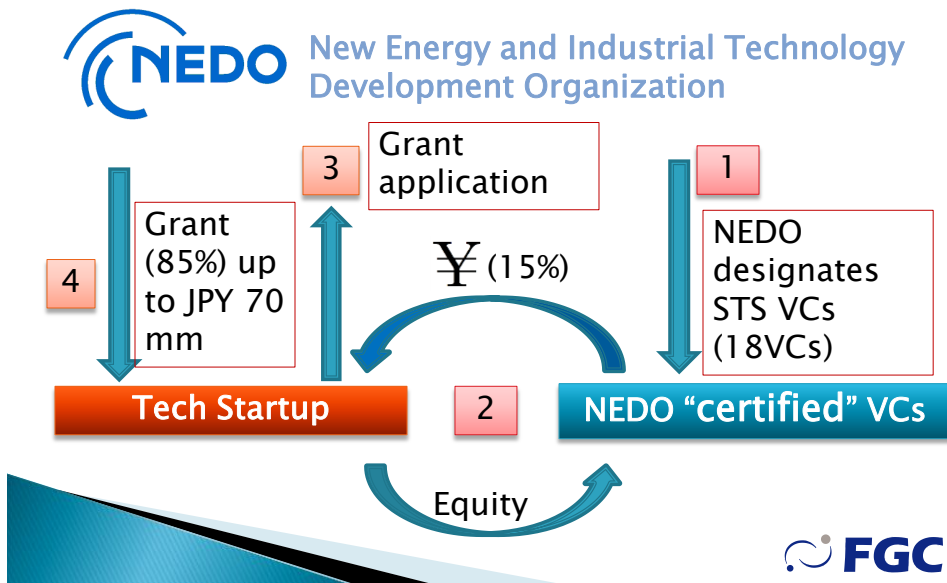
Seed Stage Funding Matrix



“Hybrid” seed funding vehicle



NEDO-STS Grant



Merit of NEDO–STS Grant

- ▶ For Tech Startups
 - Substantial seed funding (JPY 80mm +) with minimum dilution – **Reduce financial risk**
 - Guidance of NEDO “certified” experienced VCs – **Reduce management risk**
 - Fast fundraising (~6 months)
- ▶ For VCs
 - **Reduce financial risk** with a substantial grant (15:85)
 - Minimum dilution
- ▶ For NEDO
 - **Reduce management risk** with hands–on VCs
 - Provide startups with sufficient initial funding to accelerate product development



Food for thoughts

- ▶ Without any organized angel investor groups, can Japan maintain technology startup activities?
 - VC Investor sentiments: **Seed stage is too risky...**
 - Grant provider sentiments: **Management talent is lacking...**
 - Inventor sentiments: **Where is seed money?...**