

Key points for investment and co-creation from the founder of Japan's only food tech-specialized VC -
Understanding entrepreneurs is the key to successful open innovation -

Episode 1. Insights from experiences with VC, startups, entrepreneurship, and CVC

1) Introduction

My name is Hiroki Okada. First, let me introduce myself. Then, I will share what has happened and what I have felt in the business scene related to investment and co-creation. I believe that these will be useful hints and teaching materials for major business companies when they invest in startups or engage in co-creation (new business development, open innovation), and for startups when they receive investment or proceed with co-creation. I also hope that this will provide some small insights for readers to think about their career development.

2) Self-introduction

After graduating from Waseda University (Law), he joined JAFCO as a new graduate and learned the standards of venture investment. After working in venture capital at Mitsubishi Corporation (IT investment division of the consumer goods group) and business development at Sockets, a mobile app developer, he founded Entresto in 2003 and entered the food industry. He served as the first manager of the restaurant "Kemuri Kagurazaka" for two years, and helped grow it into a thriving business. In 2012, he established a Hong Kong corporation and a Shanghai corporation (wholly owned) as the legal representative, and ventured into the Chinese market with the restaurant "Kemuri Shanghai" (he sold the Shanghai corporation in 2016 and returned to Japan).

In 2016, he established and headed a venture investment division for restaurant tech at Gurunavi, after which he started venture investment at Marui Group. In March 2020, just before the COVID-19 pandemic, he traveled around the world by himself and reaffirmed the importance of food and health and the potential of the Japanese food business, and in May 2020, he founded Kemuri Ventures. In October 2020, he launched the "Future of Food Fund." Publications

"Everything I know about business I learned at a restaurant. ~ Work skills that will be useful for a lifetime

How to Acquire Skills ~ (Yamato Shobo)"

Born in Kanazawa City and living in Kagurazaka, studied abroad at Mountain View in Silicon Valley during high school with AFS.

At the age of 20, he traveled to India and contracted fulminant hepatitis A, but survived. His hobbies are trail running.

Running (Completed the Sahara Desert Marathon 250km in 2019, UTMB 170km in 2023)

Completed)

3) Two study abroad experiences during high school (AFS)

I currently live mainly in Kagurazaka, Tokyo, but I spent my time in Kanazawa, Ishikawa Prefecture until graduating from high school. I studied only science and mathematics in the advanced science class at a rural public high school. I went on two homestay study abroad trips during high school. The first time was to Hobart, Tasmania, Australia for two months, and the second time was to Los Altos in Silicon Valley, USA for one year. After these two study abroad trips, I realized that I wanted to do business on a global scale, that it was better to be familiar with the rules to succeed in business, and that the rules of business were the law. So I decided to switch to humanities and enter the law department at university.

Through my two experiences studying abroad, I realized at the age of 18 that I don't have talent for languages, but that my strengths and weaknesses are my ability to express my thoughts openly to people all over the world, to make friends, and to not be afraid to fight. My two homestay experiences helped me develop the skills I need to negotiate, persevere, think logically, and approach different people in my work as a **venture** capitalist.

It helps to coexist with culture. The cultures of startups and large companies are very different, aren't they ? (laughs) When forming an investment/co-creation team, I think it's important to have diversity in terms of age, gender, background, nationality, etc. Also, when thinking about career development, I think it's important to know your own strengths and weaknesses .

4) Joined JAFCO as a new graduate and learned VC standards

After graduating from university, I thought about starting a business, but I had neither money nor a business idea, so I decided to get a job. I thought about working for a foreign consulting firm or venture capital, which I thought would help me start a business, and I ended up joining JAFCO, the largest venture capital firm (hereafter referred to as VC), as a new graduate. There, I was able to learn the standards for startup investment and gain knowledge from the JAFCO network. I was very lucky to be in Twerk.

At the time, the environment for startup investment was very different from today, with most unlisted companies raising funds through loans, and there were very few startups (then called ventures or unlisted companies) that used equity financing from VCs, so I went around preaching about equity financing. Like me, VCs back then would go on "cold calls" to unlisted companies. It's unthinkable now, isn't it (laughs). It was a time when there were no **preferred** stocks, investment agreements or stock options, and investment scrutiny (due diligence, hereafter referred to as **DD**) and investment schemes were difficult. **The ability to judge management, thinking about capital policy and negotiating stock prices are all very important points in investing, and JAFCO Standard**

I was lucky to study at the University of Tokyo about 25 years ago.

5) Moving to a startup, then to a CVC firm of a major trading company

Investing in startups at JAFCO was stimulating every day and I thought it might be my calling, but I began to want to gain real-world experience at a company that was not finance or consulting, so after a few years I changed jobs to work at a startup (Internet x finance) that we did business with. I worked in the corporate planning department, raising funds for the company, and in the marketing department I did B2B sales (to major companies and financial institutions). Eventually the startup hit a dead end, and I changed jobs after just under a year. By good timing, I received an invitation from the corporate venture capital division (hereafter referred to as CVC) of a major general trading company. The CVC **was familiar with real-world business, but lacked experience in due diligence techniques, stock valuation for unlisted companies, and investor networks (investment deal sou**
I had some issues with.

By the way, in startup investment, failure cases come before success cases (IPOs and M&A).

This leads to failures (bankruptcy or closure of business). Since investment is not a core business in the first place, investment activities may be suspended or terminated if there are multiple failures. The CVC temporarily suspended its activities for several months. There are probably various reasons for this, but I believe that investment activities (CVC) by business companies **should not be stopped. If they are stopped, they will lose their reputation and trust in the startup and investor industries, and will struggle when they resume. Investment and co-creation cannot be done by a single investor, so we will support startups in cooperation with multiple investors.**

6) I moved to a startup again

Following the suspension of investment activities, I decided to leave the major general trading company CVC. As I had imagined, there were many success stories (IPOs) of that CVC later. This was an outstanding investment performance.

At the next startup I worked at, I was mainly in charge of business development (partner building), Since there were only about five full-time executives and employees, I was also in charge of IR (shareholder communication), establishing an employee stock ownership plan, and serving as the site manager for the mobile site. Since several major business companies, including major telecommunications carriers, were shareholders, I was able to see a good example of a startup's capital policy. I looked for major business companies that could **bring** not just capital, but capital and business growth, made specific proposals, and became co-creation partners. Both companies **expanded their existing businesses, created new businesses, and grew together.**

Current startup capital policy (from whom, when, at what price, what type of stock)

If fundraising is difficult, they will focus only on raising the necessary funds, but if it is not difficult, they will look for investors (mainly large business companies and CVCs) who will not only provide funds but also support business growth. Large business company CVCs have **the advantage that they may be able to hold shares in the startup even after the IPO, and they can also support business growth.**

I think startups prefer CVC over VC because they can conduct investment and commercial transactions (generate sales) .

7) His first business venture was in the food industry.

After working for four companies in five years, I started my first company at the age of 30.

I was in the finance and IT industry, but I decided to start a food business and run a restaurant as my first business. I loved food and the restaurant industry had a lot of innovation.

I also felt that there was still a lot of room for innovation. In particular, I focused on innovation on the ground, and for the first two years after the store opened, I was on the ground every day as the store manager.

When I tried to apply this to restaurant management, a small innovation occurred.

The range has also been published as a book.

In my first venture, I provided the most funding, but I also received funding **from** past business partners and close friends .

The experience I gained there has been extremely helpful in my current investment work. I was able to experience

what it's like to be on the receiving end of an investment. The company still exists, but I'm ashamed to say that we have not yet been able to make any capital gains (CG) or dividends. Until now, we have only provided shareholders with complimentary coupons for our directly managed restaurants, but we have ideas for future shareholder returns.

8) Second startup in Shanghai, launching CVC at business company

In 2012, I went to Shanghai and started my second business, opening a Japanese restaurant.

However, in the end, sales dropped and the company ran out of funds. It is said that it is very difficult to withdraw from China, but I was lucky to sell my company and return to Japan in 2016.

I'm here.

When I came back to Japan and was thinking about what to do, a friend invited me to join a food and internet event.

I have joined a major business company. It seems that my experience of over 10 years of restaurant management, starting and closing a business in Shanghai, and my experience of investing in and co-creating startups were valued. You never know when or what your past challenges, including failures, will lead to. I encourage all readers to try various **challenges** proactively without worrying about failure. Starting a new business, co-creating with a new partner company, changing jobs, starting a business, etc.

A major food and internet company decided to set up a new CVC department, and I was made the head of the department.

A series of steps were taken , including the design of the investment committee, the creation of a due diligence system, the formation of an investment and co-creation team, the design of impairment rules, the creation of a multi-layered sourcing system, and the formulation of an investment strategy.

We have supported major companies in establishing and strengthening their CVCs .

I think my experience (2 VC companies + 3 CVC companies) will be of great help (laughs).

9) Launch of a food tech fund

In March 2020, when the COVID-19 lockdown began around the world, I traveled around the world alone. I went around the world, seeing, listening, talking, and feeling things for myself. Tokyo ÿ Silicon Valley ÿ Toronto ÿ New York ÿ Barcelona ÿ London ÿ Tokyo. I was originally planning to go to Estonia, Germany, and Norway after London before returning home, but the borders were closed.

(Only residents allowed to enter), and we were forced to change our flight.

Two things stood out to me at the time. First, it seemed like COVID was going to last a long time.

People all over the world will be interested in "health and food." Secondly, Japanese food is high quality, extremely cheap, and internationally competitive. However, if the food industry's "delgamation delays and severe labor shortages" are not resolved, opportunities will be lost.

A month and a half after returning to Japan, I established my third venture capital company (Kemuri Ventures LLC). Then, five months after founding the company, in October 2020, I established a VC fund specializing in the food tech field (Food Future Fund No. 1). Our **mission** is to "make the food business one of Japan's core industries." I look forward to co-creation (open innovation) and collaborative investment with our readers.