INNOVATION LAB ASIA

JAPANESE INVESTMENTS

EXPANDING TO THE NORDICS



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PREFACE

Japanese investors are increasingly looking to the Nordics for tech-related opportunities, especially in Finland and Estonia. The purpose of this guide is to further strengthen the connections between Japan and the Nordics, paving the way for new investor collaborations and investments.

This guide gives you a quick introduction to the Japanese investor ecosystem from a Nordic perspective: Which Japanese investors are presently looking to the Nordics? What characterizes the Japanese investor ecosystem? And which startups have so far received Japanese investments?

The publication has been developed by Innovation Lab Asia, NordicNinja VC and Copenhagen Capacity. Innovation Lab Asia is a project collaboration between Asia House Denmark and TechBBQ, supported by the Danish Industry Foundation. NordicNinja VC is a Nordic & Baltic fund backed by Japanese tech giants Panasonic, Honda, Omron, and JBIC. Copenhagen Capacity is the official organization for investment promotion and economic development in Greater Copenhagen.

Thus, this publication is a Nordic enterprise, reflecting our general vision; that all the Nordic countries will benefit by approaching Japan as a unified entity. In doing so, we become more visible and attractive to the Japanese stakeholders, and a viable alternative to the large European countries.

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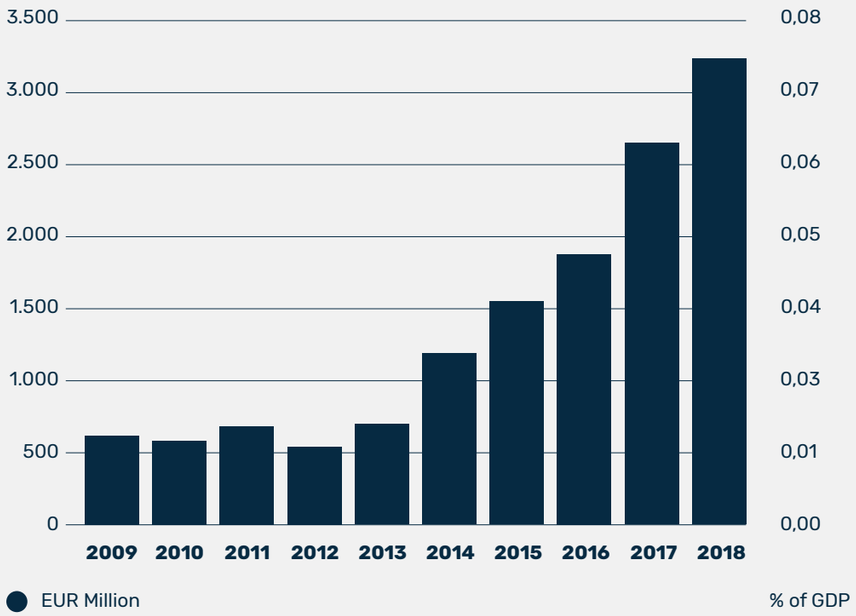


A SMALL BEGINNING

At first glance, one would expect Japan to have a booming startup ecosystem. It's one of the world's largest economies and is home to Softbank, the world's largest tech investor. It's a highly technologically advanced society, with companies providing cutting-edge solutions to a global market. Finally, the Japanese are often considered tech savvy as well as well-educated, hardworking, and disciplined; all of which are qualities that lend themselves well to building successful startups.

Yet, Japan has relatively few startups, and has only produced 3 or 4 unicorns, depending on how you count. Mercari, an e-commerce platform, reached unicorn status in 2016, but subsequently lost its status by filing for an IPO in 2018. Since then, three other unicorns have followed: Preferred Networks (Deeptech), Liquid Group (Fintech) and SmartNews (Mediatech).

JAPANESE INVESTMENTS IN STARTUPS



How can a country that has pioneered so much advanced technology not produce more valuable startups? And why hasn't the Softbank Vision Fund placed a single bet in its home country?

Many observers point to the fundamental issue of Japan being a risk-averse society. Japanese employees prefer to work in large corporations with a high level of security and stability, and Japanese investors prefer trusted or listed companies.

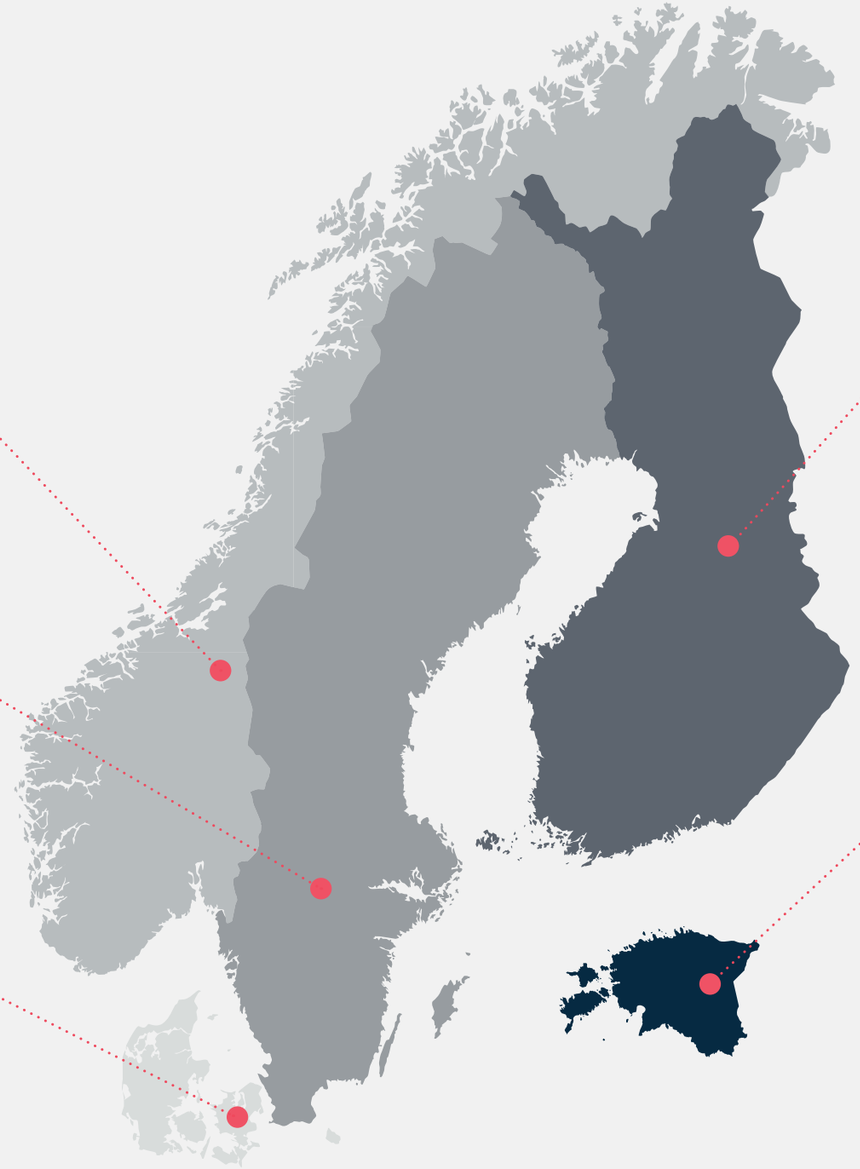
There is a dire lack of venture capital and little seed money for would-be disruptors. The total Japanese funding for startups since 2000 has been 1/37 of US spending: EUR 3.2 billion in Japan compared to EUR 116 billion in the US. Although Japanese funding is on the rise, their GDP ratio of startup investments is still only 0.07%, compared to 0.3% and 0.4% in the USA and China respectively. Thus, many startups are forced to go public too early, driving down the possibilities of getting big investments. Unsurprisingly, most Japanese innovation comes from within established companies.



THE JAPANESE STARTUP ECOSYSTEM

- Tokyo is the undisputed center of the Japanese innovation ecosystem
- Tokyo ranks amongst the 12 upcoming ecosystems globally (Startup Genome 2019)
- Osaka, Kobe and Fukuoka are moving fast to improve their local ecosystems
- Only three Japanese unicorns' figure on the present CB Insights list: Liquid Group, SmartNews and Preferred Networks

JAPANESE INVESTMENTS TO THE NORDICS



NORWAY

- **Fishbrain** Recruit Holdings
- **Griff Aviation** Drone Fund
- **OncoImmunity** NEC *(Acquisition)*
- **Nevion** Sony

SWEDEN

- **Symfoni Software** Fujitsu *(Acquisition)*
- **Outfox Intelligence** Dentsu *(Acquisition)*
- **EINS Consulting** NTT Data
- **Einride** NordicNinja VC
- **Exeger** Softbank

DENMARK

- **Magnetix** Dentsu *(Acquisition)*
- **Nodes** Monstar Lab *(Acquisition)*
- **Pie System** DG Incubation
- **AddiFab** Mitsubishi Chemical
- **Chainalysis**, Mitsubishi UFJ

FINLAND

- **Supercell** Softbank and GungHo Online
- **Inkon** Nagase Group *(Acquisition)*
- **Canatu** Denso
- **Medfiles** WDB Holdings *(Acquisition)*
- **Teraloop** Yaskawa Electric *(Acquisition)*
- **KIDE Clinical systems** Topcon *(Acquisition)*
- **Broadbit** Yaskawa
- **Hatch Entertainment** Domoco Innovation Village
- **Flexound** Nordic Ninja VC
- **Cobinotics** Nordic Ninja VC
- **MaaS Global** NordicNinja VC, Denso, Toyota, Mitsui Fudosan, Mitsubishi and Aioi Nissay Dowa
- **Sensire** Yokogawa Electric

ESTONIA

- **Planetway** Mistletoe, Tokusui, and Sakura Internet
- **Fits Me** Rakuten *(Acquisition)*
- **Lingvist** Rakuten
- **Funderbeam** Mistletoe
- **Jobbatical** Mistletoe
- **Xolo** Mistletoe
- **Transferwise** Mitsui. World Innovation Lab
- **Lift99** Mistletoe
- **Realeyes** Docomo
- **Bolt** Nordic Ninja VC



JAPANESE INVESTORS

- 77% of all Japanese VC investments went to Tokyo-based enterprises (2018)
- 48% of all Japanese VC investments originate from Corporate VCs (2018)
- From 2013-18 startup investment increased by an average of 36% a year
- The Japanese ecosystem is characterized by small IPOs

THE JAPANESE ECOSYSTEM MOVING UP

In 2018, Japanese Prime Minister Shinzo Abe set an ambitious goal of producing 20 unicorns within the next five years and invested heavily in creating a strong Japanese startup ecosystem and removing structural barriers for young companies. More importantly, a new generation of Japanese entrepreneurs and investors are becoming more willing to move into the startup arena.

Several decades of economic recession have forced millions of employees to work on short-term and project-based contracts, reshaping the Japanese labor market and changing the mindset of the young generation. While the traditional image of a salaryman working a stable job at a large corporation still exists, considering a career as a startup entrepreneur is no longer quite so controversial.

Furthermore, Japanese investors are seeing new opportunities in the innovation ecosystem. Investments into Japanese

startups increased from EUR 691 million to EUR 3.2 billion from 2013 to 2017. Most of this funding came from corporate VC's (48%) and went to Tokyo-based enterprises (77%).

However, since the Japanese startup ecosystem is still relatively underdeveloped, many Japanese investors are looking abroad, and have shown particular interest in the Nordics. Japanese investors have invested in or acquired at least 36 Nordic-founded startups since 2013, 28 of these since 2017.

Other Japanese investors have engaged as Limited Partners in Nordic funds: Digital Garage was an early Limited Partner in the Nordic VC byFounders, and has engaged once again in its newest fund in 2019. Mistletoe is a Limited Partner in Helsinki-based early stage fund Maki.VC and the Estonian VC Tera Ventures.

Japanese investors are not only looking for new opportunities, but to hedge their risk by investing in technologies developed abroad with a proven product-market fit. Blue-chip companies are investing heavily into Industry 4.0 technologies, but their interest is not limited to these areas.

Japanese venture capital is comparatively more open to speculative industries like Robotics, AI, and Quantum computing - areas where the Nordics lack heavy upfront investment. Unlike local Nordic VCs, who prefer quicker turnarounds and proven business models, Japanese investors provide more patient capital, looking to long-term outcomes.

Nordic markets are also relatively small, which limits startups' ability to develop their technology enough to be feasible to deploy at a global scale. Markets like Japan give companies the opportunity to, for example, stress-test, iterate, and deploy at a more sophisticated level.

TRENDS & OPPORTUNITIES

- The Japanese population is aging. 27% of the population is now above 65 years, and 14% are below 14 years. By 2060, the population is expected to shrink from its current level of 127 million to 87 million.
- As a result, there are now more homes than people to live in them. In 2018, the number of abandoned properties reached a record high of 13.6%.
- In September 2019 Indian scale-up OYO (backed by SoftBank) acquired Copenhagen-based data science firm Danamica for EUR 9.1 million. Danamica builds machine learning tools and "business intelligence capabilities" for dynamic pricing for rental properties.
- Due to the aging population, Japan has become one of the world's largest markets for Healthcare technology.
- There is a high demand for IoT- and robotics-based solutions to assist patients and facilitate remote diagnosis. There is also a growing demand for AI and Big Data that can be used to recommend and optimize treatment of patients.

JAPANESE INVESTMENT FOCUS



WHY FINLAND & ESTONIA?

In 2013, Softbank invested USD 1.5 billion in Finnish gaming startup Supercell. This was the first - and largest to date - Japanese VC investment in a Nordic startup. Since then, at least 36 Japanese investments and acquisitions have followed, 22 of which have gone to Finnish and Estonian startups.

Interviewing key stakeholders in both countries has provided some valuable information (see also a focused study on Estonia by Innovation Lab Asia):

- Both countries successfully created a strong tech-oriented narrative. Finland initially benefited from the global Nokia-brand. In 2013, the gaming company Supercell landed a billion dollar-investment from Softbank, thoroughly putting Finland on the map in Japan. Estonia built a strong narrative of being an agile and highly digitized society around their e-Residency program. This was further enhanced by four unicorns that have emerged from the Estonian startup ecosystem.

- Both countries have efficient government agencies located in Japan that promoted their respective startup communities. Business Finland has a specific mandate to help attract investment for startups and have a strong internal understanding of startups and VC funding, helping them connect the right companies to investors. In addition, they actively promote SLUSH, co-host startup events in Japan, and bring Finnish startups out to meet Japanese investors. In Estonia, the government combined the e-Residency program with a Startup Visa option, attracting entrepreneurs from all over the world. Today, for a new generation of Japanese entrepreneurs, Estonia has become a point of pilgrimage to learn about the "world's most digital society".

- Both countries have strong digital platforms from which they can promote and build transparency around their startup communities. **www.startupestonia.ee** provides a comprehensive view of the Estonian innovation ecosystem, including a user-friendly database for Estonian startups. Finland has **www.dealflow.fi**, a tool designed for attracting equity funding. All Finnish companies interested in attracting equity funding are listed on this website, so investors from around the world can easily find the Finnish companies themselves.

- Both countries have tech festivals with a strong brand presence in Japan. Estonia's largest startup conference, Latitude59, sees a solid amount of Japanese participation. With 131 delegates registered in 2019, Japan was the third largest country represented at the conference, after Estonia and Finland. As one of the largest startup conferences in the world, SLUSH naturally has a strong international presence, and has previously run a SLUSH Tokyo conference (now BARK), considered one of the best international startup festivals in Japan.

- Perhaps the single most important factor behind both countries' success has been the ability to establish long-term, trust-based relationships with Japanese decision-makers. All stakeholders interviewed for this report emphasized patience as a key ingredient to a fruitful relationship with Japanese investors. In addition, there seem to be shared elements of culture and temperament between the Finns, Estonians, and Japanese. As one Estonian investor says: "It's perfectly okay to have long pauses or be silent during a meeting."



LEARNING FROM THE FRONTRUNNERS

- **Create a strong narrative**. Nordic stakeholders should approach Japan with a common and cohesive story and build on it together.
- **Collaborate**. Work together across all levels of the ecosystem, both vertical and horizontal. Japan is huge and working with local stakeholders is never a zero-sum game.
- **Be patient**. Nordic stakeholders need to consider long-term initiatives that go beyond short-term KPI's.
- **Be personal**. Build strong personal relations over a sustained period and connect with other stakeholders for the benefit of your Japanese guest.
- **Be punctual**. Try to answer all enquiries within 24 hours.
- **Travel**. You'll need to make many trips to Japan before things really start happening.



ACTIVE JAPANESE INVESTORS

In this section you will find a listing of the most important Japanese investors active in the Nordics. Feel free to contact us with additional information, so we can ensure a complete and comprehensive overview of Japanese investments and acquisitions into the Nordic startup community.

For future reference, see
www.japanesestartupinvestments.com

Mistletoe is a VC run by Taizo Son, the youngest brother of Softbank's CEO Masayoshi Son. Mistletoe has invested in several Nordic companies and is an investor in the Helsinki-based early stage fund Maki.VC and the Estonian VC Tera Ventures.

- **Planetway** (EST) 2015
- **Funderbeam** (EST) 2017
- **Jobbatical** (EST) 2017
- **Xolo** (EST) 2017
- **Lift99** (EST) 2018

NordicNinja VC is a joint venture between Japan Bank for International Cooperation (JBIC) IG Partners and BaltCap and is the first Nordic/Baltic focused fund from Japan. The EUR 101 million fund is backed by Panasonic, Honda, Omron and JBIC. Their target sectors are enterprise software, robotics, AI, cybersecurity, digital health, and mobility.

- **MaaS Global** (FIN) 2019
- **Flexound** (FIN) 2019
- **Bolt** (EST) 2019
- **Einride** (SWE) 2019
- **Combinostics** (FIN), 2019

Yaskawa Electric manufactures and markets motors, controllers, inverters, and industrial robots. The company's products are split into four segments: motion control, robotics, system engineering, and information technology.

- **Teraloop** (FIN) 2017, *Acquisition*
- **Broadbit** (FIN) 2018

Rakuten provides the largest e-commerce platform and online retailing site in Japan, and one of the biggest globally.

- **Fits Me** (EST) 2015
- **Lingvist** (EST) 2015

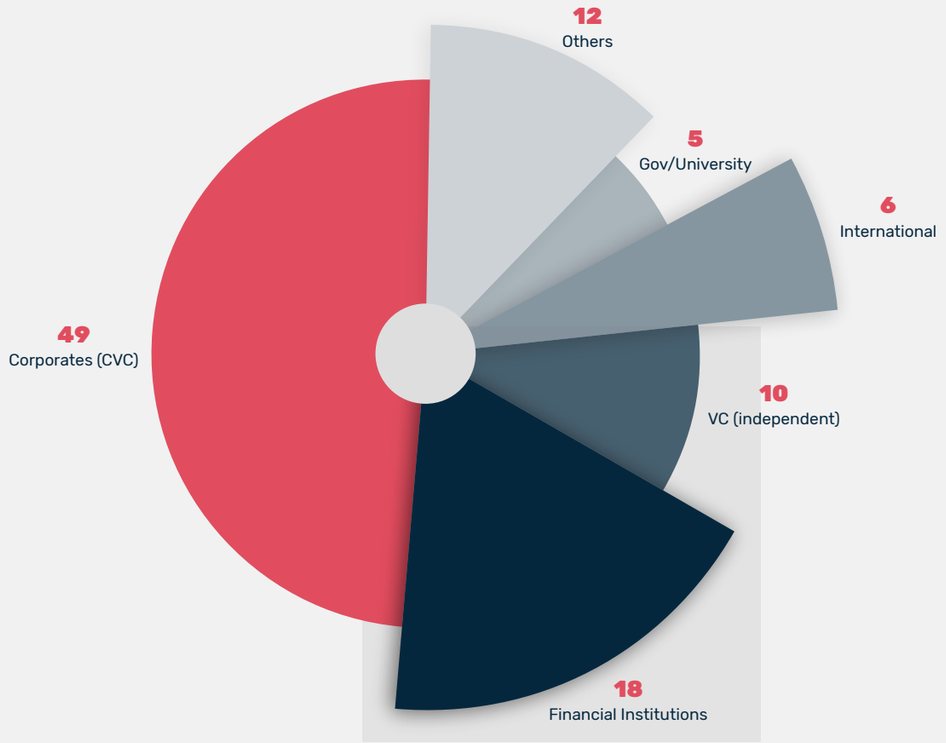
Dentsu is Japan's largest advertising agency, and the fifth largest in the world in terms of revenue.

- **Magnetix** (DEN) 2016, *Acquisition*
- **Outfox Intelligence** (SWE) 2017

DENSO Corporation manufactures electronic parts for automobiles and communication equipment for mobile navigation systems.

- **Canatu** (FIN) 2017
- **MaaS Global** (FIN) 2019

INVESTMENT AMOUNT BY INVESTOR TYPE



Docomo Innovation Village is a startup accelerator branch of Japan's predominant mobile phone operator, NTT Docomo. The primary focus of NTT Docomo is to promote and foster technological solutions related to mobility and related businesses and services.

- **Realeyes** (EST) 2019
- **Hatch Entertainment** (FIN) 2019

Softbank's USD 100 billion Vision Fund is the world's largest VC. In 2019, Softbank announced plans to raise a second USD 100 billion fund, as well as a USD 55 million fund for early stage AI startups. Softbank has only invested in one Nordic company, but partners have been present at Nordic events like SLUSH and TechBBQ to connect with Deep Tech startups.

- **Supercell** (FIN) 2013
- **Exeger** (SWE) 2019

Mitsubishi UFJ Financial Group is Japan's largest bank, and has invested EUR 42 million into dozens of Fintech startups since 2015. In January 2019 MUGF launched the largest Japanese Fintech-fund, totalling EUR 167 million.

- **Chainalysis** (DEN) April 2019
- **AddiFab** (DEN) 2019 - Mitsubishi Chemicals
- **MaaS Global** (FIN) 2019 - Mitsubishi Corporation



NEC is one of Japan's leading technology groups, specializing in software for biometrics, IT security, artificial intelligence, and data analysis. In 2019 NEC acquired Denmark's largest tech company KMD, and acquired a Norwegian Medtech startup

- **OncoImmunity** (NOR) 2019, *Acquisition*

Recruit Holding provides services for human resources, housing, travel, restaurants, beauty, education and more. The company also operates staffing services and advertising businesses.

- **Fishbrain** (NOR) 2015

Tokusui Corporation is a holding company at the center of many fields such as trading, wholesale, and food service.

- **Planetway** (EST) 2015

Sakura Internet provides comprehensive Internet service to businesses, operates a data center and leases space to store clients' servers and network equipment. Sakura Internet also offers web hosting and Internet connectivity services.

- **Planetway** (EST) 2015

Fujitsu is a leading provider of IT products and services for the global marketplace including hardware, software, networking, business solutions, and more. In 2018, it was the world's fourth-largest IT services provider in terms of revenue.

- **Symfoni Software** (SWE) 2016, *Acquisition*

WDB Holdings provides human resource services. The Company specializes in temporary staffing and permanent employee introductions in fields such as biotechnology, chemistry, and engineering.

- **Medfiles** (FIN) 2017, *Acquisition*

Monstar Lab is an Asian leader within digital product development, including mobile apps and games, IoT systems, social networks, and e-commerce sites.

- **Nodes** (DEN) 2017, *Acquisition*

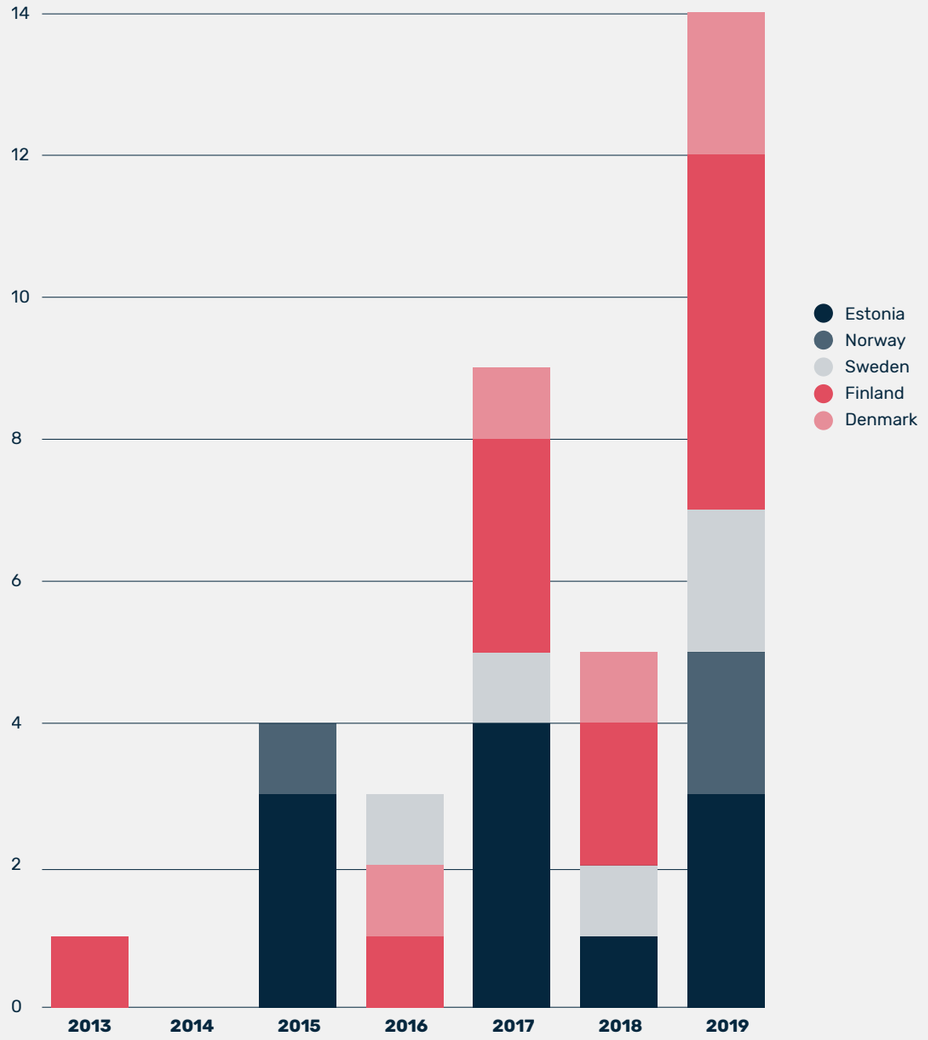
World Innovation Lab (WiL) is a US & Japan-based VC fund, with capital base from governments and leading global corporations based in Japan/Asia including Sony, Suzuki, NTT, & more.

- **Transferwise** (EST) 2017

Drone Fund is the world's only VC fund dedicated exclusively to investment within the Drone Space. Drone Fund provides capital investment, operational support, collaborative planning, and regulatory assistance in order to expand the entire Drone space.

- **Griff Aviation** (NOR) 2019

NORDIC STARTUPS WITH JAPANESE INVESTMENTS: WHEN & WHERE



OTHER JAPANESE INVESTORS

These investors haven't yet invested or acquired any Nordic startups, but all have an international outlook, and some are actively looking for opportunities in Nordic countries.

- **Coral Capital** is a EUR 41 million VC fund run by the same team that used to manage 500 Startups Japan. The people behind Coral Capital have announced that they are determined to continue to work with 500 Startups.

- **Hitachi VC fund** is the venture arm of Japanese electronics giant Hitachi. Established in April 2019, the fund will have a global outlook and a special focus on startups within the realm of Fintech, AI, BigData, Mobility, and IoT.
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- **Itochu Technology Ventures** is the venture arm of one of Japan's largest general trading companies. They focus mainly on early-stage startups within Internet services (B2B or B2C) and have several foreign companies in their portfolio.

- **Marubeni** is a major Japanese business conglomerate that has been increasing their interest in Nordic and Baltic companies. Marubeni established a CVC in 2019 with the purpose of building out collaborations with startups through investments in innovations that serve their core business. The company's 2019 focus areas are Nordic strongholds, including Blockchain, Gaming, and Healthtech, and they have an office in Tallinn. Marubeni has established their CVC arm this year and seeks to collaborate with startups through investments in innovations that serve their core business. The company's 2019 focus areas happen to be Nordic strongholds, including Blockchain, Gaming, and Wellbeing. They have plans to open an office in Tallinn.

Nomura Research Institute (NRI) is one of Japan's leading companies in business consulting and IT, as well as a think tank. NRI provides startups with IPO research, business consulting, and venture capital. NRI is a global partner of both the Copenhagen Fintech and Copenhagen Welfaretech clusters and is keen to bring Scandinavian strengths in the healthcare industry and smart cities into the Japanese market.

- **Sumitomo Mitsui Banking Corporation (SMBC)** is a Japanese multinational banking and financial services company involved in several Nordic-related initiatives. In May 2019 they organized an event in Tokyo for Finnish Healthtech startups together with Business Finland, and in December 2019 they are partnering with Startup Bootcamp Osaka to accelerate international startups to Japan.



OTHER GATEWAYS & ACCESS POINTS

These investors haven't yet invested or acquired any Nordic startups, but are actively looking for opportunities in the Nordic countries.

- **BARK** is the successor of SLUSH Tokyo, and perhaps the largest and most internationalized startup event in Japan. Of the 700 startups and 200 investors attending SLUSH Tokyo in 2018, more than half were international, and the conference content was in English.

- **Digital Garage** is a heavyweight in the startup ecosystem and was responsible for bringing both Twitter and LinkedIn to the Japanese market. With a focus on Fintech and Big data, this company is especially interested in the rapid development of Nordic societies toward cashless economies and the Nordic approach to public data. To this end, the team has worked with MyData in Finland to learn about best practices for ethically using personal data for infrastructures. While not a traditional accelerator, Digital Garage looks to nurture businesses moving into the Japanese market through collaborative partnerships.

- **Plug and Play** is a global innovation platform working as a VC and a corporate accelerator. Headquartered in Silicon Valley - but with 26 locations worldwide - Plug and Play provide a three-month program twice per year focused on scaling. Plug and Play Japan is focused specifically on scaling startups into Japan and East Asia. The program covers business matchmaking, where domestic and international startups can network and interact with corporates in Plug and Plays' network and qualify for funding.

- **Samurai Incubate** is an early stage venture capital and seed accelerator, which was launched in 2008 with the aim of supporting startups within the areas of management, marketing, sales, HR, and finance. Samurai Incubate also runs the **Samurai Startup Island**, a startup incubator and co-working space in Tokyo, where startups can find networking and funding opportunities.

- **Startupbootcamp Scale Osaka** is a 3-month acceleration program designed to help founders scale their business in Japan, placing a focus on sales, business development and running pilots with some of Japan's largest corporates. Each bootcamp is limited to 10 companies. On-site participation is expected for certain events, but the teams won't need to relocate to Osaka for the entire program.

THE CONCEPT OF JAPANDI

There is a striking similarity between Nordic and Japanese design. Both value frugal minimalism and natural materials. Both are particular with detail and quality craftsmanship. Recently, a new concept has emerged within interior design: Japandi (a combination of Japan and Scandi) a hybrid aesthetic combining the "modern-rustic vibe of Scandinavian designs with the traditional elegance associated with Japanese styles". Nowhere in Asia is the Nordic brand stronger than in Japan.

- **Startup Fukuoka** is a government-run incubation facility that provides a range of services for domestic and international startups free of charge, including funding and financial aid for office space,house rent, marketing, distribution, legal aid, and administrative support when setting up the company. It is also the main resource for foreign startups coming to Fukuoka. Since the Startup Fukuoka initiative was launched in 2014, Startup Fukuoka has entered into collaborations with 14 cities in 10 countries throughout Europe, North America, and Asia. Among these is the city of Helsinki, and Baltic startups like Coffee Pixels and Stigo from Estonia, have been able to leverage Fukuoka's services for successful expansion into Japan.

- **Tech Business Camp Tokyo** is a free 8 week incubator program developed by the Tokyo Metropolitan Government in collaboration with Accenture. The accelerator is aimed at companies looking to expand into the Japanese market possessing technologies related to Industry 4.0, such as AI, VR, and Robotics.



This report has been developed by

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