Capital Issues in Technology Innovation Industry

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Dilemma in Technology Innovation Industry:
Mismatch between Business Nature and Conventional Capital Nature

◆ **Technology based business requires Very Patient Risk Capital, however, conventional capital market system is NOT necessarily suitable. (Market Failure in the broad sense)**

【Typical situation】	R&D based small start-ups	Technology based Large Publicly-held Company
Business nature	• Needs long-term risk money	• Operating CF does not cover all the long-term & large investment in a short run
Conventional Capital	• Around ten VCs invest in one start-up company • **Not a few VCs & individual investors pursue short-term return**	• **Stock market mostly requires short-term business performance**
As a Result···	• Exit at premature stage. 　•M&A exit is very rare 　•After IPO, stock price falls down	• Reduce long-term R&D and large investment

Patient Risk Money has already become available, but···
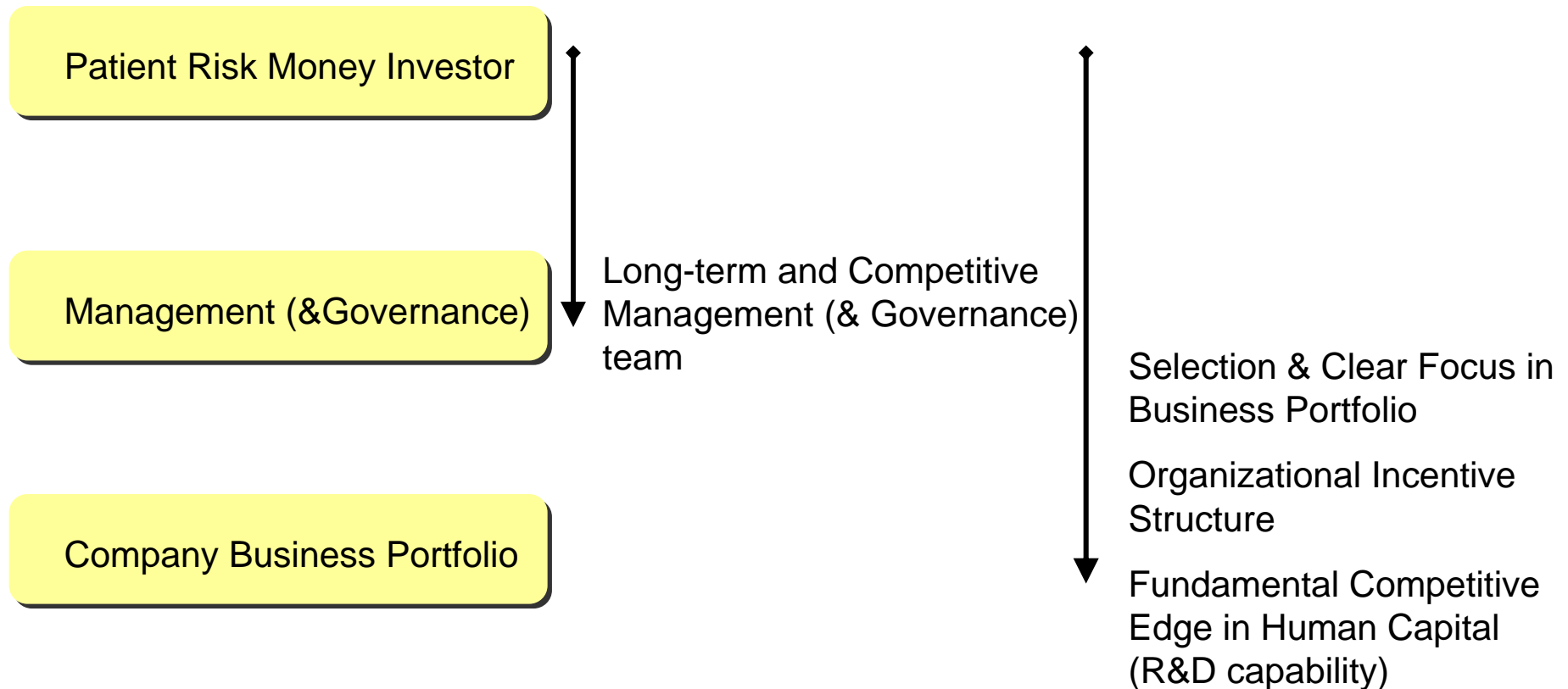
◆ List of Sovereign Wealth Funds (SWF)

Country	Fund	Assets $Billion	Inception	Origin
Abu Dhabi	ADIA Abu Dhabi Investment Authority	875	1976	Oil
Norway	GPF The Government Pension Fund of Norway	350	1990	Oil
Singapore	GIC Government of Singapore Investment Corporation	330	1981	Non-commodity
Saudi Arabia	Various	300	n/a	Oil
Kuwait	KIA Kuwait Investment Authority	250	1953	Oil
China	CIC China Investment Corporation	200	2007	Non-commodity
Singapore	Temasek Holdings	159.2	1974	Non-commodity
Russia	SFRF Stabilization Fund of the Russian Federation	158	2004	Oil
Canada	CPP CPP Investment Board	119.4	1997	Non-commodity
Australia	FFMA Australian Government Future Fund	61.3	2004	Non-commodity
Qatar	QIA Qatar Investment Authority	50	2000	Oil
US(Alaska)	APFC Alaska Permanent Fund	40.1	1976	Oil

◆ Value of SWF in Japan
  ➢ Contribution to Global Innovation
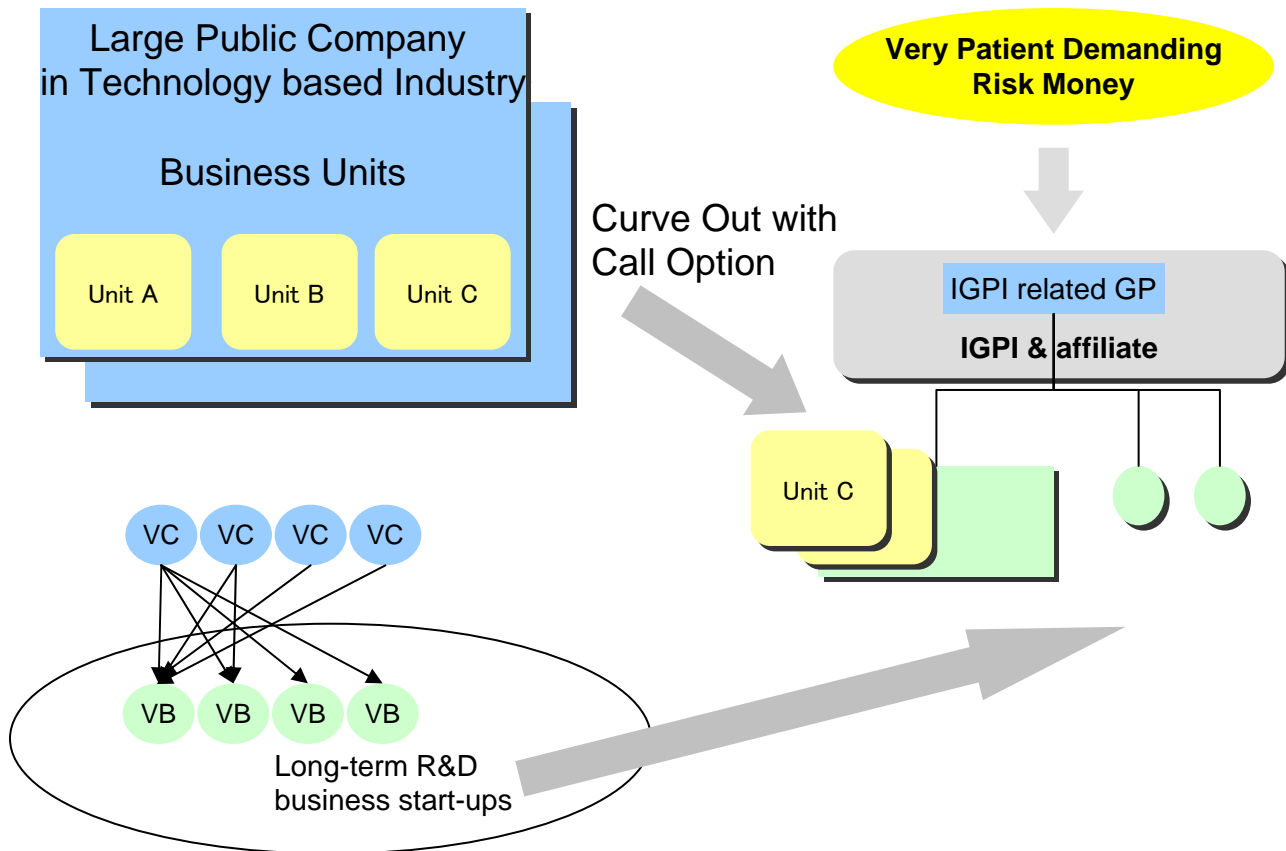 ➢ Reduction in budget deficit in Japan

Real Issue: Coincidence of Each Player's Goal

◆ Alignment of goal between capital, management, business portfolio is significant for long-term capital intensive challenge.

Patient Risk Money Investor

Management (&Governance)

Company Business Portfolio

Long-term and Competitive Management (& Governance) team

Selection & Clear Focus in Business Portfolio

Organizational Incentive Structure

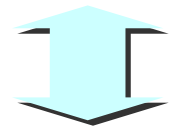Fundamental Competitive Edge in Human Capital (R&D capability)

Solution Examples of IGPI

◆ Business focus and strong management support & governance team enables us to attract the most suitable patient risk capital.

Large Public Company in Technology based Industry

Business Units

Unit A | Unit B | Unit C

Curve Out with Call Option

Very Patient Demanding Risk Money

IGPI related GP

IGPI & affiliate

Unit C

VC VC VC VC

VB VB VB VB

Long-term R&D business start-ups

<Most Suitable Capital>

➢ Investor Lineup

➢ Investment Period

➢ Expected Return

<Appropriate Vehicle>

➢ Business Field Focus

➢ Long-term Commitment

➢ Professional team in Business and Finance fields

➢ Business Networks