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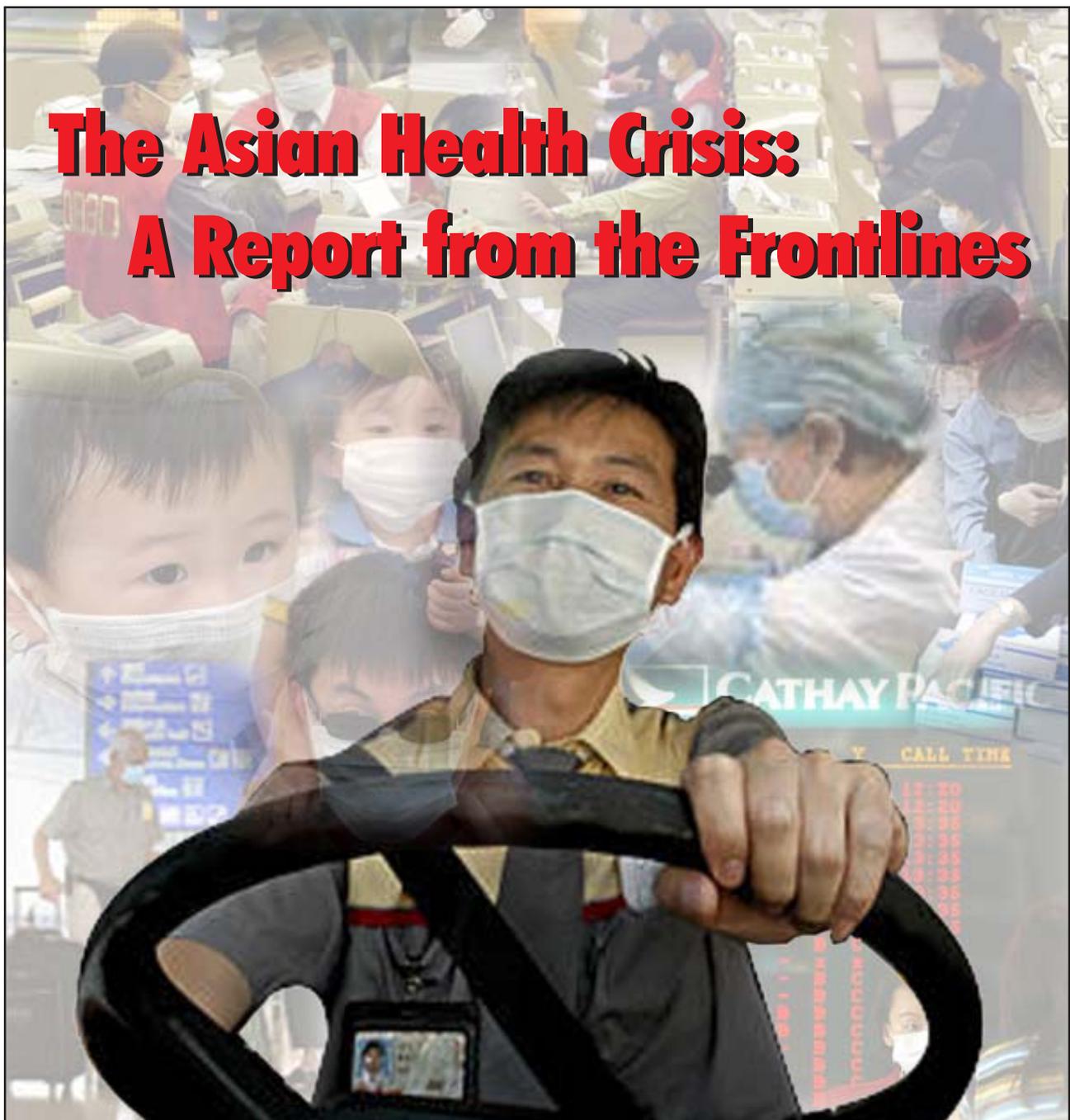
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Gung-ho Hori-san

Yoshito Hori's next fund plans to invest exclusively in Japan

We want to create the next Sony or Honda. That's the vision our team shares, and we can attract the best and the brightest."

Don't say that Yoshito Hori, chairman and CEO of Globis Group in Tokyo, is not a natural self-promoter. But he will need all the marketing skills and Silicon Valley lingo he can muster as he embarks on raising a third fund, this time probably without the help of veteran venture capitalist Alan Patricof, head of Apax Partners.

Hori has already shown himself to be a maverick who can "walk the walk, talk the talk." Whereas most *salarimen* in Japan still log countless hours on the Tokyo's subway system going to the same, old mundane job, Hori struck out on his own at age 27, leaving behind a promising career at Sumitomo Corp. He went on to raise a \$5 million fund partly from friends and family, earned his investors 4.8 times their outlay, and also started a business school that now has 8,000 students.

"I think I am a pioneer," declares Hori without flinching. "There are not that many entrepreneurs with an international background, and I think I was the first MBA entrepreneur in Japan."

He got his big breakthrough in 1999 when he convinced Patricof to form a joint venture, Apax Globis Partners, and raise a \$170 million fund.

Parting of ways

Now 41, Hori is facing an uneasy time. Having evaded a couple of times the question whether the partnership is breaking up, he did finally acknowledge that a split is being discussed because, he says, Apax is emphasizing buyouts while Globis prefers venture investments. "We are discussing what can be done about it for the next fund," says Hori. A decision will be made by the end of this year, he says, adding that he's not sure how an Apax withdrawal will affect his firm's ability to raise a new fund on its own. In any case, he's doing some contingency planning, aiming to attract 25% of the new fund's commitments from Japan, up from 10% currently.

IRRs are what count most at fund-raising time, but Hori measures the Apax Globis fund in terms of cash returns. The fund is about half invested and has returned 95% of the cash invested. "Our LPs tell us it is the best-rated fund in Asia and the world for a vintage 1999 fund," he boasts. One of the reasons that the fund has done well is it steadfastly

ignored investments in dotcoms. "The valuations were too high," says Hori. "It just didn't make sense."

Globis owes some of this common sense to Patricof, one of the three members of the partnership's international investment committee. "He has infused a discipline in our investment committee," says Hori of Patricof.

Of the 24 deals made by Apax Globis Partners, all but one were in Japan and Apax co-invested in one deal. While the fund saw two write-offs and three negative exits, Hori admits, one IPO and two trade sales balanced the results. Here's how the home runs look. Globis invested \$4.96 million for a 17% stake in Pasona Technology, an IT temporary

staffing company, and sold it in March 2001 for \$14.7 million — a 3x return in a year and a half. Bizseek, an Internet trading operator, gave the firm a 2.4x return or \$3.5 million in

August 2001 on a March 2000 investment of \$1.46 million. The most successful deal of the bunch was the IPO of Works Application, a packaged software provider. It brought in \$32.7 million early this year on an original investment of \$3.1 million.

Rooted in Japan

Ever the optimist, Hori says his next fund will only do Japan-based deals, and will divvy up the dollars so that early stage, expansion and later stage deals get equal percentages.

Why Japan only? Hori has no trouble answering this one. "Because there are great opportunities in Japan, it is the second largest economy in the world, it has number one technologies in the world, the IPO markets are open, and M&A activity hit a record in Japan last year." What's more, he adds, "you can buy low and sell high. It is not like elsewhere where too much capital is chasing too few deals." Certainly, Japan needs optimistic entrepreneurs like Hori to create more viable enterprises and put more workers back on the payrolls. □



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