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How DCM's Japanese Partner Found Smith & Tinker

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Gen Isayama, DCM's go-to man for its operations in Japan, led the venture firm's recent investment in gaming company Smith & Tinker. How did Isayama end up as the lead for a portfolio company based in Bellevue, Wash.?

It's all part of DCM's strategy. The firm opened a Tokyo office in January to better evaluate investment possibilities in Japan and to continue to invest in the region. DCM wants a global perspective on what trends could eventually make their way to large markets like the U.S., in addition to backing technology companies in a variety of sectors in Japan.

That's how Isayama eventually found Smith & Tinker. He was seeing more kids in Japan put down their Pokemon cards in favor of more modern versions of battle games.

"I saw a huge trend [in Japan] of kids shifting from physical games to digital," said Isayama, who splits his time between Japan and Silicon Valley. "I saw that there was a need to build an immersive online and offline experience."

With that in mind, Isayama discovered a company founded by a group of toy and game industry heavyweights working under the radar on that exact opportunity.

Smith & Tinker just launched "Nanovor," an online world where nanoscopic monsters live and battle on silicon chips deep inside computers.

The game is a take on popular battle card games like Pokemon and Magic: The Gathering. In Smith & Tinker's game, a scientist and his young friend discover that tiny creatures called Nanovors are infused inside silicon chips. They come to life inside computer hardware when electricity pulses through the chips. Players collect Nanovors, connect with friends online and fight multiplayer online battles on the PC. The company also plans to release a \$49 handheld Nanoscope at stores such as Target, Best Buy, Toys 'R Us and Amazon.com. The deck-of-cards-sized handheld allows players to battle friends in person and upload the results online via a universal serial bus (USB) connection.

"A lot of people talk about new forms of online games, new portals, new toys," Isayama said. "Smith & Tinker is building a platform. Once we launch Nanovor, we'll launch games in different demographics. This is not a one-hit. This is not like investing in movies. It's an interesting asset others can leverage."

Smith & Tinker, which by way of Isayama could expand into Asia at some point, has raised a total of \$29 million. Part of that money will be used to roll out an aggressive television advertising campaign aimed at boys ages eight to 12, just in time to place a Nanoscope's on every kid's Christmas list.

And, if the company does indeed find traction in the market, it's interesting to think that DCM's involvement was based on Isayama's observation of playtime in Japan.

"You see a lot of kids here hooked on games," Isayama said. "You see new forms emerging in Asia and eventually they make their way to the U.S."

(UPDATE: The second paragraph was revised to better reflect DCM's strategy in Japan.)