



# Manual on Collaborating with Japanese Companies

JETRO Singapore  
April 20<sup>th</sup> 2023

# Why Japan?

# Japan as a Market

Japan is attractive to foreign companies due to its vast domestic market as well as its role in leading innovation and leveraging the innovation to solve social issues

## Japanese market size is one of the most attractive feature

- Japan's GDP: World No. 3
  - 4,937 US\$ Billion
- Number of Global 2000 by Forbes: World No.3
  - Japan has 196 companies on the Forbes' 2022 Global 2000
- 60% of the survey respondents of Foreign-affiliated Companies cited the Japanese market size as the most attractive feature of doing business in Japan



Japan is the 2nd insurance market in world and Japanese regulator is open to change/discuss regulatory

## Japan faces a series of challenges that will soon be facing by other countries and is leading in the innovations to solve these

- Aging population and labour shortage
  - 29.1% of the population are over 65
- Disasters: An earthquake prone area, heavy rain, typhoon...



Emotion AI Startup

Japan's aging population leads to a strong needs for AI solution for elderly care



Robotics Startup

Labour shortage resulting from aging and declining population stimulate the application of robot solution



Construction AI Startup

Japan has a vast aging infrastructure



Healthcare AI  
Startup

Japan has a national screening program and the highest mammography screen rates in Asia

Note: \* Startups' name will be disclosed shortly

Source: "[アジア新興国における競争力強化に資するスタートアップ投資に関する調査](#)" (JETRO, April 2021), "[FY2022 Survey on Business Operations of Foreign-affiliated Companies in Japan](#)" (JETRO, March 2022), Forbes Global 2000 2022, initial Database

# Japanese Companies as a Partner

Japanese companies are open to embrace new technology, have high global presence and intend to maintain a long-term partnership once the decision is made

## Open to adopting innovation with world's leading R&D capabilities

–Number of Patent Applications(2021): World No.3

◦ 289,200

–Number of Researchers :OECD No.2

◦ 681,821



Japan is the only country in the region that has a prominent practice in recycling

FoodTech Startup



Japanese Companies are constantly looking for innovative solutions and are open to using AI

Emotion AI Startup

## A strong global presence and open to cross-boarder collaboration

–Japanese companies venturing into the international markets with strong market presence. Once the solution is adopted, there is a possibility to expand to a global market



Many large infrastructure companies involved in multi billion dollar developments

Construction AI Startup



Collaborate and leverage large conglomerate to convince the people more easily and accelerate our path to be No.1 insurtech company.

InsureTech Startup

## Long-term partnership

–Japanese companies tend to have long-term relationships with their suppliers. Although it takes long time for Japanese Companies to adopt a service, once they make decision on the adoption, they will be on a long-term business with startups



Patience is important, and Japan has own way to adopt. Long time to accept new thing but once adoption, people will use it.

InsureTech Startup

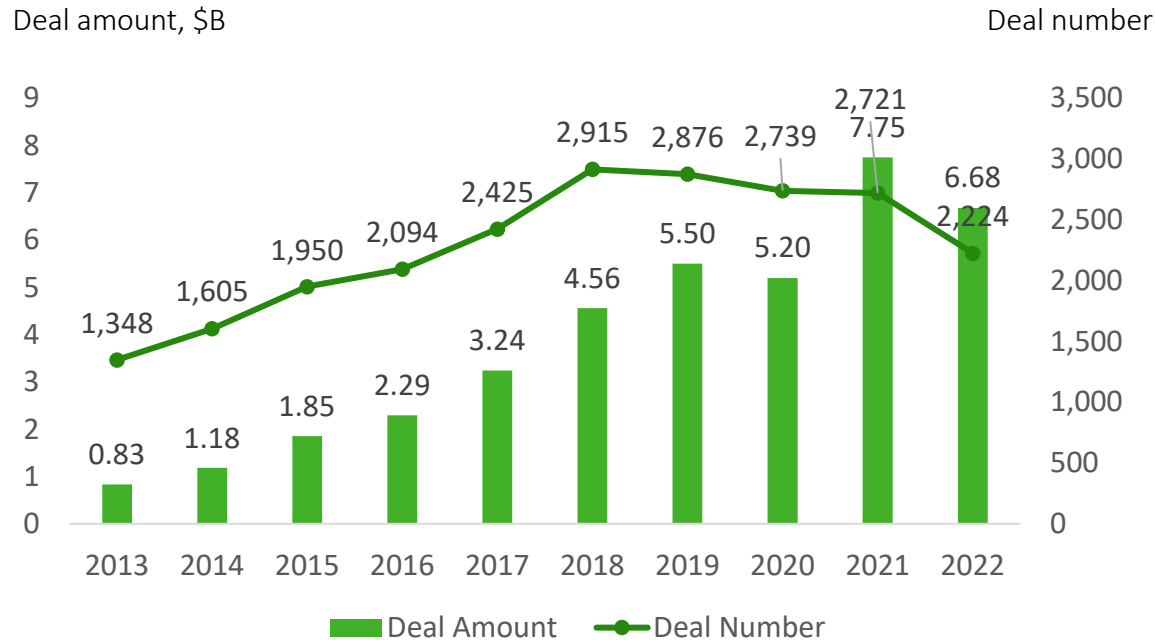
Note: \* Startups' name will be disclosed shortly

# Startups Investment in Japan

The amount of startups investment in Japan is 60% of than that in Singapore in 2022, while the number of deals in Japan is 3.4 times of that in Singapore

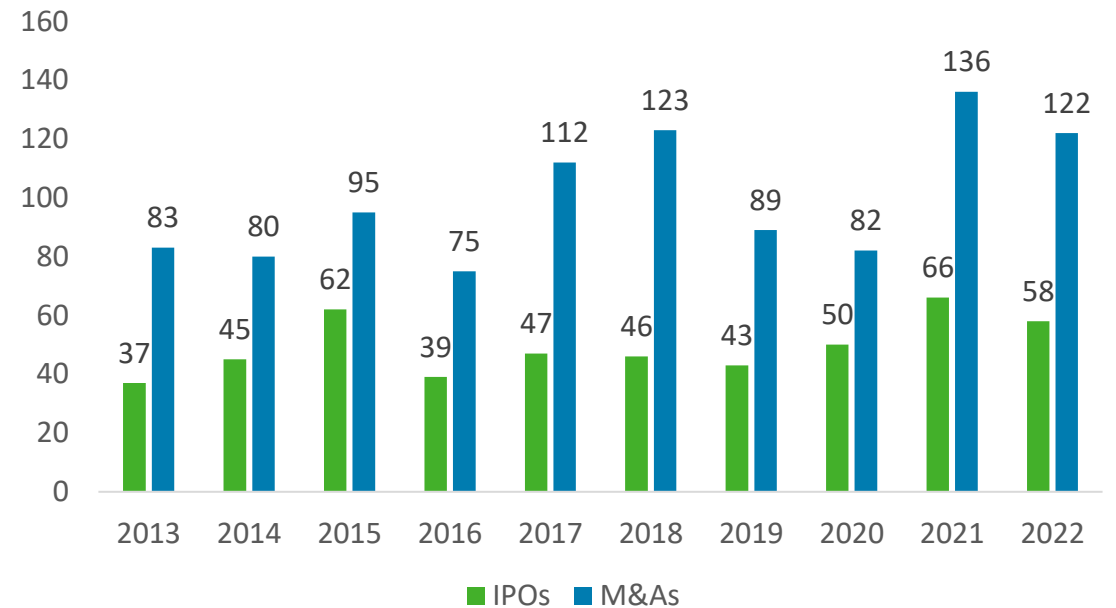
Deal amount keeps increasing despite deal number decreased

Startups Investment in Japan



Number of IPO and M&A saw a increasing trend

Number of IPO in Japan



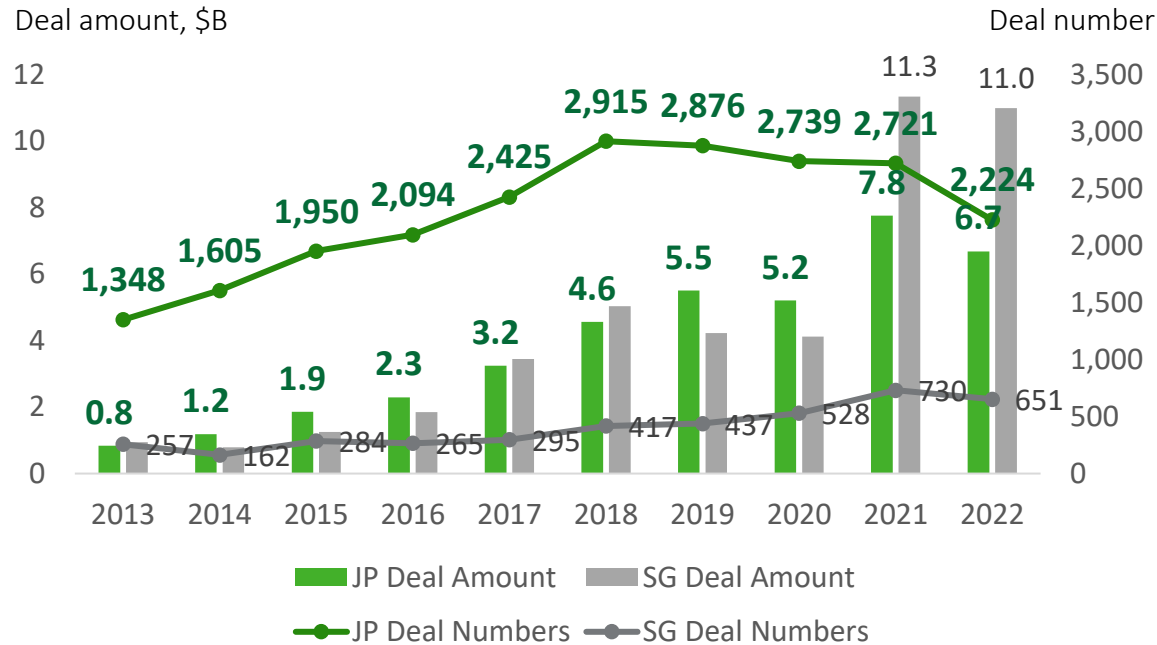
Source: “アジア新興国における競争力強化に資するスタートアップ投資に関する調査” (JETRO, April 2021), “Singapore Venture Funding Landscape 2022” (Enterprise Singapore, Deal Street Asia, March 2023) “Japan Startup Funding 2022” (initial Database, February 2023)

# Startups Investment in Japan

The amount of startups investment in Japan is 60% of that in Singapore in 2022, while the number of deals in Japan is 3.4 times of that in Singapore

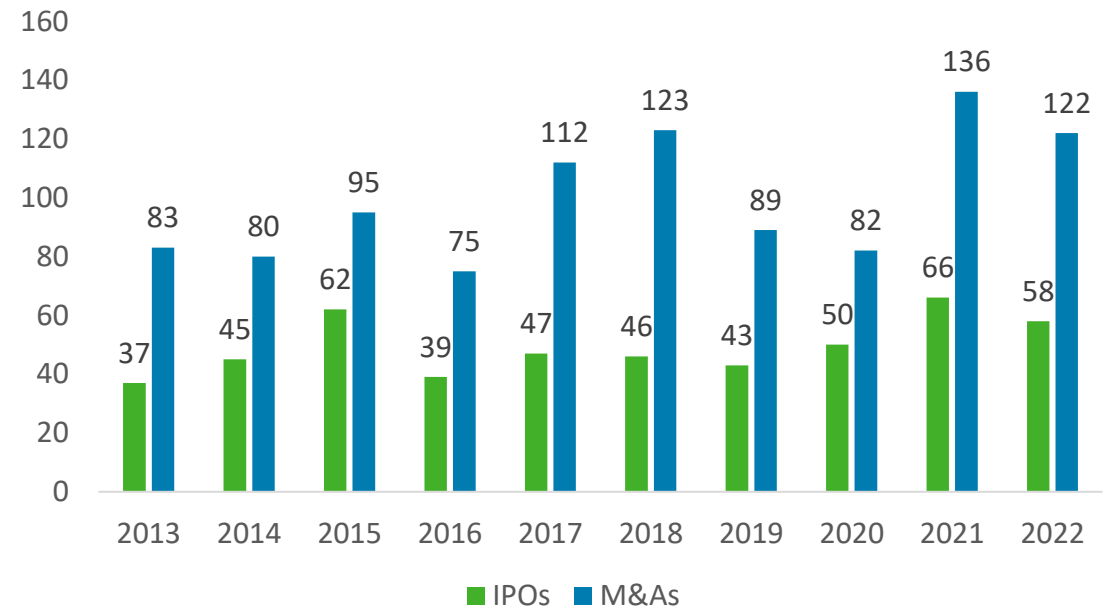
**Deal amount keeps increasing despite deal number decreased**

Startups Investment in Japan



**Number of IPO and M&A saw a increasing trend**

Number of IPO in Japan

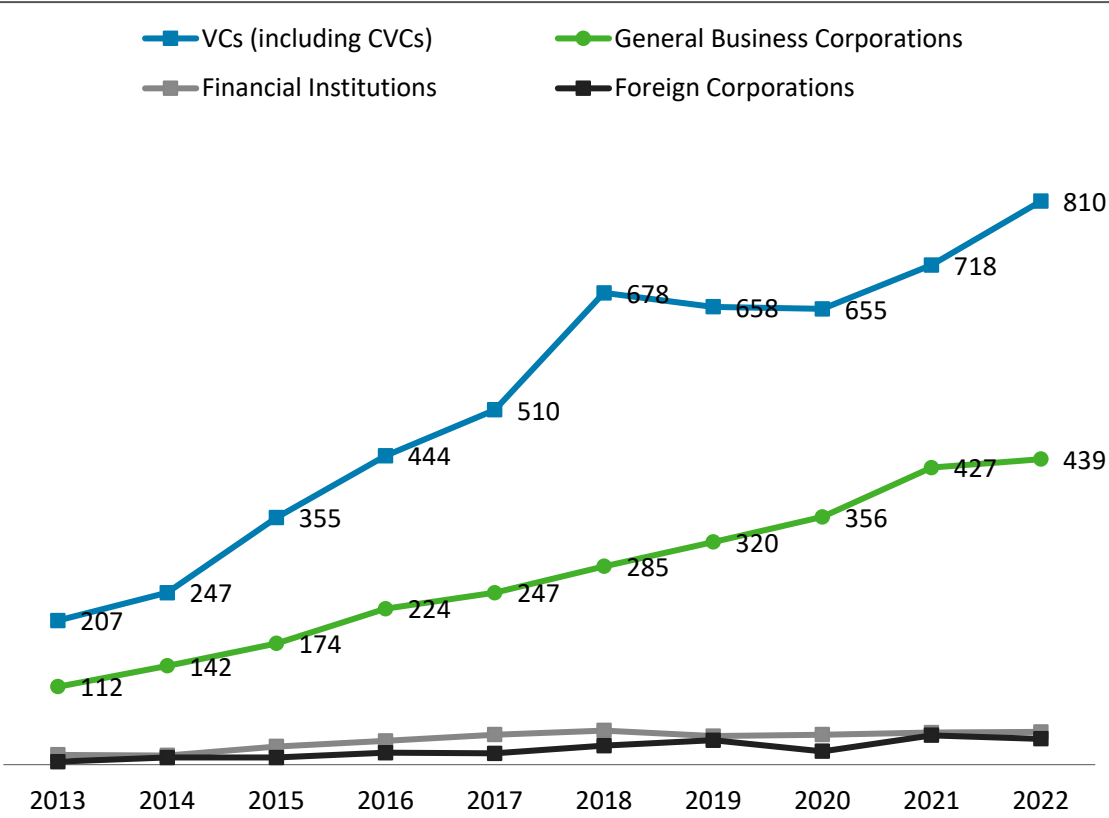


Source: “アジア新興国における競争力強化に資するスタートアップ投資に関する調査” (JETRO, April 2021), “Singapore Venture Funding Landscape 2022” (Enterprise Singapore, Deal Street Asia, March 2023) “Japan Startup Funding 2022” (initial Database, February 2023)

# Startups Investment in Japan: Investment from Large companies

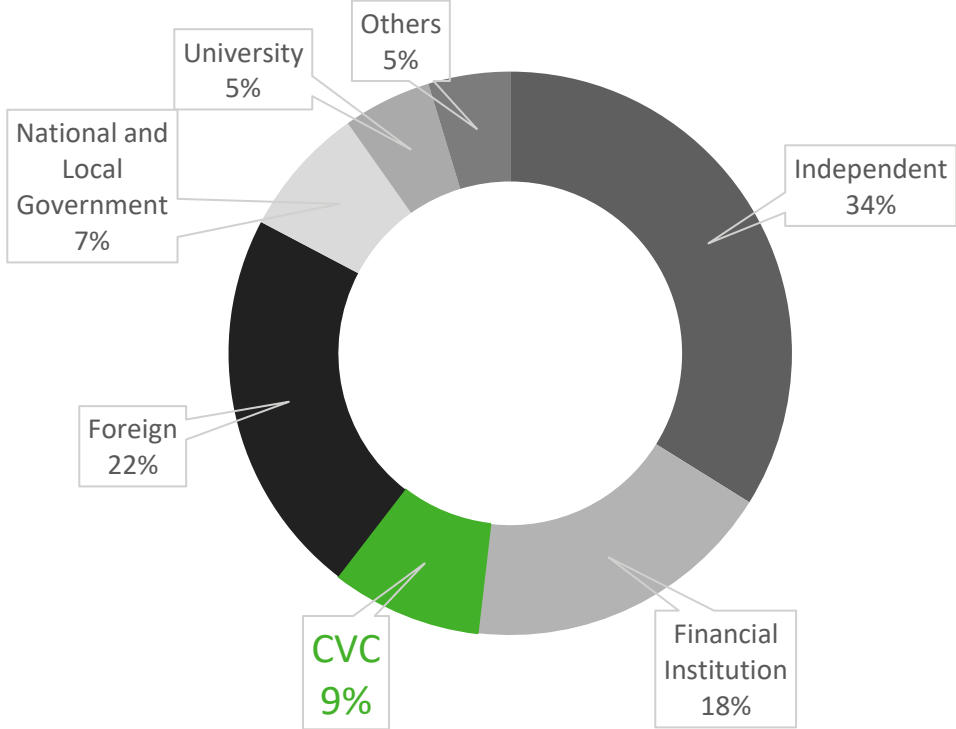
Large companies play an important role with a significant number of general business corporation investors, and many companies have CVC arms other than investment from general business unit which contribute to 9% of the VC investment

Number of Investors by Type in Japan



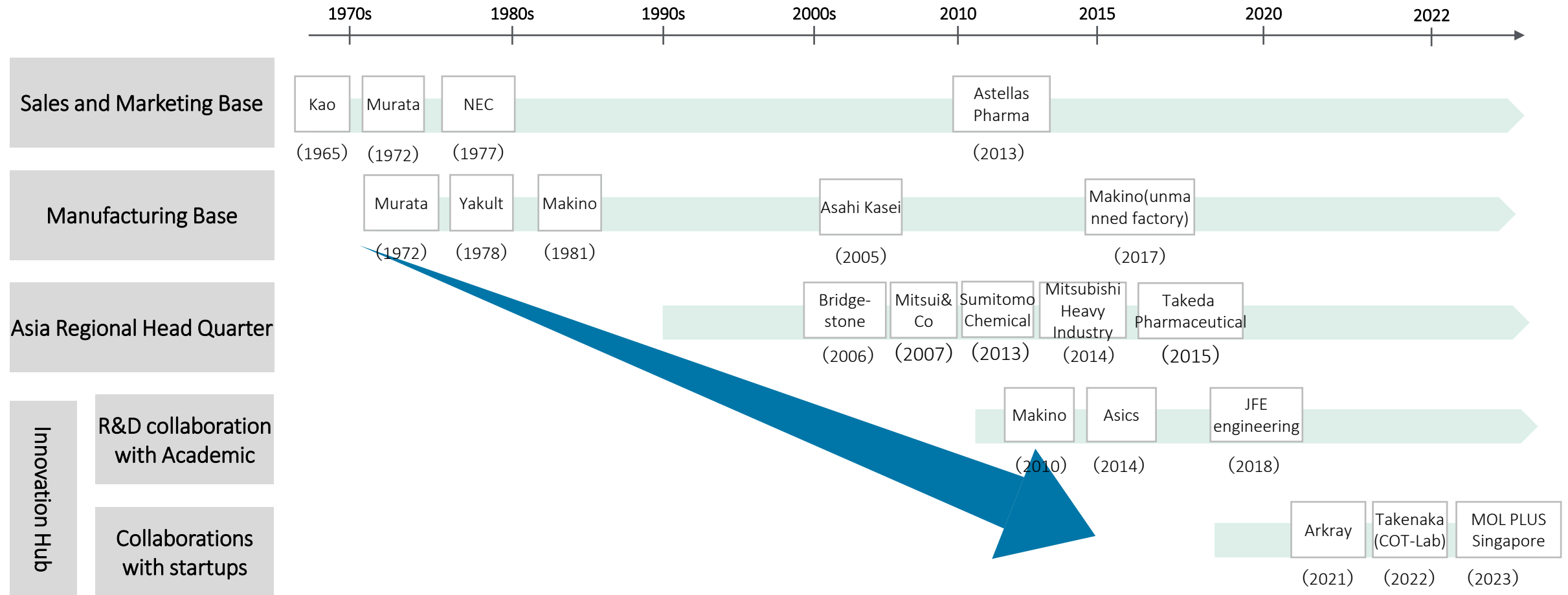
Note: VCs in the left graph includes corporate venture capitals(CVC) funds  
 Source: "Japan Startup Funding 2022" (initial Database, February 2023)

Percentage of VC Fundings in Startups by Fund Type



# Japanese Companies' Innovation Activities in Singapore

Japan Companies' subsidiaries in Singapore are expanding the business scope from marketing, manufacturing, to R&D collaboration, and in recent years started focusing on startup collaboration and investment



Source: Organized by JETRO based on public information



# Japanese Companies' innovation activities in Singapore: Examples

More Japanese companies established open innovation arms in Singapore, and started investing in Singapore based startups

## Establish Open Innovation or CVC Arm

### Arkray

- In Feb 2022, announced a ¥10bn (\$86.8m) Singapore-based CVC to back early-stage medical technology developers

### Takenaka Corporation

- In June 2022, established a cocreation base COT-Lab Singapore to accelerate collaboration in carbon neutrality and DX field

### MOL PLUS

- In Mar 2023, established MOL PLUS Singapore Desk focus on startups in Maritime and Logistics industries and those who is seeking to solve social issues in Southeast Asia

## Startup Investment

### Mitsui Chemical



### Apeiron Bioenergy

- In Aug 2022, Mitsui Chemicals Invested in Apeiron Bioenergy, one of the Largest Used Cooking Oil Collectors in Southeast Asia and China Region, to expand its procurement of biomass raw materials to meet growing demand for bio-based chemicals and plastics

### Tokio Marine



### BoltTech

- In Oct 2022, Tokio Marine form a a capital and business alliance with BoltTech, a startup in Embedded Insurance field, aiming to realize the global expansion of Embedded Insurance and innovative insurance binding processes through a unique digital platform

## VCs or collaborating with VCs

### AOZORA Bank



### Geneis Alternative Ventures

- In June 2021, Aozora Bank invests in Genesis Alternative Ventures fund, signs MOU to support Japanese start-ups' expansion into Southeast Asia

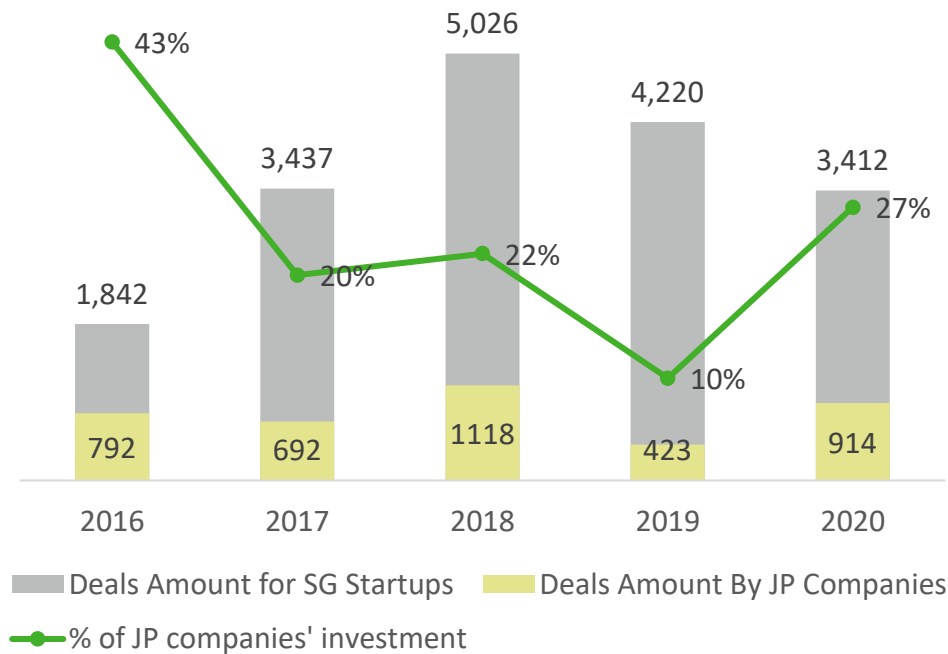
### RealTech Fund

- In May 2022, Real Tech Holdings announced its incorporation of RTHD Singapore Pte. Ltd. (RTS), its first global office in Singapore

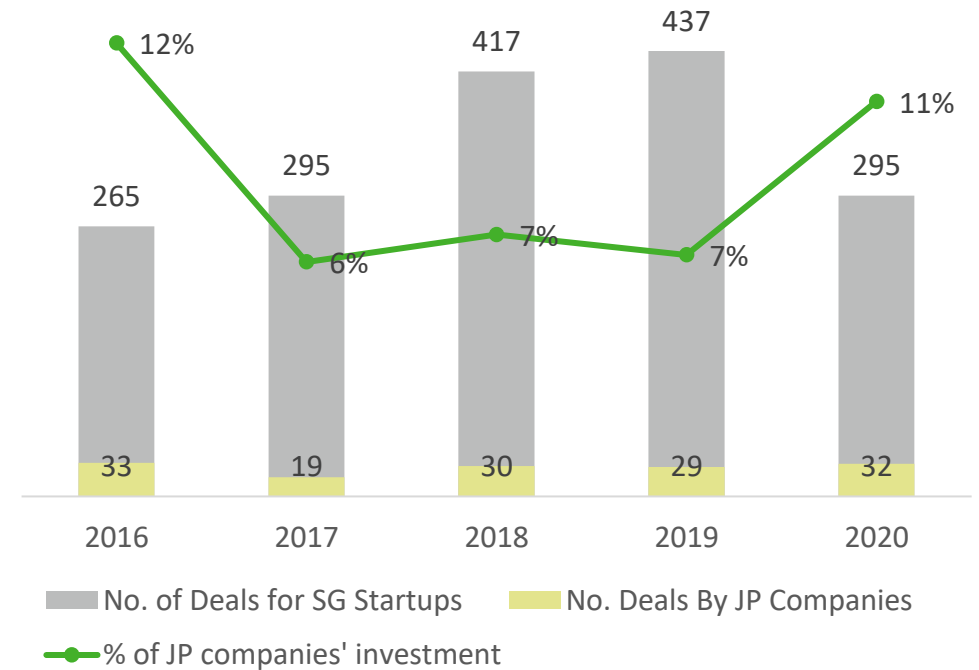
# Japan Companies Investment in Singapore Startups

In 2020, investment from Japan Companies consisted 27% of the total investment to Singapore Startups in terms of amount and 11% in terms of number of deals.

Deal Amount (\$M) of SG Startups and by JP Companies



Deal Number of SG Startups and by JP Companies

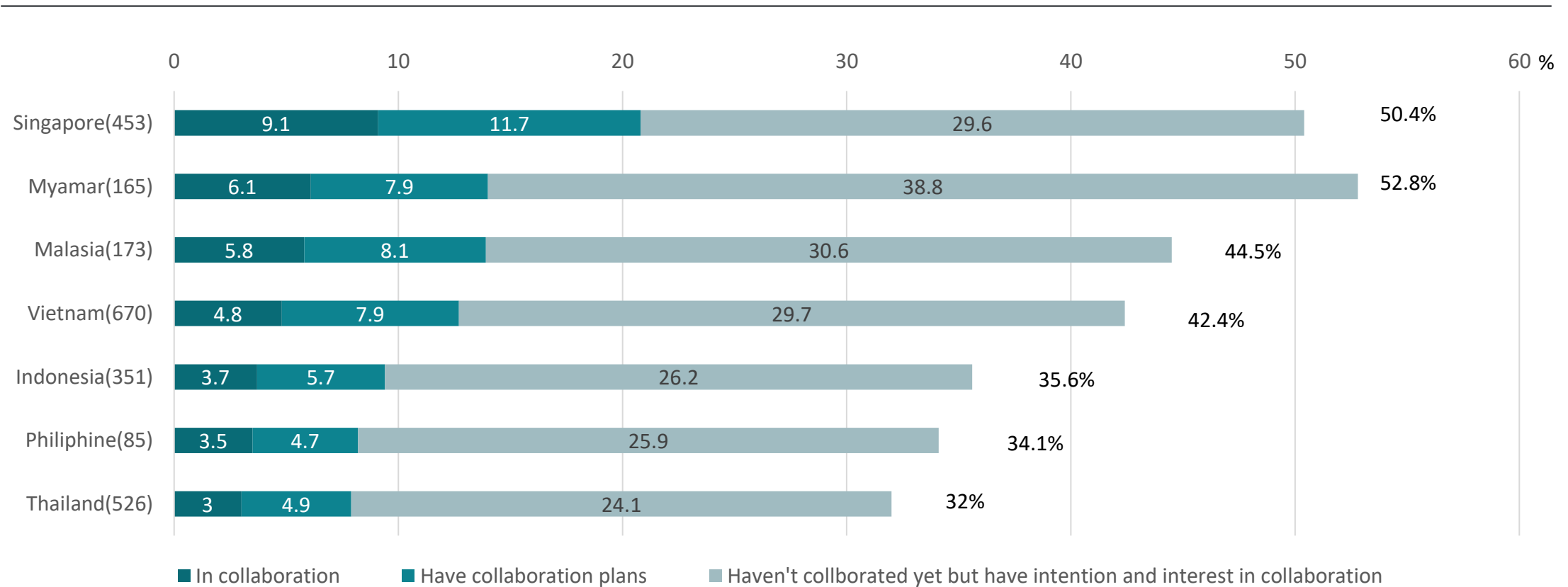


Source: [“アジア新興国における競争力強化に資するスタートアップ投資に関する調査”](#) (JETRO, April 2021)

# Japan Companies' Collaboration with SEA Startups

20% of Japan Companies have collaborated or have collaboration plans with Singapore Startups, and about 30% of them have intention or interest in collaborating with Singapore Startups

Percentage of Japan Companies Interested or Involved in Collaboration with ASEAN Startups (2021)



Source: "2021年度海外進出日系企業実態調査 アジア・オセアニア編" (JETRO, December 2021)

# **How to collaborate with Japanese Companies**

From the perspective of ASEAN Startups

# Collect Information

Japanese and local (SG) Govt/trade agencies, existing investors and partners, trade shows and events, accelerator programs and professional service providers are good sources to obtain in-market information and connect with potential partners

---

## Government/Trade Agencies

- **JETRO**: launched **J-Bridge**, a business platform for supporting Japanese Companies in collaborating with overseas companies and startups
- **Local governments in Japan**: e.g., Tokyo Metropolitan Government **X-hub Programs**
- **Enterprise Singapore**: operate **Global Innovation Alliance**, an acceleration program supporting Singapore Startups and SME to expand to 17 cities including Japan

---

## Startup Incubators and VCs

- **Real Tech**: a VC started from investing in Japanese deep tech startups to solve global issues, raised the Global Fund in May 2020 and opened its first global office in Singapore in May 2022

---

## Existing partners/investors

- **Japanese investors or partners**
  - Japanese investors and stakeholders often provide insights into market trends, culture, behaviour and developments in the industry
- **Japanese subsidiaries in Singapore**
  - Successful collaboration with Japanese Companies in Singapore often open doors to more collaborations with partners in Japan.

---

## Professional services

- **Investment banks and big 4s**
  - Only suitable for late-stage startups with steady cashflow
- Startup oriented professional services

---

## Tradeshows and Events

- Tradeshows and Exhibitions in Japan:
  - **The International Robot Exhibition@Tokyo**: world's largest robot exhibitions
  - **City-tech Tokyo**: Large-scale global startup exhibition organized by TMG
  - **CEATEC@Tokyo**: a comprehensive exhibition of Society 5.0\* covering all types of businesses and industries
- Regional events attended by Japanese businesses
  - **FHA Food&Hotel @Singapore**: Asia's largest international F&B showcase
  - **InsureTech Connect Asia (ITC) @Singapore**: The region's largest insurtech event
- Events
  - **Morning Pitch Asia**: Pitching platform to create innovative new business between startups and large companies or investors

# Communication and Building Relationship

The decision process takes a long time but the companies active and more experienced in Open Innovation may have a faster process. It's important to invest time to build the relationship and trust

## Understand the decision-making process

### – Understand decision making process

- Japanese companies have a structured decision-making process and startup should have a realistic timeline when working with Japanese partners.
- **Those who are active in Open Innovation or have collaborated/invested in ASEAN startups may have a significantly faster decision-making process**

### – Understand culture and language

- It is important to understand the language, or involve hiring interpreters, or have representatives who are fluent in Japanese and familiar with business practices

### – Finding the right person



InsurTech Startup

Understanding the decision-making process in the target company and finding who is right people to talk with. (Find the top of investment team when raise fund, the right department when in commercial side)



Robotics Startup

When proposing deals and partnership, it is critical to identify the right person to make the pitch. Demonstrate respect and courtesy to build relationship and trust with partners throughout the command chain is important.

Note: \* Startups' name will be disclosed shortly

## Build relationship and trust

### – Invest time to understand your partner and build a relationship

- Keep frequent contact with the partner, meet online and in person
- Spend time after office hours in a social setting to get to know partners beyond official meetings.

### – Demonstrate mutual respect

- Communicating and negotiating effectively requires building a foundation of trust through demonstrating cultural sensitivity, transparency and honesty in communications.



HealthTech AI Startup

Establishing trust is important, understand counterpart needs or concerns and address all possible issues will increase the success of collaboration and partnerships. Understand pain points and to provide structured solutions, to reduce needs of changes and ensure ease of business

# After Forming the Collaboration or Entering Japan market

Having a local partner or local country manager who understand the culture and language, customizing product via data training, technology and regulation adaptation and finding a balance of high operating cost is important

## Product Customization

### – Technology



In Japan, different frequency spectrums is used

Construction AI Startup



Our solutions have been localised to recognise emotions within the Japanese demographic

Emotion AI Startup

### – Regulation



Japan has a stricter regulation on CE mark

Food Robotics Startup



It's difficult to get PMDA approval in Japan, and we need a subsidiary in Japan responsible for import licenses and apply for regulatory approvals that enable the company to introduce medical devices into the market

Medical Robotics Startup

## Human Resource

– **It's important to have local country manager who could speak Japanese and bridge the gap**

– **Hiring cost is high in Japan**

- In Japan, the recruiting agent fee is 50% of the annual salary comparing with 30-35% in Singapore.
- Other ways such as **personal network, introduction from partners, or even scout someone from your local dealers** is important to find the right person in a lower cost.

– **Labor cost is high**

- People don't shift job very often and once hired, it's difficult to fire someone and you must take the burden of the labor cost even if you find out they are not suited, which makes the cost even higher.
- You need to pay the transport and corporate benefit, which are ways Japan safeguard the employee.

## Operating

– **Operating cost is high as the corporate tax is 30%**

– **A clear manual and training is very important**

- Once you have a manual and get the employee familiar with it through guidance and enough training, Japanese could execute exactly as the manual to make sure everything is on track.

## Marketing

– **Marketing cost is high, and a strong marketing budget is necessary**

Note: \* Startups' name will be disclosed shortly

# Voice and advice from Japanese Companies

From Japanese Companies' perspective, speed gap and the ambiguity in decision-making process and the language barriers are among the top problems. Leveraging JETRO/J-BRIDGE could help bridging the gap

Area of Problems	Overview	Advices/Comments from Japanese Companies (Industry)
Speed Gap	<ul style="list-style-type: none"><li>Decisions on business collaborations and investments are often made at the head office in Japan. <b>It takes a long time and so sometimes not meeting the timelines required by startups.</b></li></ul>	<ul style="list-style-type: none"><li><b>It takes six months at the earliest for due diligence and approval</b>, and one year for early-stage startups (Food manufacturer)</li><li>The decision-making speed required by startups in Singapore is fast and the speed of Due Diligence is not suitable, so the collaboration was cancelled (Food service)</li><li><b>ASEAN Startups should understand that partnerships with Japanese Companies take time</b> (Trading)</li></ul>
Ambiguity of Decision-making Criteria	<ul style="list-style-type: none"><li>Since there are often no clear criteria for business collaboration and investment implementation, <b>it is necessary to foster a sense of trust through conversations</b></li></ul>	<ul style="list-style-type: none"><li>Startup should clarify not only the technology but also the business model and clarify what they can do &amp; where they can't do it (Health care)</li><li><b>It will be easier to persuade the head office in Japan if there are concrete examples such as actual data and results of what was implemented with other companies that can be disclosed</b> (Food manufacturer)</li></ul>
Language/ Communication Barrier	<ul style="list-style-type: none"><li>Later it becomes clear that <b>the startup conditions required by the Japanese Company do not match the actual situation of the startup because of the language barrier &amp; miss-communication</b></li></ul>	<ul style="list-style-type: none"><li>When considering collaboration with a certain startup, we assumed industrial use, but startup was mainly for commercial use and there was a difference in the use (Plant engineering)</li><li><b>Startups with Japanese management and easy communication are preferred</b> (Insurance)</li></ul>



## Support by JETRO

JETRO provides extensive support to fill the gap between Japanese companies and startups and break through the entry barrier to the Japanese market.

### Support for alliances between Japanese companies and Singaporean startups



#### Membership

- J-Bridge member companies consist of Japanese big companies that wish to collaborate with overseas startups.
- Industries include ICT, finance, manufacturing, chemicals, etc.

#### Areas of alliances in Singapore

Healthcare, biotechnology, food tech, automation, environment/green tech, AI, etc.

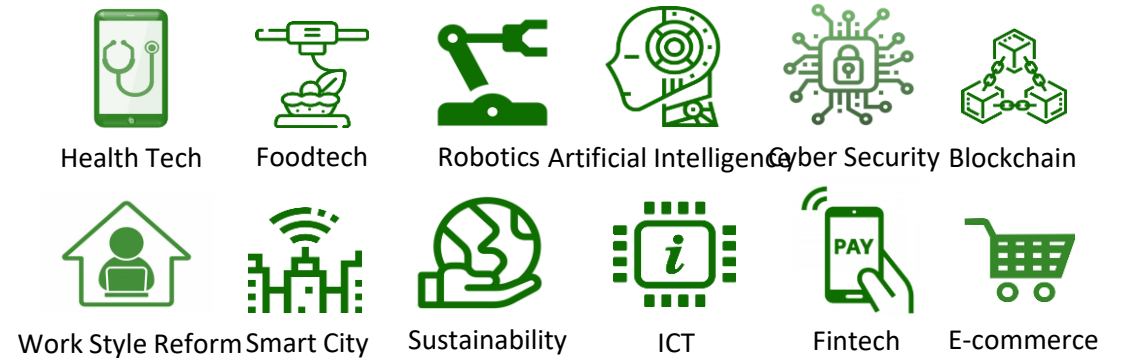
#### Types of alliance

- Business/technology alliances, capital investment, JV establishment, etc.
- M&A
- Investment in VC as LPs

### Support for Singapore startups entering Japanese market



#### ■ Growing Industries in Japan



#### ■ Business opportunities in local cities

