



Since August 2022, the Sony Startup Acceleration Program (SSAP) has been collaborating with Sony Innovation Fund (SIF), which invests in startups with innovative technologies.

This partnership provides support to the startups within SIF's investment portfolio, aiming to cultivate promising innovations and contribute to the creation of a prosperous and sustainable society.

In this edition, we feature a conversation with Kazuhito Hadano, appointed President and CEO of Sony Ventures Corporation on January 1, 2024, and Atsushi Kitagawa, Managing Director – Japan with Sony Ventures Corporation.



CEO, Sony Ventures
Kaz Hadano



Managing Director Japan, Sony Ventures
Atsushi Kitagawa

What is the allure of venture investment?

- Firstly, we would like to hear about your career paths and how you came to be involved with SIF.

Hadano: I returned to Japan last October, and prior to that, I served as Managing Director at Sony Global Treasury Services, Plc. in the UK. Concurrently, I was engaged in business incubation at Sony Network Communications Europe B.V. (SNCE), where I frequently interacted with startups and developed a keen interest in startup investment. Although I received numerous partnership offers from startups, these were beyond the scope of SNCE's operations. It was then that Mr. Tsuchikawa, the then-President, and now Chairman of Sony Ventures Corporation, approached me with the opportunity to join Sony Ventures, which I accepted.

Kitagawa: I have been part of Sony Innovation Fund (SIF) since its inception in 2016. My involvement in venture investment at SNCE led to this opportunity. At the time, Mr. Hadano was my supervisor.

- What aspects of investing in startups do you find compelling?

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Hadano: The agility of startups to swiftly adapt to market shifts and their rapid business development are exhilarating. The acute awareness of market trends, the quick pivot when business scenarios need adjustment, and the rapid path to monetization are all valuable learning experiences. The opportunity to engage with the latest technologies, services, and business models is particularly rewarding. For Sony, accessing new technologies through our VC activities holds great significance, especially in areas beyond the reach of our internal technology development.



Features of SIF

- With the new structure in place this fiscal year, could you elaborate on the funds managed by Sony Ventures?

Kitagawa: In 2016, we launched Sony Innovation Fund (SIF), Sony's inaugural corporate venture capital fund aimed at fostering Sony's future businesses. Since then, we have globally accumulated experience and operational achievements through additional funds including, Innovation Growth Fund (2019); Sony Innovation Fund: Environment (2020) supporting environmentally-focused companies; and Sony Innovation Fund 3 (2022); along with Sony Innovation Fund: Africa (2023), which we launched to support start-ups in Africa's entertainment industry.

Currently, the five funds under our management exceed a total of 65 billion yen, and we have invested in over 170 companies globally. (Figure. 1)

Development of Sony Innovation Fund

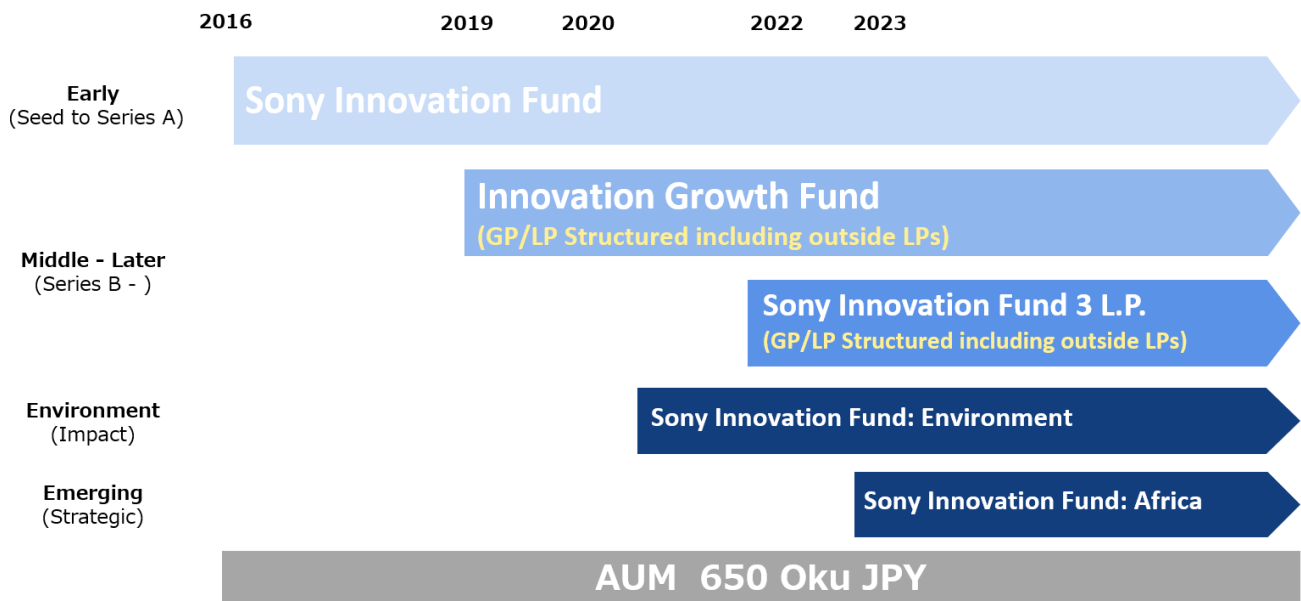


Figure 1

A distinctive feature of these funds is their tailored application to startups at various stages. SIF, our first fund, targets early-stage startups with direct investments from Sony's balance sheet. For middle to later-stage startups, we utilize the Innovation Growth Fund and Sony Innovation Fund 3. These funds incorporate a structure that welcomes LP (Limited Partner) investors who do not directly invest in startups, enabling investment activities with a decision-making process independent of Sony's core operations.

- Could you describe the unique attributes of Sony Ventures?

Kitagawa: Our key strength lies in our ability to assess investment prospects from a broad spectrum of

expertise, drawing on Sony's extensive experience in technology, intellectual property strategy, business, and global insights. Our investment committee, composed of corporate executives and division heads, makes the final investment decisions. (Figure. 2)

Moreover, post-investment, we leverage Sony's diverse business portfolio, spanning gaming, electronics, finance, semiconductors, music, and film, to enhance the value and growth of our portfolio companies, which stands as another hallmark of our approach.

Investment Committee Members



Figure 2

- What advantages do external investors gain by participating as LPs?

Kitagawa: LPs benefit from insights into global market movements and technological trends, as well as an understanding of Sony's evaluations. Additionally, the potential for collaboration with portfolio companies, Sony's business units, and LP firms exists, fostering a tripartite win-win-win relationship among startups, LPs, and Sony.

- CVCs are often challenged to balance "strategic returns" with "financial returns." How do you navigate this balance?

Hadano: Striking a proper balance is crucial, as we do not skew entirely towards one aspect. We do not consider collaboration with portfolios a prerequisite for investment decisions; rather, we holistically assess the degree of innovation and the company's potential. During the investment evaluation process, if there is potential for collaboration with related business units, we refine the collaboration concept and, post-investment, facilitate communication between the startup and internal departments. Consequently, approximately 40% of our portfolios engage with the Sony Group in some capacity.

Challenges in Collaborating with Venture Companies Across Various Domains

- Could you share your investment strategy?

Kitagawa: Our investment domains span healthcare, finance, enterprise, entertainment, deep tech, and environmental sectors. We invest globally, not just in Japan, but also in the United States, Europe, India, and Africa. Our investment considerations weigh not only technological aspects but also innovative services and business models.

To date, our global investment portfolio comprises over 170 companies, with a balanced distribution of approximately 40% in the United States, 30% in Japan, 20% in Europe, and 10% in India.

- Are there other focal points under the new structure?

Hadano: At SIF, we leverage the CVC model to enhance the value of our portfolios through synergies with our own business. We also seek to grow organically in tandem with other Sony Group investment projects.

Investment activities extend beyond mere financial contributions; they include post-merger integration (PMI) within SIF and fund management, encompassing administration and monitoring. Internally, we refer to these initiatives as business incubation (BI).

We strive to continually distribute the value generated at each stage of the investment process to stakeholders both within and outside the company. (Figure.3)

SIF+Business Incubation(BI)

We will also support Sony Group's strategic investment activities, including M&A, based on the knowledges and experience gained through SIF activities, aiming to make further contributions to Sony Group and the startup ecosystem.

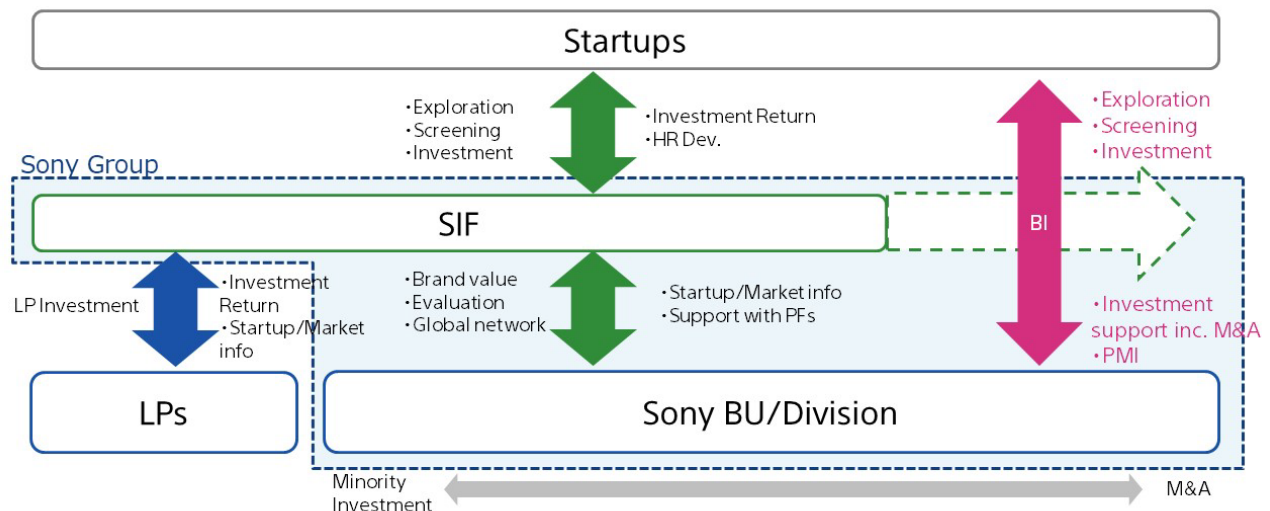


Figure 3

Further Challenges in Global Expansion

- Could you inform us about the team's operational bases?

Kitagawa: Our team is based both domestically and internationally, with over 30 members. Besides Japan, we have established bases in the United States (Silicon Valley, Los Angeles), Europe (UK, Italy), Israel, and emerging markets such as India. Last year, we also launched a base for the Africa Fund, seeking to build connections with local creators in collaboration with the International Finance Corporation (IFC), a member of the World Bank Group.

Sony Innovation Fund

Global One Team

Gen Tsuchikawa, Kazuhito Hadano, Antonio Avitabile, Costantino Mariella, Farrukh Hussain, Giuseppe Scopece, Satoko Suenaga, Simone Lavizzari, Tony Seeff, Mahesh Kumar, Namita Raichura, Atsushi Kitagawa, Chieko Tazuke, Daisuke Suzuki, Hiroshi Matsushima, Tadafusa Tomitaka, Tomo Andou, Yasuhiko Okada, Yoko Fukata, Austin Noronha, Joseph Tou, Aadit Parikh, Behram DaCosta, Ludovic Copéré, Scott Shane



Figure 4

The “Ability to Follow Through” is Essential

- What kind of talent is sought after in a CVC?

Kitagawa: Upon assuming the role of Managing Director in January, I urged our members to continue their professional development. We aim to enhance three key skills: financial acumen, business insight, and networking within the venture community and the Sony Group. As these skills are not innate to all members, we promote skill enhancement through cross-training and mutual support.

- What is required beyond skills?

Hadano: The success rate of venture companies is not always high, and the industry does indeed have its challenges. Therefore, the ability to follow through with value enhancement after investment is critical. Our goal is not merely to invest but to complete the entire process, from startup sourcing to investment consideration, execution, value enhancement, and finally, to the exit strategy, which includes the sale of

shares or M&A to recoup investment funds and secure profits. Effective communication with startup companies and internal business divisions is also vital.

When analyzing highly successful cases, we often find that the initial opinions did not align. The ability to persist with conviction and courage is paramount.

Interestingly, while investments typically focus on technology, new business models, or services, sometimes a different perspective can reveal new opportunities. In such instances, the determination to convince Sony's management is essential.

- **As a busy executive, do you have any approaches to work or stress management techniques you can share?**

Hadano: I strive to make each day fulfilling and enjoy my work. The intellectual desire to learn new things while engaging with startups is a motivating factor. I encourage my team to bring positive energy, even when under pressure. I believe in teamwork, so creating an environment where members can work joyfully is a priority.

The Future We Aim for Under the New Organizational Structure

- **Lastly, could you discuss the challenges and direction for the future?**

Hadano: After taking office, I launched eight task forces to explore various improvement measures. We are focusing on themes such as enhancing value-up, forming new funds, and revitalizing the organization. We aim to strengthen support using Sony's resources to maximize the business value of our portfolios. We also plan to expand our global activities while increasing our contribution to Sony.

- **Please share a message for all the startups and those interested in SIF.**

Hadano & Kitagawa: Thanks to the support within the Sony Group, from startups, and from LPs, we have significantly developed SIF's activities since its establishment in 2016.

We will continue to maximize our strengths and contribute to the expansion of the global startup ecosystem. We welcome startups, VCs, and business companies interested in our activities to contact us freely.

We are also recruiting venture capitalist professionals to work at SIF. It is a unique and exciting position that allows you to be active globally from Japan, so we look forward to hearing from those interested in this context.