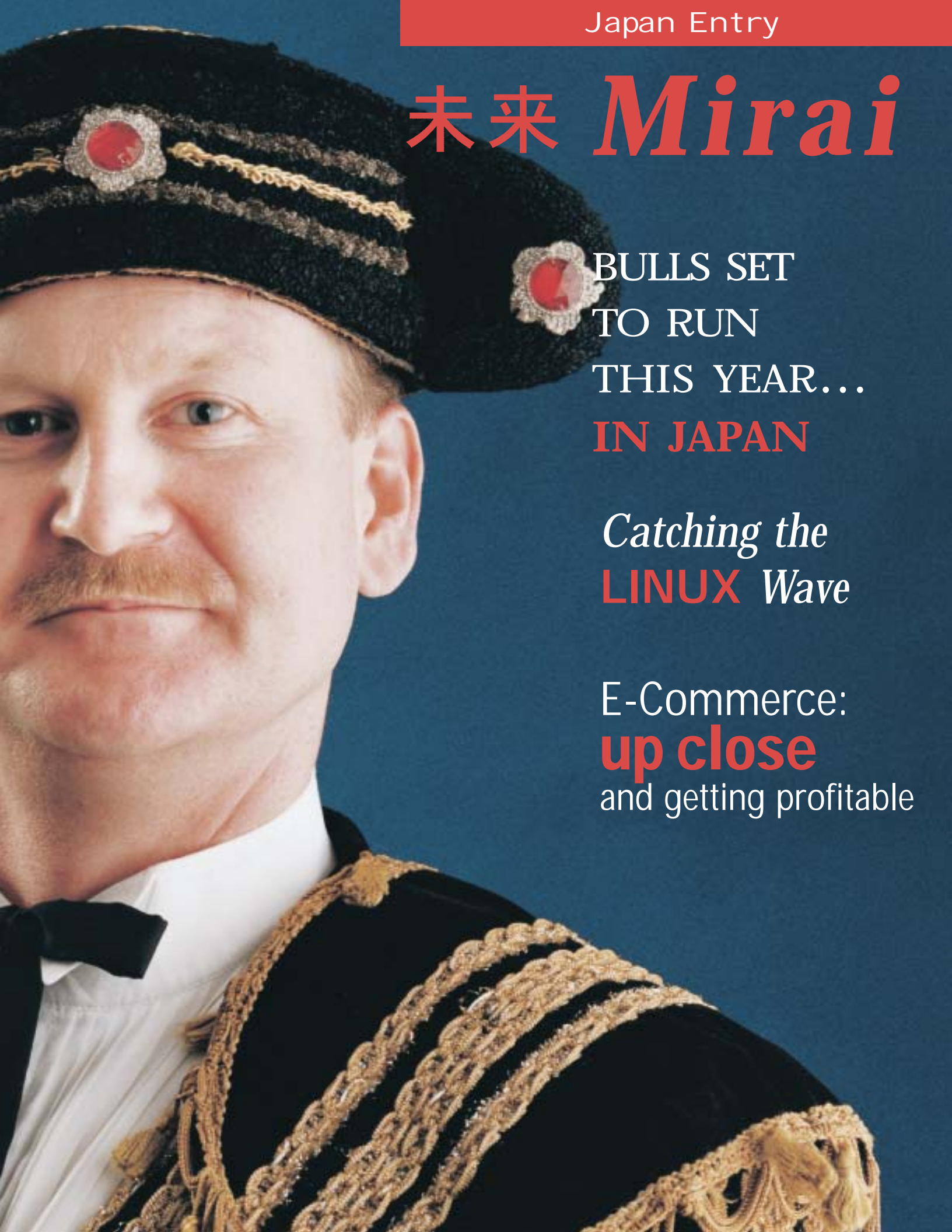


未来 *Mirai*

BULLS SET
TO RUN
THIS YEAR...
IN JAPAN

Catching the
LINUX Wave

E-Commerce:
up close
and getting profitable



Special Report:
Catching the Linux Wave

Feature:
Bulls Set to Run This Year...
in Japan

Industry News:
E-Commerce: Up Close
and Getting Profitable

U.S. in Japan:
Doing Japan Right
Japan Entry Services/Team

Mirai
Vol. One, No. 1

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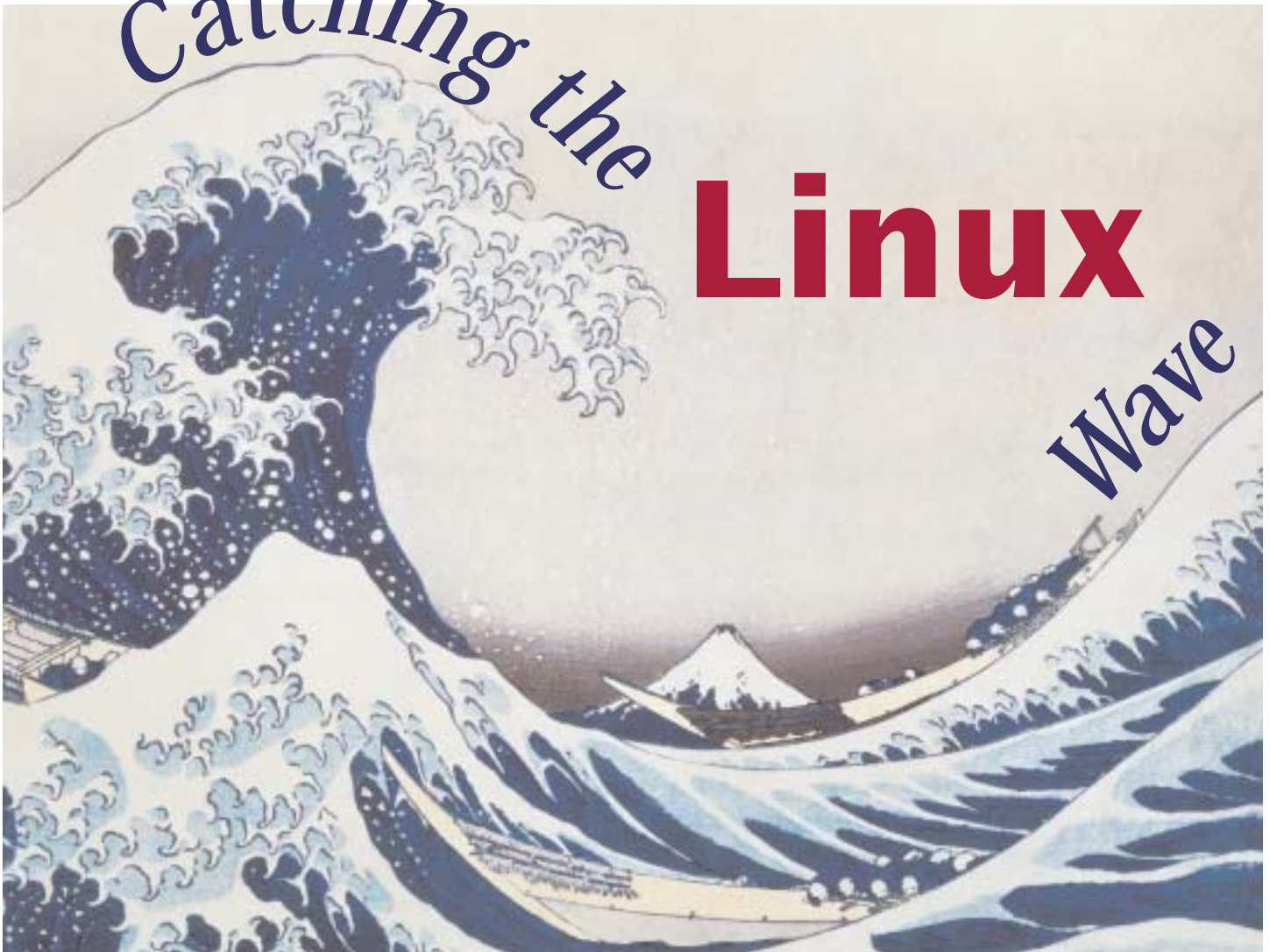
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- PictureTel
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- Simplify
- Spyglass
- Stac
- SuperOffice
- Surety
- Transparent Language
- Vitria
- VXtreme
- WindRiver
- Xionics

"Mirai" means "a promising future" in Japanese

Catching the

Linux

Wave



Linux is exploding worldwide. Currently, there are 10 million Linux users. Linux server shipments grew 190 percent in 1998, rising to 750,000 units, or 17% of the business server market.

One of the companies riding high on the Linux wave is Red Hat Software. Red Hat recently debuted on NASDAQ in August, 1999, and soon thereafter, its stock more than quadrupled, giving the company a market value of \$4.55 billion.

In Japan, Red Hat established its presence by working with Japan Entry to identify partners willing to make a multimillion dollar commitment.

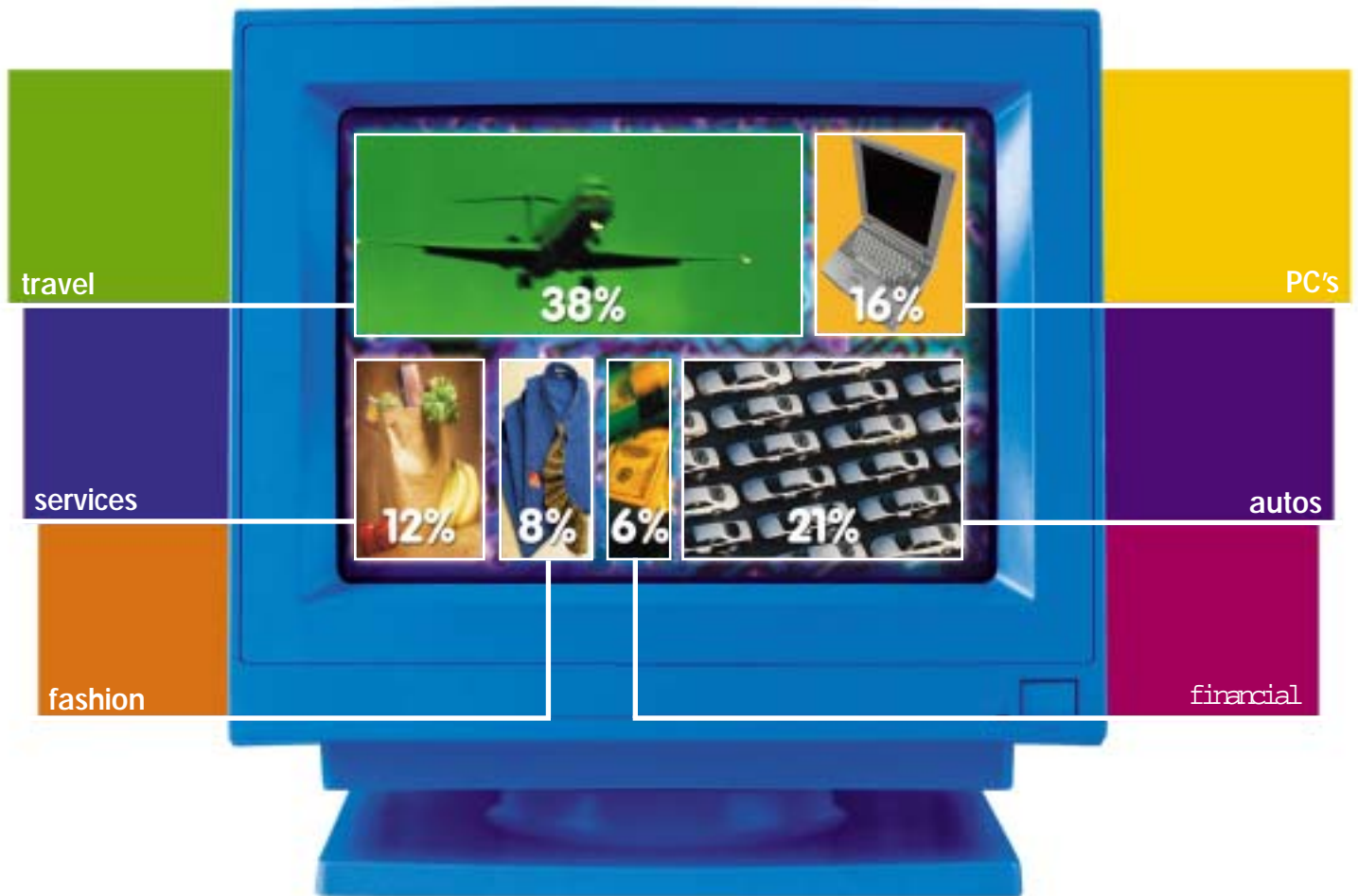
Red Hat then moved quickly to establish a wholly-owned subsidiary in Japan, based on the level of activity generated in the Japanese market. Called upon to once

again lend its expertise, this time in the executive recruitment arena, Japan Entry sourced an industry veteran from ASCII and Hyperion to head up the office as Country Manager.

Founded in 1994 by Robert Young, Chairman and CEO, and Marc Ewing, Chief Technology Officer, Red Hat has since compiled some of Linux's most significant improvements and won accolades and endorsements from virtually every sector of the software industry.

Many industry leaders agree that Linux poses the most serious threat yet to Microsoft's market dominance. There's a whole new generation of cybersurfers out there just waiting for the next big wave, singing, "We'll have fun, fun, fun, when Daddy takes the Windows awayeeaaay!"

E-Commerce: **up close** and getting profitable



One smart software vendor which has recently taken advantage of opportunities in Japan is Aventail, whose ExtraNet Center product has helped numerous Fortune 500 customers establish e-commerce infrastructures. Extranet Center is an authentication and network traffic encryption package which enables IT managers to link a business securely over the Internet with partners, suppliers and off-site employees.

AS OF 1/99 THERE WERE 6,500 CYBERSTORES IN JAPAN

IN 1998 INTERNET ADVERTISING SALES IN JAPAN TOTALED \$115M, \$1B PROJECTED FOR 2005

(source: Dentsu—#1 advertising agency in Japan)

Seattle-based Aventail was formed in 1996 by president and CEO Evan Kaplan. In three short years, Aventail has established a customer base in the fields of financial services, manufacturing, insurance, telecommunications and automotive, including Morgan Stanley, Exxon, Rolls Royce, Hewlett Packard, IBM Global Services, Disney, General Electric, Xerox, Dupont and Kodak. Aventail has become a leading force in providing extranet security and management solutions.

“In seven years’ time, 95 percent of the people who use a company’s information resource will be people who live outside the network,” Kaplan explains. “They’re going to be customers, business partners, suppliers and trading partners. Theoretically, you can connect from anywhere, so multiple-point VPN’s are not workable.”

Aventail’s management team had licensed the core SOCKS technology from NEC and therefore realized the complexities (and subtleties) of doing business in Japan. Aventail approached Japan Entry to assist them in developing an exclusive distribution partnership.

Working through Japan Entry, Aventail selected and negotiated a multi-year exclusive localization and distribution agreement with Japan’s Nichimen Data Systems, the world’s top reseller of Security Dynamics’ product line. NDS had attracted more than 800 Security Dynamics customers, or nearly 25% of its worldwide customer base. The NDS partnership soon generated a high six-figure prepayment for Aventail and the guaranteed commitment of significant marketing/sales resources.

“Japan Entry did an excellent job of sourcing a top reseller in Japan,” states Channel Sales Manager, Cameron Nachtsheim. “The management possesses a rare ability to both understand complex technologies and to explain the business opportunities to prospective partners.”

At 80 employees, Aventail has an installed base of more than 250,000 clients and 5,000 servers, and 1999 revenues of approximately \$15M. Prominent investors include such major industry players as Dan Lynch, the Founder of CyberCash, Dave Poole, the Founder of Spry Networks, Trinity Venture Partners and Hewlett Packard.

Japan is Fast on the Heels of the U.S.

Japan is coming fast on the heels of the U.S. in adopting sophisticated technologies that maximize the use of mission critical information. Virtual Private Networks (VPNs), Supply Chain Management (SCM), Knowledge Management, Customer Relationship Management (CRM), ERP (Enterprise Resource Planning), Encryption and Public Key Infrastructure (PKI), Enterprise Application Integration (EAI) ... these buzz words have taken Japan by storm.

According to a survey recently released by Japan’s Ministry of Posts & Telecommunication, some 17 million Japanese (13.4% of the populace) now log on to the Web, increasing nearly 15% monthly.

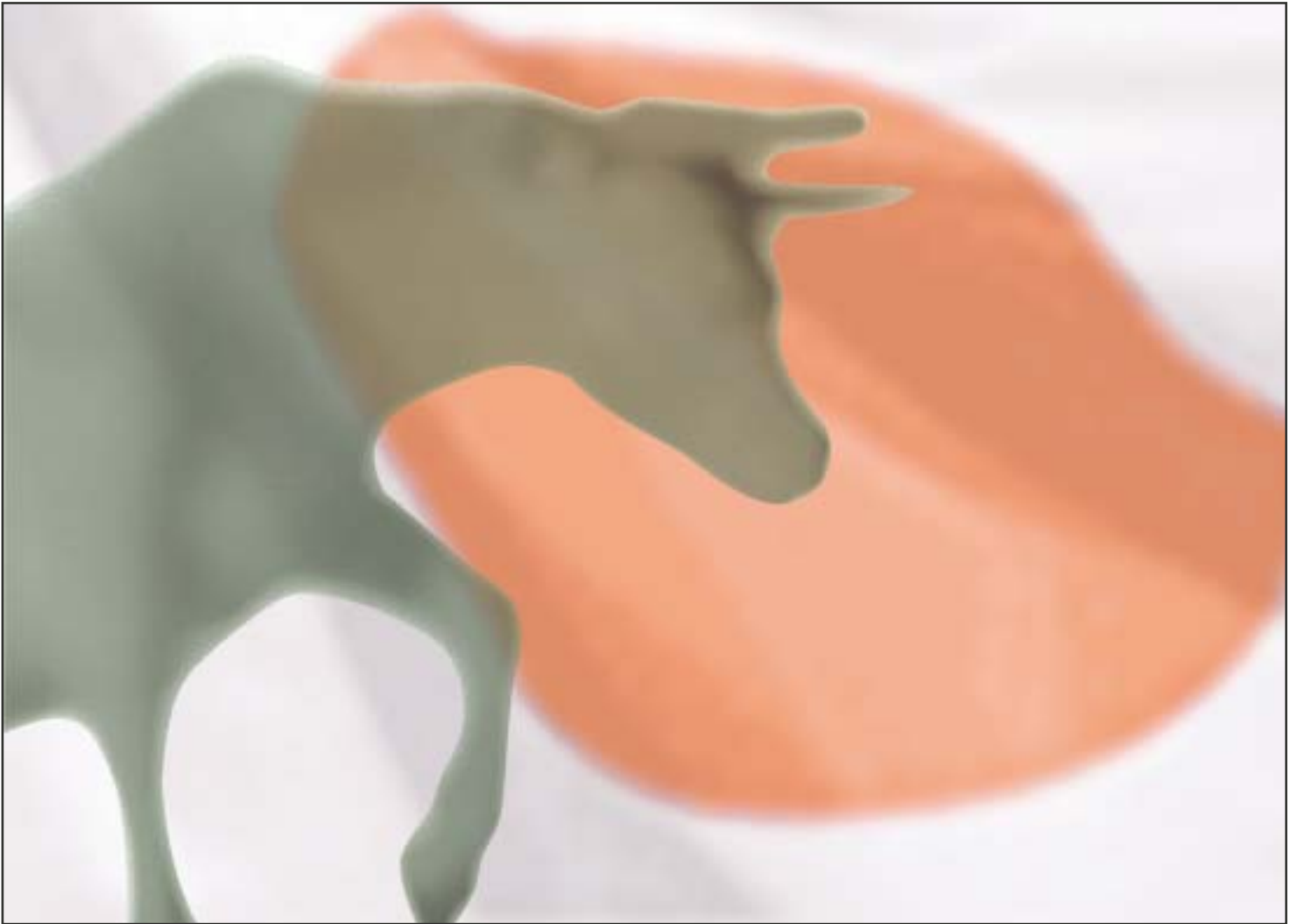
In Japan by 2001: E-commerce: \$130B Business to Business: \$120B Business to Consumer: \$900M

(source: Electronic Commerce Promotion Council MITI)

Industry News

BULLS SET TO RUN T

IT'S OFFICIAL. *Two years after the Thai baht's devaluation triggered a financial crisis in Asia, the bulls are back, spurred on by the U.S. Federal Reserve's restrained rate outlook and Japan's improving economy.*



J A P A N E S E E C O N O M Y

THIS YEAR... IN JAPAN

Until now, such exuberance in Japan would have been as likely as a boom in sales of Ben and Jerry's ice cream at the North Pole. But Japan's Tankan Survey (The Bank of Japan's Short-term Economic Survey of Enterprises in Japan), reveals surging optimism that belies the media image of Japan as a vast industrial behemoth lying flat on its back.

The root of the economic problems lie in the asset bubble that burst in the late 1980s, leaving Japanese banks saddled with huge amounts of bad debt. This forced them to pull back sharply on lending, particularly the "main banks" that loan to the "keiretsu" corporations. The economic recovery is being driven by several factors:

- Significant infusions of public money and expansion of the money supply. Tokyo poured more than 7,450 billion yen (62 billion dollars) into 15 top banks to help prop up their capital and clean up bad loans. In addition, Tokyo is planning an employment-creation measure and public works spending, in a stimulus package similar to that which Japan has adopted periodically throughout the decade.
- Restoration or elimination of the most hard-hit financial institutions.
- Aggressive acquisitions.
- Divestitures of economic debris.
- Internal corporate restructuring.

As the U.S. did in the '80s, Japan recognizes the need to revamp its way of doing business by eliminating unprofitable enterprises, improving efficiency, and adopting sophisticated information technology. In fact, many Japanese firms have used the economic downturn as an excuse to trample the sacred ground of "permanent employment" and "seniority-based promotion." By purging excess employees, these firms have recouped profitability in record time.

Japan's consumer giants, once collapsed in the economic dust, are now engaged in a wide range of new product development initiatives, from car navigation solutions to Internet appliances such as NTT DoCoMo's iMode

cellphone information system, which are hoped will kickstart consumer demand.

Meanwhile, the hoofbeats of Internet pioneers continues to rattle the staid walls of corporate Japan. Japan's leading search engine, Yahoo! Japan, posted an almost eight-fold rise in quarterly earnings only one year after its launch. "Operating profit grew ten-fold," says Yahoo! Japan President Masahiro Inoue, "and advertising revenues have tripled." Masayoshi Son, President & CEO of Softbank Corporation, says Softbank's tentacles will reach into every crevice of Internet e-commerce, including the joint establishment with Nasdaq of a new Japanese stock market, which will further propel Japan's transformation. "I've gone to the future," comments Son, referring to Silicon Valley, "and now I'm bringing it back to the past," referring to Japan.

Buoyed by this resurgent optimism, Japan is gaining a new willingness to invest in the future. Jack Plimpton, President of the consulting firm, Japan Entry, and a recognized authority on U.S.-Japan strategic partnerships, observes, "Japanese executives are becoming increasingly bullish about placing large bets on new technology. This past year, Japan Entry has been involved in projects of an unprecedented size and scope."

"For example, Ashisuto, a top Japanese distributor, committed 30 people to reselling \$30 million of Network Associates security software. Sumitomo Corporation made a \$10 million investment in CMGI, parent company of Lycos, GeoCities, Vicinity, and Engage Technologies, which doubled in value in less than three months. Insignia Solutions, a leading-edge embedded systems vendor, landed its first-ever customer anywhere in the world, called NextNets, a joint venture between Mitsubishi Corporation and Furuno Electric."

Plimpton views Japan's accelerating economy as a mandate for U.S. high-technology firms to move aggressively to enter Japan, particularly because it ranks second only to the U.S. in terms of GNP, PC sales, and Internet users. Plimpton warns that, "The Internet land grab has started and U.S. companies must grab the bull by the horns if they wish to seize their stake in Japan."

DOING JAPAN RIGHT



Entering the Japanese market correctly is not an option, it is a must. Relationships in Japan are hard to develop in the first place, but after a company has gone through a partnership "divorce," second suitors are very difficult to attract. That's why, when it comes to a "make" (do it yourself), or "buy" (hire a consultant) decision, top U.S. technology firms choose Japan Entry.

Recently named one of the "Hot 100 Private Companies" by Upside Magazine, MatrixOne is a leading provider of enterprise Product Development Management (PDM) solutions. The firm also sports the 1999 Crossroads A-List award for its Matrix Global Advantage development suite, its flagship product.

Like any young company, the firm needed to transition from a start-up through several growth phases before achieving its current aggressive market profile. A key to reaching new revenue levels was the critical placement of a Country Manager for its Japanese subsidiary.

Enlisting the consulting expertise of Japan Entry, MatrixOne launched an executive search, culminating March 1999 with the successful recruitment of Yukio Takahashi, the former General Manager for SAP Japan Co. Ltd.'s western Japan region, and the fourth highest ranked board member at SAP Japan. In his new position, Mr. Takahashi assumed responsibility for sales, marketing and technical support of MatrixOne's software in the Japanese market. With Mr. Takahashi's assistance, MatrixOne won a \$20M contract from Honda.

"We now have a top executive in place who not only has the technical background, but also the marketing and sales expertise necessary to build a successful business for us in Japan," affirmed Mark O'Connell, MatrixOne's President. "Mr. Takahashi will be the key to building an organization in Japan that can escalate MatrixOne to a leading position in Japan's PDM marketplace."

Management challenges were not new to Mr. Takahashi. As SAP's Western Region General Manager, he was responsible for overseeing sales to economic giants in Japan's industrial heartland. Prior to that, he served as SAP Japan's Director of Marketing, overseeing the successful introduction of SAP R/3 into a market crowded with indigenous competitors, where it swiftly commanded a leading position in the industry.

MatrixOne is headquartered in Chelmsford, MA, and has sales offices throughout the U.S., seven subsidiaries, and distribution in 14 countries worldwide. The company is privately held, and currently services 300 users worldwide, and maintains successful partnership alliances with, among others, Cap Gemini, KPMG, Oracle, Andersen Consulting, and Ernst & Young.

MATRIXONE

Ardent Software (Nasdaq: ARDT) expanded aggressively into Japan by developing relationships with multiple distribution partners.

Ardent understood that it could not maximize its Japanese market potential without in-depth industry knowledge, high-level contacts and "feet on the street." Japan Entry quickly set out in pursuit of experienced VARs, contacting the top datawarehouse players such as NEC, JSys, Teijin Systems Technology, and Japan Research Institute, to develop business plans to

proactively market Ardent's data warehouse data extraction toolset. Ardent was therefore able to formulate a market entry strategy that included recruiting an energized, high profile Country Manager. Working with consultants Japan Entry, Ardent wooed Holos Japan's seasoned GM, who accepted the assignment and began building off of the partnership relationships established by Japan Entry. Ardent was soon positioned to assume leadership in Japan's database warehousing tools market.

In 1998, Software magazine ranked Ardent as one of the top 100 software companies worldwide. The company had revenues in excess of \$69M and over 450 employees. Its product serves enterprise-scale applications and data warehouses. The customer base includes government, manufacturing, healthcare, telecommunications, aerospace, defense, financial services and utilities. Ardent has 12 field offices in the U.S., Europe, Africa and Asia, with worldwide sales/service operations and resellers in more than 50 countries.

WIND RIVER SYSTEMS

Wind River Systems (Nasdaq: WIND) Since its founding in 1983, Wind River has become the world leader in the embedded software industry. When the company decided to expand its Japanese presence, it called on industry consultants, Japan Entry, to assist in recruiting a new Country Manager.

Through Japan Entry's services, Wind River hired a dynamic executive who had been the Board Director in charge of Japan Global Accounts for Nihon Sun Microsystems, where he oversaw the licensing of Sun's Java, chip and OS technology on a worldwide basis. This executive has increased Wind River Japan's share from 16% to 25% of worldwide revenues.

Peter Richards, VP Sales, attests that "Wind River now had the resources to make Japan a cornerstone of our international development effort. Japan Entry was able to identify the kind of top-tier candidate we needed to spearhead our efforts in one of the most competitive and vital marketplaces for embedded systems worldwide."

Wind River provides software development tools and real-time operating systems for devices used in telecommunications, data communications, office automation, networking, medical, computer peripherals, automotive, aerospace/defense, and consumer electronics markets. Founded in 1983, and headquartered in Alameda, California, the firm currently manages fifteen worldwide subsidiaries.

Engage Technologies (Nasdaq: ENGA), a wholly-owned subsidiary of Internet pioneer, CMGI, Inc., is a provider of profile-based Internet marketing solutions. Its core product line consists of Engage Knowledge, a database of over 30 million Internet user profiles, and Accipiter AdManager, an online advertising management system that automates the scheduling, targeting, and campaign tracking of Web site ads.

Founded in 1995 by Daniel Jaye and David Wetherell (Chairman and CEO, CMGI), Engage sought Japan Entry's expertise to establish a joint venture in Japan. After an extensive partner search and review of business plan proposals, Engage chose Sumitomo Corporation, one of the world's leading trading companies and a distributor of commodities, industrial goods and consumer products, which is an early investor in Japan's Internet.

Sumitomo agreed to provide Engage with critical start-up services in a joint venture staffed and funded by Sumitomo which would 1) host a discrete database of Internet user profiles built from user click-stream data from Japanese sites; 2) sell subscriptions to the database; and 3) maintain sole Japanese distribution rights for all of Engage Technologies' data mining and targeting products.

As part of the strategic partnership, Japan Entry brokered a \$10 million investment from Sumitomo Corporation in CMGI.

Founded in 1995 by Leon Navickas, former head of Lotus Development R&D, Centra develops live collaboration and training software.

Leading **Centra** on its foray into Japan, Japan Entry helped the company establish a significant distribution relationship with Macnica, one of Japan's leading distributors, featuring a six-figure prepayment and multimillion dollar ongoing revenue commitment.

Centra is currently established as the leading provider of "Interprise" software for live internet training and business collaboration for Global 2000 organizations, and the only software in its category specifically designed for use over both the public internet and private intranets. Centra has utilized Microsoft platform technologies to speed product development, enhance reliability, and overall functionality. Centra's client list includes leading firms such as Nortel Networks, Kraft, Oracle, Standard Insurance, Sony, Office Furniture USA, Stanford Insurance, Armstrong, i2 Technologies, eXcite! and MCI Worldcom.

Magic Software's experience in Japan is the tale of slow decline, resuscitation and rebirth, following a plot worthy of a business potboiler.

Working in conjunction with strategic consultants, Japan Entry, the company formed a joint venture and negotiated \$5M in investments from a consortium of joint venture partners, including long-time Magic distributor, Wacom, and several prominent systems integrators. However, Wacom veered precariously toward bankruptcy. So, Magic called upon Japan Entry to negotiate a \$3M buyout of Wacom's 40-person product sales and localization division. Fast upon the heels of that transaction, Magic hired Japan Entry to recruit a top-tier Country Manager. Japan Entry successfully hired Yoshimi Ogawa, former President of Sybase Japan, who is widely-regarded as one of the foremost executives in the Japanese software industry.

"After exploring the joint venture option and acquisition of the sales division of our long-time partner," said Magic's Sr. Vice President, Yohai Shaked, "we looked again to Japan Entry to help us recruit an extremely aggressive, high-level individual capable of driving the business and maximizing our investment in the market on a 100% wholly-owned basis. With Mr. Ogawa's level of experience, we look forward to re-establishing our former position and building the business to equal or exceed our previous market share."

The result? Magic Japan started generating 20% of worldwide revenues, contributing \$1M per quarter to corporate net profit within three months of project completion.

Headquartered in Israel, Magic sells its Rapid Application Development and Deployment database tool through a global network of subsidiaries, distributors and partners in more than 50 countries.

MAGIC SOFTWARE

Mail.com, an advertising-supported e-mail service provider, was founded in 1995 by Chairman of the Board and CEO Gerald Gorman and President Gary Millin. In order to grow quickly, Mail.com sought counsel from Japan Entry to obtain mezzanine financing. Japan Entry identified international venture capital investment firm, Encompass, TransCosmos' prominent U.S. venture capital fund which has investments in Real Networks, PointCast, DoubleClick and Amazon (via Jungle).

Mail.com's economies of scale are based on its over seven million e-mailboxes under management and have enabled it to become a dominant player in the corporate outsourcing market. Mail.com has an aggressive strategy of acquisitions and partnering. In March 1999, the company teamed up with Prodigy Communications Corp., which features Mail.com's online interface and technology in Prodigy's web-based e-mail service. Two months later, simultaneous with going public (Nasdaq: MAIL), Mail.com announced the acquisition of eOrganizer, an on-line calendar company, and claimed a 19% equity interest in 3Cube. Then, buoyed by phenomenal second quarter revenues, up 73% over first quarter, Mail.com acquired The Allegro Group, Inc., a leading Internet fax specialist.

DISTRIBUTION/OEM PARTNERSHIPS

Japan Entry provides comprehensive advice on the proper selection and combination of strategic partners to maximize channel coverage and revenues in Japan. Japan Entry maintains a dynamically evolving database of over 3,000 contacts who are the key decision-makers at Japan's leading systems integrators, software houses, trading companies, and hardware OEM's.

Advantages of using Japan Entry include:

- personal, high-level contacts necessary to source optimal partners
- expertise in contract negotiation
- ability to generate demand through pre-sales to potential customers

EXECUTIVE RECRUITMENT/SUBSIDIARY SET-UP

For companies that have matured beyond an entry level stage of growth, Japan Entry focusses on the development of Japanese subsidiaries, with an emphasis upon the recruitment of General Managers and/or other senior R&D or sales personnel.

Advantages of using Japan Entry in Japan include:

- hands-on involvement of Japan Entry principals
- extensive network of executive-level contacts
- direct experience of Ken Sumitani, General Manager, Japan Entry Japan Office, former head of 70-person Executive Search Division of Recruit Co., Ltd.

JOINT VENTURE/INVESTMENT

Often, a distribution partner can be convinced to make a strategic investment either in the U.S. parent or Japanese subsidiary, at a premium, as a way of "mingling the blood" of the partners in order to further leverage the relationship. In that scenario, Japan Entry helps to create a viable business plan and convince the partner to provide a fair contribution of funding, top personnel and technology. Japan Entry also assists clients in addressing the sensitive issues of control and an exit strategy, as well as offering tactical advice on taxes, consolidation, and revenue recognition.

Advantages of using Japan Entry include:

- experience creating the operational blueprint for partnership
- high-level bi-cultural negotiating acumen
- access to senior decision-makers

M&A

Japan Entry helps clients to source and negotiate successful M&A transactions.

Advantages of using Japan Entry include:

- access to Japan's foremost IT companies, venture capitalists, banks, M&A boutiques, and opinion leaders
- discretion in identifying, contacting, and presenting opportunities to acquisition targets and the ability to convince appropriate targets to sell
- ability to perform complex due diligence, such as discovery of off-balance sheet debt or family ownership issues

Jack Plimpton, *President*

Japan Entry is built upon the leadership of founder, Jack Plimpton, former General Manager of Lotus Development Japan, a start-up he developed into a 35-person organization with \$10 million in first-year revenues. Spearheading the Japan Entry Executive Consulting Team, Mr. Plimpton is completely bilingual in spoken/written Japanese. He holds an MBA from Stanford University, studied at Tohoku University on a Rotary Scholarship, and graduated summa cum laude, Phi Beta Kappa, from Harvard College.

Ken Sumitani, *General Manager Japan Office*

Ken Sumitani serves as General Manager Japan Office. Prior to joining Japan Entry, Mr. Sumitani was Vice President in charge of the Executive Search Division, Recruit Human Resources Center. During his tenure at Recruit, he established and managed its Los Angeles-based U.S. subsidiary. Mr. Sumitani graduated with a degree in economics from Keio University.

Tatsuro (Alex) Miyatake, *Director of Consulting*

Alex Miyatake serves as Director of Consulting, Japan Office. Prior to joining Japan Entry, Mr. Miyatake worked with Nippon Venture Capital Co., Ltd., generating investments in numerous ventures in the embedded, CT, and telecommunications fields. Previously, he served as Manager, Planning Department, for Furukawa Electric Co. Ltd. and managed Furukawa's U.S. office and investments. Mr. Miyatake holds a B.A. in political science from Waseda University.

Kimberly Ayers, *Senior Consultant*

Kimberly Ayers serves as Senior Consultant. Prior to joining Japan Entry, Ms. Ayers was the International Sales Director at SuperOffice, the leading sales force automation software provider in Japan. Previously, she held a senior position with Goto Optical Mfg., lived and worked for seven years in Japan, and studied at Tokyo's Sophia University. She holds a BA in high-energy physics from the University of California and is completely fluent in spoken/written Japanese.

Ritsuko (Ricki) Awazu, *Senior Consultant*

Ritsuko (Ricki) Awazu serves in the position of Senior Consultant. Prior to joining Japan Entry's consulting team, Ms. Awazu was an Assistant Researcher at IDC Japan and held technical positions at Japan Research Institute, a leading systems integrator. Ms. Awazu received her BA from Osaka University, the "M.I.T. of Japan," and is fluent in both spoken and written English.

Christopher Payne-Taylor, *Executive Vice President*

Christopher Payne-Taylor serves as Vice President Marketing. Prior to joining Japan Entry, Mr. Payne-Taylor was Director of Advertising & Promotions for Cahners Exposition Group. Previously, he was Director of Marketing for Boston Digital, Inc. and served as Creative Director for a New York promotions/advertising agency, RSS.

Michiko Sakai, *Controller*

Michiko Sakai serves as Controller and co-founder of Japan Entry. Ms. Sakai is responsible for Japan Entry's fiscal administration. Previously, she held the position of Conference Coordinator for COMDEX Japan and served as a journalist with a variety of publications, including U.S.-Japan Business News, the English Journal, and Asia Week.



Jack Plimpton, President
Japan Entry Corporation