Propelling Co-creations between the Z Holdings Group and Startups — Strategies and Possibilities of Z Venture Capital

Z Venture Capital Corporation (hereinafter "ZVC") was established in 2021 as a result of the merger between YJ Capital Inc. and LINE Ventures Corporation. ZVC discovers promising startup companies, and provides various support for growth not only in the form of capital resources but also through sharing of know-how and business collaboration opportunities. ZVC operates its own investing activities as the corporate venture capital of Z Holdings Corporation (hereinafter "ZHD"). We asked Shinichiro HORI (CEO) his thoughts and aims in discovering startups.

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PROFILE

Shinichro HORI, CEO, Partner, Z Venture Capital Corporation
Joined Z Venture Capital (former YJ Capital) in 2013, after working at Future Architect and Dream Incubator. Concurrently serves as Partner of East Ventures Growth Fund, a Southeast Asian growth fund; Director of SB Innoventure; and Advisor of Code Republic. Co-author of " STARTUP What did great entrepreneurs think and do? (STARTUP Sugureta Kigyoka wa Nani wo Kanage, Dou Koudou shitaka) (Newspicks Publishing)

Why ZVC Continues to Explore Startups for the Growth of the Z Holdings Group

It is almost ten years since you joined YJ Capital (ZVC's former company) in 2013. How do you see the changes in the business environment for startups in Japan in these years?

HORI: I think the fundraising environment has changed the most. From approximately JPY110 billion in 2012 to over JPY800 billion in 2021, the fundraising amount in the Japanese startup market has grown significantly over the past decade.

What are the main factors that accelerated investments to such an extent?

HORI: I think the increase in investments reflects the growing recognition and expectation that **young entrepreneurs have new businesses and new ideas**, while large companies struggle to create new businesses. The number of people and venture capitalists investing risk money in startups has increased, and the amount of financing is rising steadily. Backed by ample funds, numerous startups are going public on a scale that was previously unthinkable.

ZVC established a JPY30 billion fund in April 2021. Together with the fund managed since the days as YJ Capital, the company now manages around JPY98.5 billion. What was the purpose of the merger and what kind of vision do you have?

HORI: The purpose of the merger of YJ Capital and LINE Ventures is **to create large-scale synergies across the entire ZHD Group**. From the days when ZVC was YJ Capital, we received requests from the then management of Yahoo Japan Corporation (hereinafter "Yahoo Japan") to make investments with a greater awareness of synergies that can be generated with Yahoo Japan. In response, we revised our investment strategy and placed more focus on the element of synergy creation. In other words, **to invest in startups to make existing strong businesses even stronger**. Based on the renewed policy, we invested in BizReach (now Visional, Inc.) and together established Standby, Inc. as a joint venture. Various outcomes of the revised strategy have been achieved, including dely, Inc. (operator of "kurashiru," a cooking recipe video service) to which YJ Capital had invested and a capital alliance signed with Yahoo Japan in 2018.

As a result of the merger with LINE Ventures, the scope of ZVC's synergy generation is not just for individual companies such as Yahoo Japan and LINE Corporation, but covers the entire ZHD Group. More specifically, we are actively investing in startups that can become our potential partners in the business fields where ZHD has its competitive edges such as media, commerce, and fintech. In addition, we aim to remain profitable while earning solid return on investments to ensure the continuation of our business, and eventually become Asia's No.1 corporate venture capital.

I understand that ZVC is looking at startups for investment not only in Japan, but also internationally. Please tell us about your strategies for both domestic and overseas investments.

HORI: In Japan, our main focus is on business creation with ZHD, and we emphasize partnerships with promising startups that will lead to the growth of the ZHD Group. In the U.S. (based in San Francisco), we discover startups with innovative ideas and business models. Since South Korea (based in Seoul) has a strong background in creating consumer apps that are well received by the younger generation, such as communication app (LINE) and digital comic app optimized for smartphones (Webtoon), we are looking for startups that provide apps targeting the Generation Z.

Recently, we are also putting our efforts in Southeast Asia including Thailand and Taiwan, where LINE is widely used, as well as Indonesia and Singapore. As a strategic move for ZHD to earnestly aim to become an AI tech company that represents Asia, we would like to make investments from the standpoint of discovering promising local partners.

Although I mentioned earlier that our target business field for investment centers around media, commerce, and fintech, we are also looking into blockchain and healthcare as well as fields ZHD is not currently engaged in, such as Web 3. **Looking ahead to the future of ZHD, we will actively invest in the fields where we need to be ready.**

Value of "ZHD's Knowledge and Information" That ZVC Can Return to Entrepreneurs

——ZVC has various members who engage in investment activities including yourself. What do you consider important to increase the chances of successful investments?

Hori: Ozawa, former CEO of YJ Capital and current CEO of Yahoo Japan, once taught me that we should learn from successful cases. **Learning why a business did well and organizing our thoughts is a valuable resource in making investment decisions.** Fortunately, ZHD has successful cases in various business fields. By referring to these cases, we can determine with evidence whether the invested company's business will do well or not. I believe this is very important to increase the certainty of investments.

In terms of creating synergy with ZHD, the lessons we can learn from startups are also important. We can grow together through friendly competition by obtaining information such as, "This business is currently showing signs of success, and that marketing strategy is working well." ZHD also shares various knowledge with startups. We regularly offer opportunities to share information that entrepreneurs want to learn, for example, by organizing events to share how Yahoo Japan holds its one-on-one meetings, ZHD's risk management, and others. **Acting as a hub in relationship-building between ZHD and startups in this manner is one of our roles.**

——So there are many benefits for the startups besides funding.

HORI: Yes. "Co-creation with the ZHD Group" is also an important factor for startups. Currently, the Group has a wide variety of businesses such as ZOZO, ASKUL, and PayPay as well as Yahoo! JAPAN and LINE. **I believe that the possibility of collaborating with Japan's leading corporate group is greatly attractive for entrepreneurs.**

What separates us from other venture capitals is that entrepreneurs can make effective use of ZHD's assets, especially human resources. In the fintech field, for example, our Group has a large number of human resources with know-how about the finance industry who work for companies such as PayPay Bank Corporation and LINE Securities Corporation. These members have knowledge and insights in operating services targeting many users, which I believe is valuable for startups.

Following ZVC's Mission, We Will Continue to Invest in Good Businesses That Make Our Lives Better

——How do you think ZVC's investment activities contribute to the development of society?

HORI: We believe that our activities will contribute to the creation of affluent lifestyles of people. We share the same vision with ZHD, which is "Mankind can be free and be in control," but we have our own mission statement, **"Accelerate the future with Z."** In this mission statement, we have also included the message that **we want to accelerate the arrival of the future together with the Group companies of ZHD**. In other words, the purpose of our investments is not just to earn high returns, but to invest in quality services and businesses that improve people's lives. I believe that continuing to achieve this will eventually lead to the development of society.

——What can ZVC do to encourage the emergence of new startups and the growth of startups with great potential? Also, what is your prospect for the future?

HORI: First, we need to play the role of a strategic consulting firm that can offer consulting and intelligence beyond the boundaries of investment. Also, we would like to create teams that have the function of investment banks that makes proposals such as marketing research and M&A planning.

Looking into the future, we would like to strengthen overseas expansion. The merger with LINE Ventures has made it easier for us to acquire information from overseas, and we would like to make further use of this strength. In particular, we would certainly like to discover business fields such as Web3, which is gaining momentum mainly in North America, and consumer app services in South Korea.

In this fast-evolving era, it is important to always study and follow global trends, so that we do not miss the wave of truly valuable businesses. I would like to continue to invest in quality businesses that improve people's lives, while keeping a close eye on new fields and technologies that emerge one after the other.

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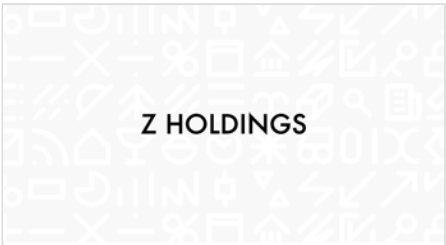

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