

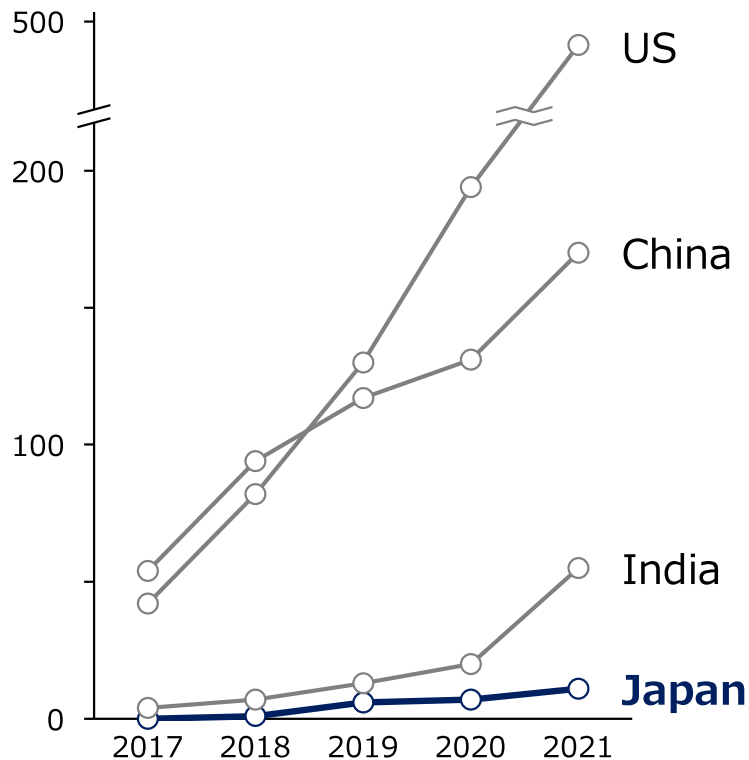
Startups

Economic and Industrial Policy Bureau

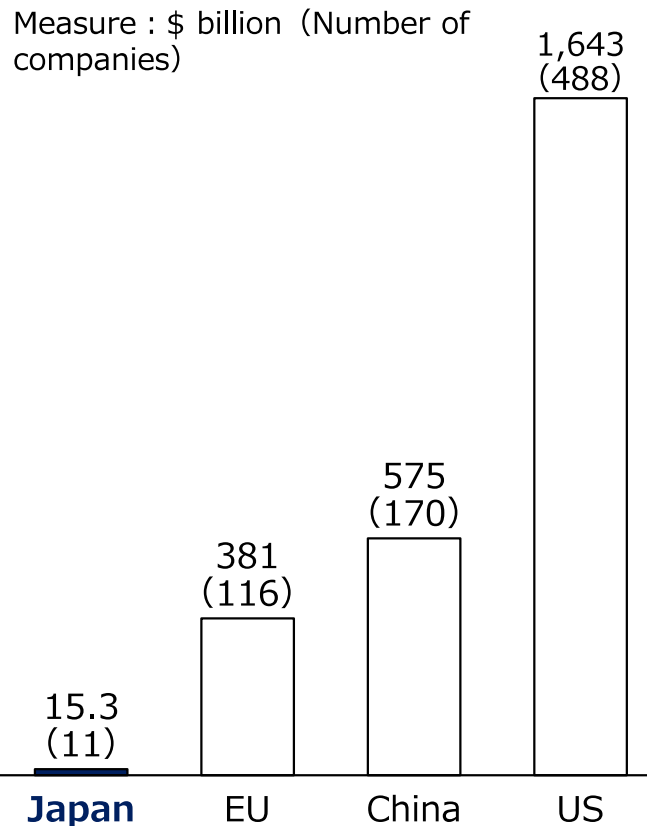
Current Situation of Startups in Japan

- Although Japan has created “unicorns”, unlisted companies with valuations over \$1 billion, the speed of creation falls short of not only the US but also China and India, and the difference in the number of startups against the world is widening.
- Countries such as the US have mega-startups which have huge valuations, such as “decacorns” with valuations over \$10 billion and “hetcocorns” with valuations over \$100 billion. The difference in the scale of startups against the world is widening as well.

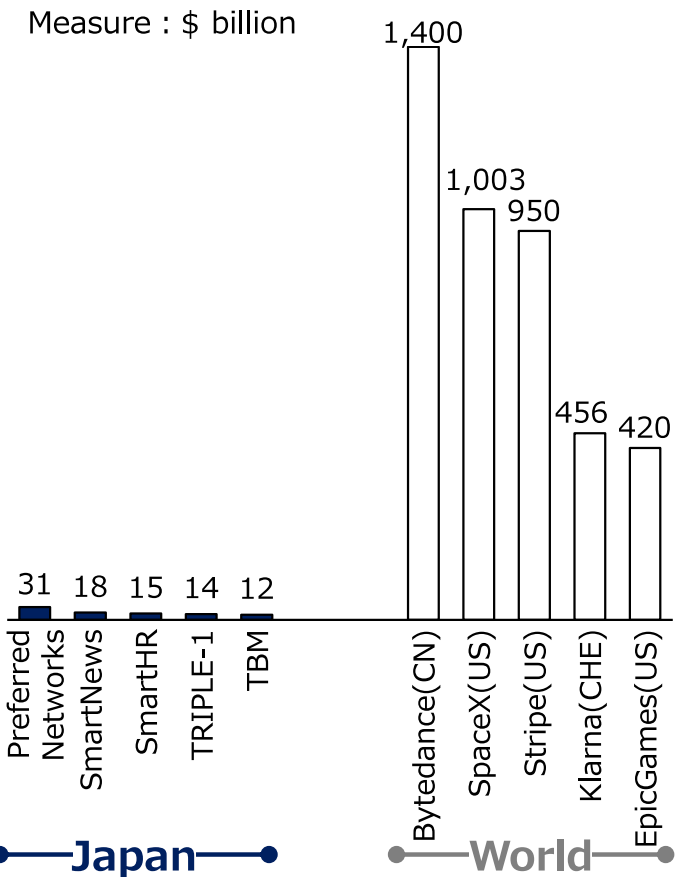
Number of unicorns



Total value of unicorns*2



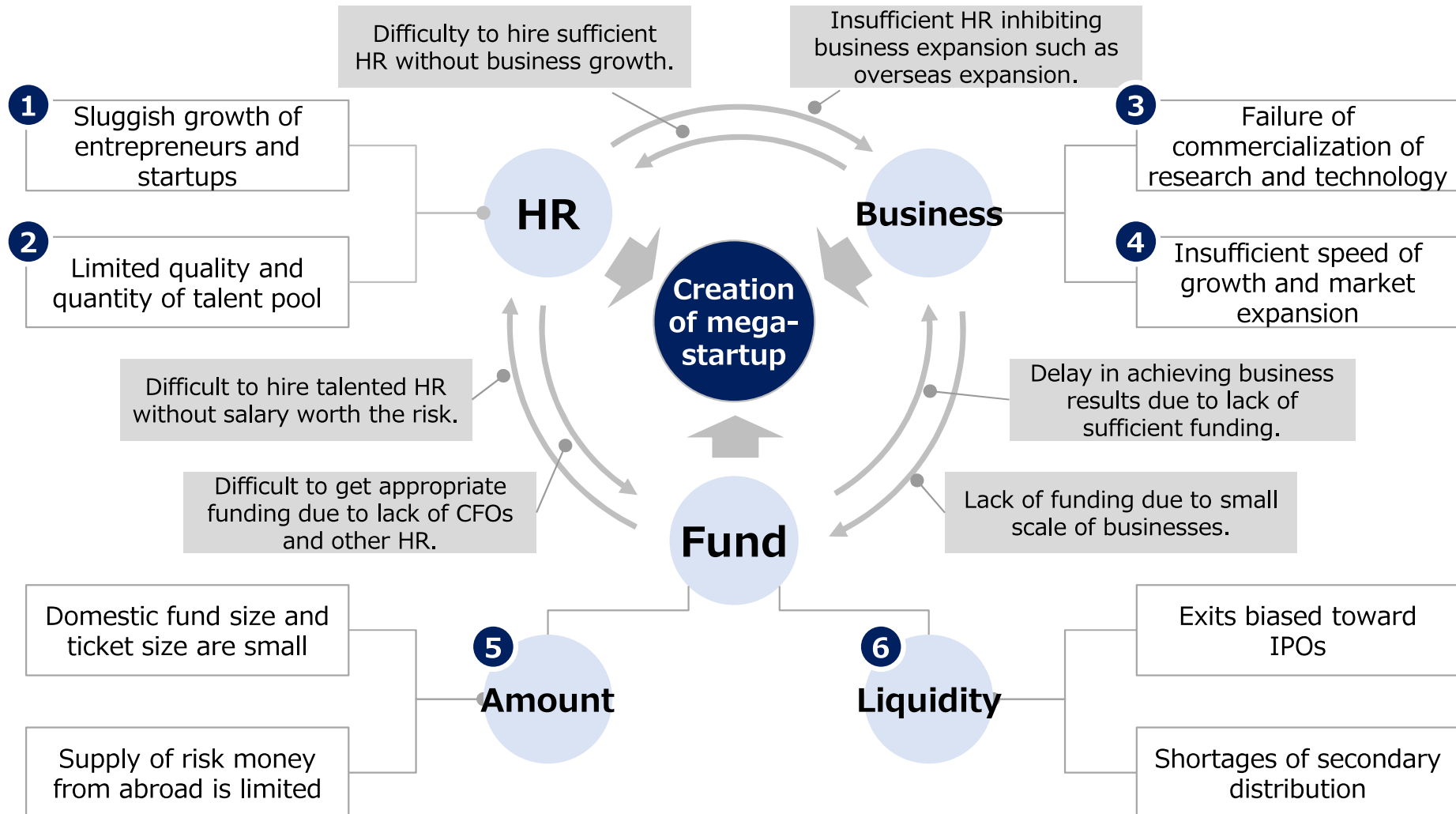
Value of unicorns (Top 5) *2



*1: As of 12/2021 *2: \$1=¥115

Issues Around Startups

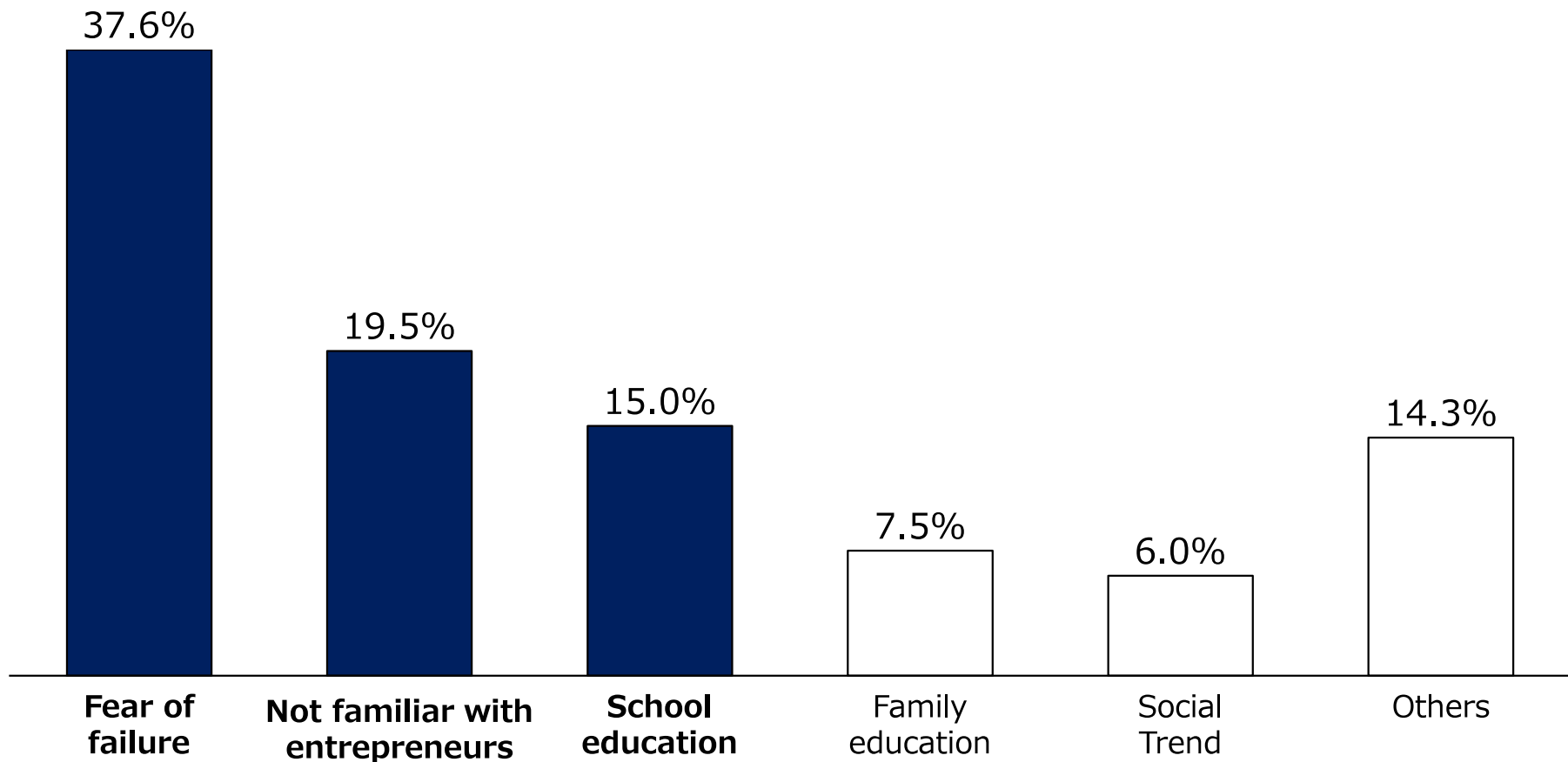
- Startup ecosystem in Japan has issues in each aspect of human resources (HR), businesses, and funds. These issues are intertwined with each other, and a virtuous cycle is not generated.



The Reason Why Japan Has Few Entrepreneurs

- The top 3 reasons why Japan has few entrepreneurs are “fear of failure”, “not being familiar with entrepreneurs”, and “school education”.

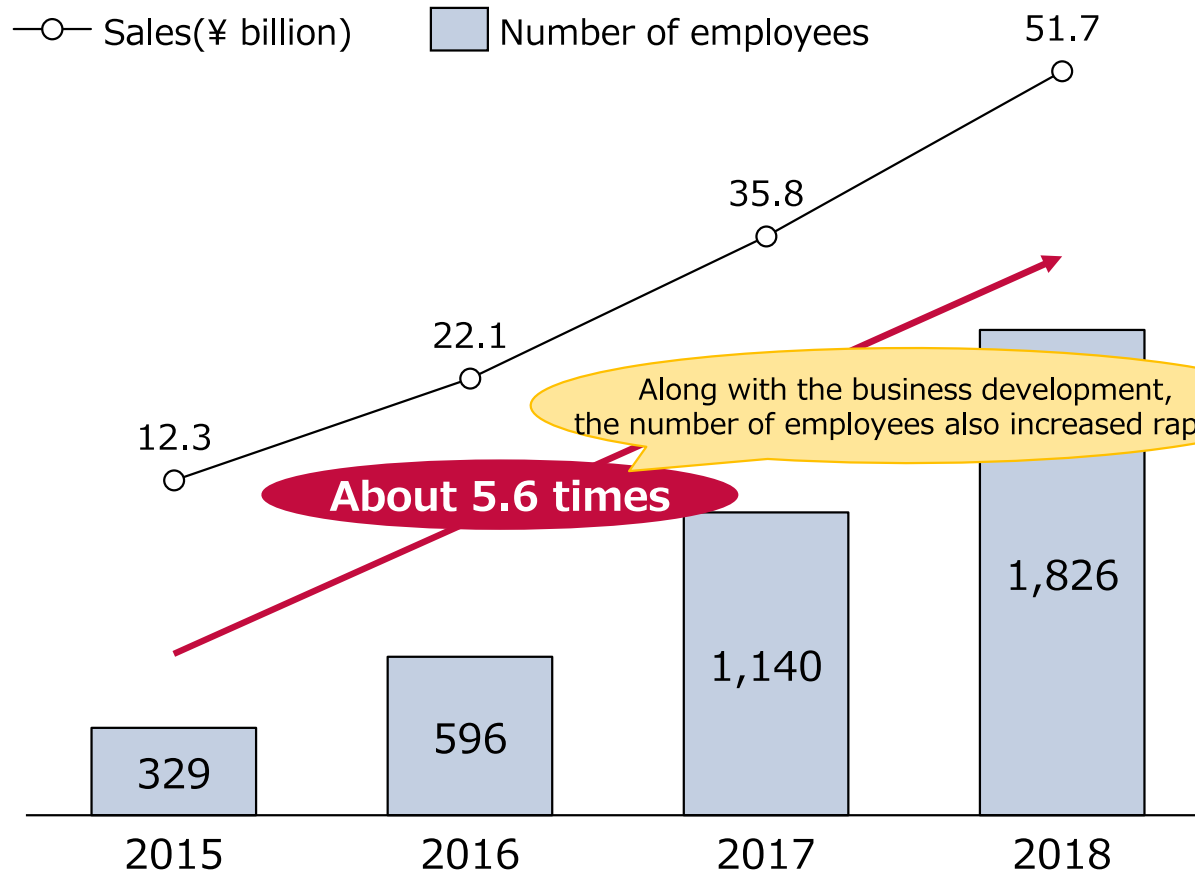
Entrepreneurs' opinions of why Japan has few entrepreneurs



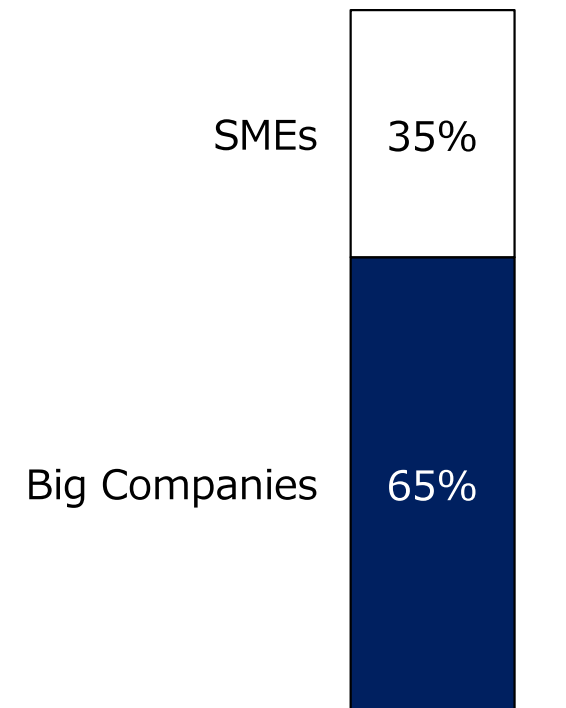
Necessity of Human Resource for Startup Growth

- Sufficient human resources is essential for startup growth.
- In order to supply human resources that support startup growth, it is necessary to create flow of human resources from big companies into startups.

Sales and the number of employees of Mercari



Scheduled place of employment of university students (2021)

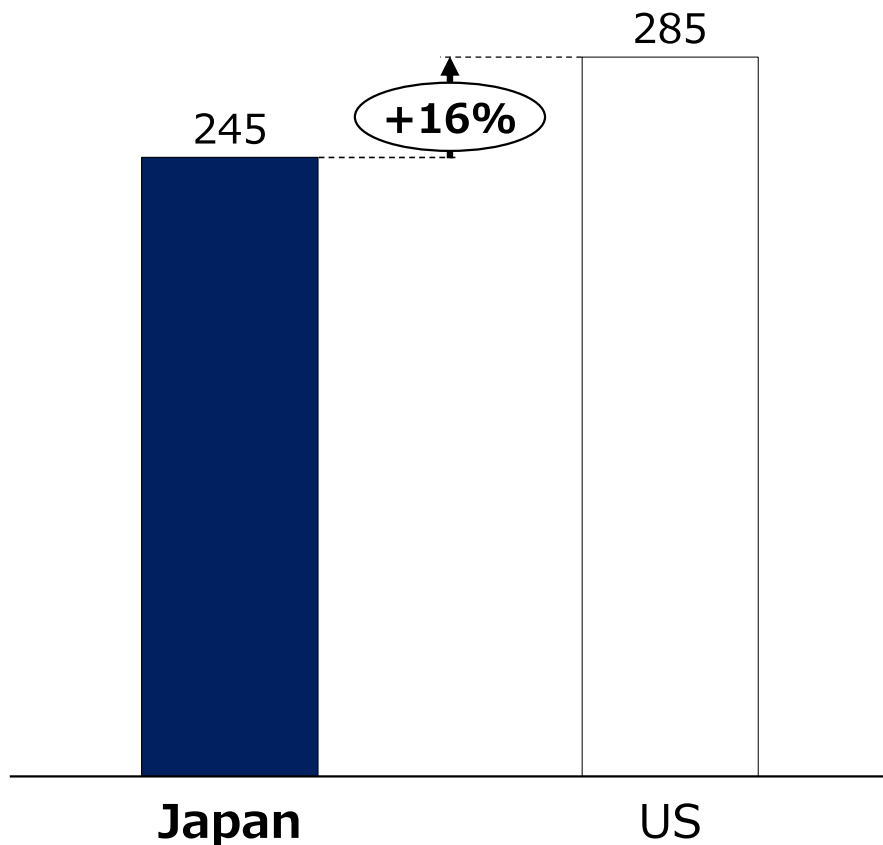


Technology Seeds Don't Connect to Commercialization

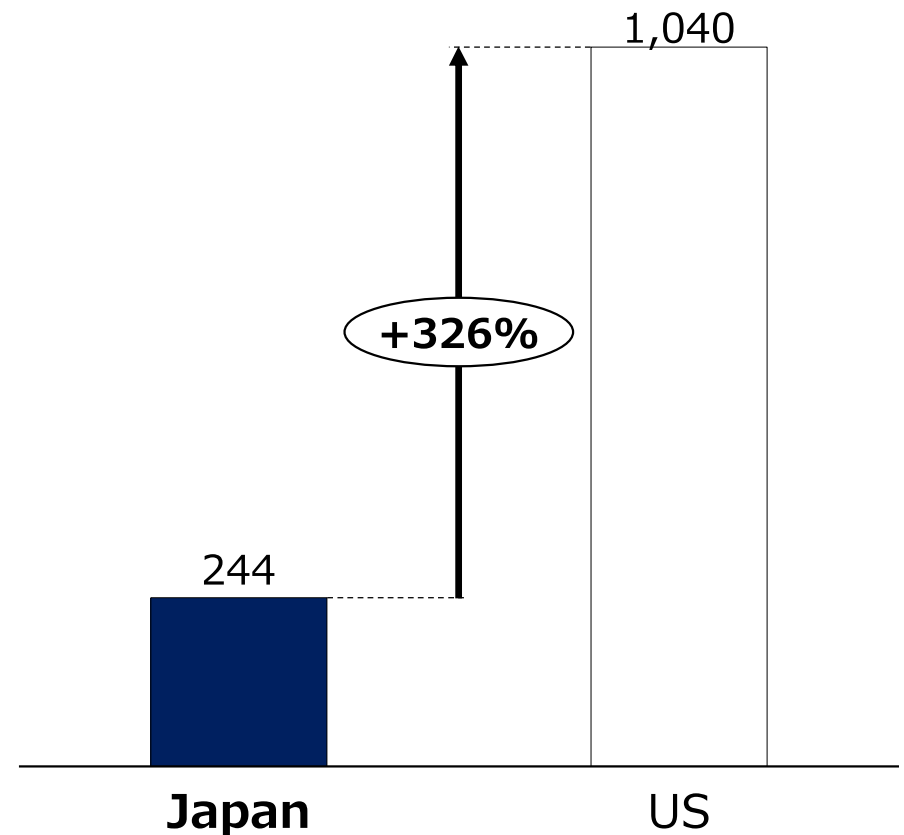
- Compared to the US, the number of startup foundations is smaller in proportion to the number of patent applications.
- Although Japan has technology seeds, they may not be leading to commercialization.

The number of patent application (2019)

Measure : thousand applications



The number of University-launched startups (2019)



Overseas Expansion of Japanese Startups

- According to a survey for companies selected in a startups support program, most startups have intentions to expand overseas, but many startups have not yet realized overseas expansion.

Current situation of overseas expansion of companies selected in Technology-Based Startup Support Program^{*1}

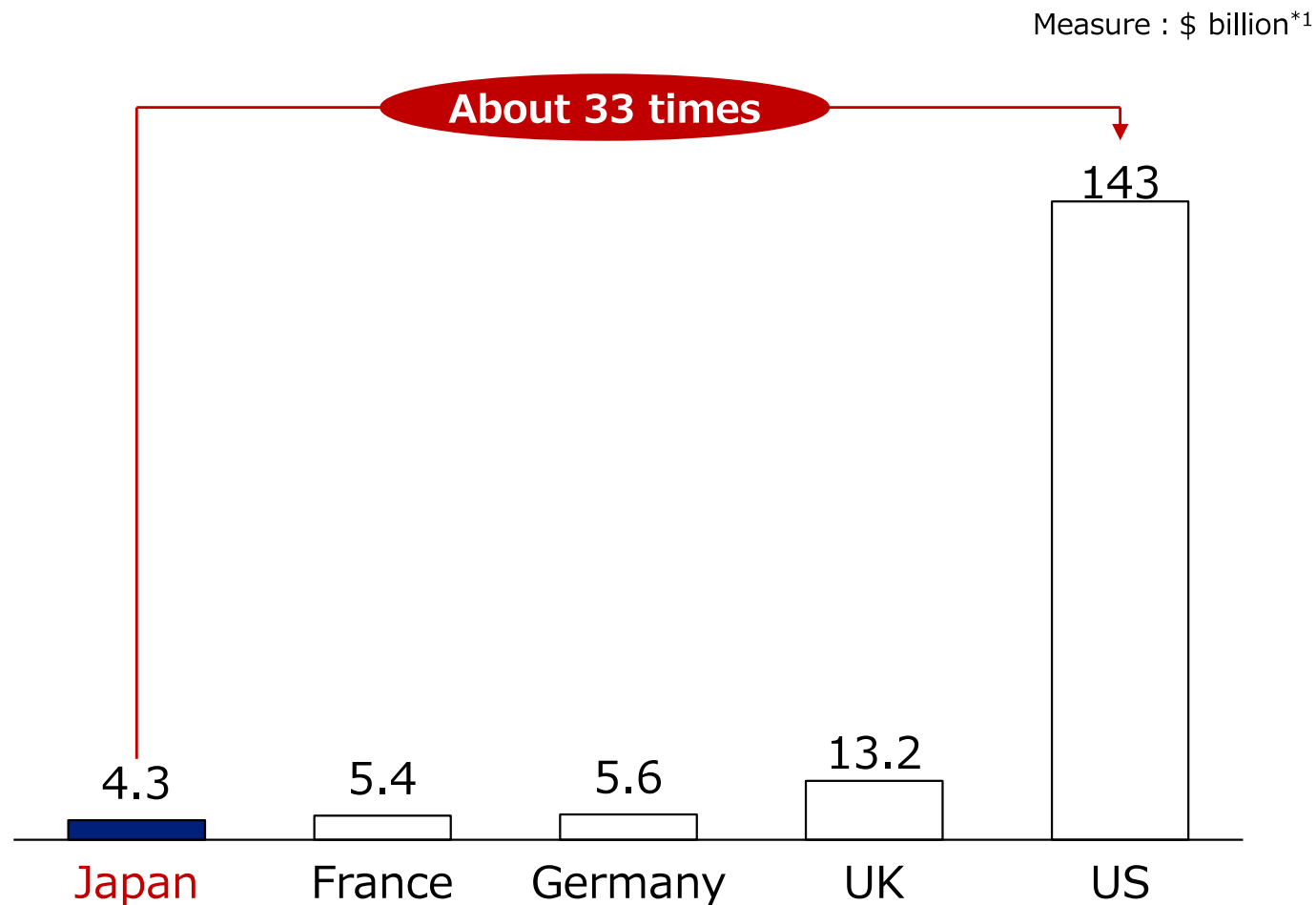
Willing to, but not considering concrete actions	Under consideration	Scheduled	Already
25%	33%	24%	18%

*1:N=63

Current Situation of Startup Investment in Japan

- The amount of startup investment in Japan is much smaller than that in the US.
- To support rapid growth of startups, it is necessary to expand the supply of risk money.

International comparison of startup investment (2020)

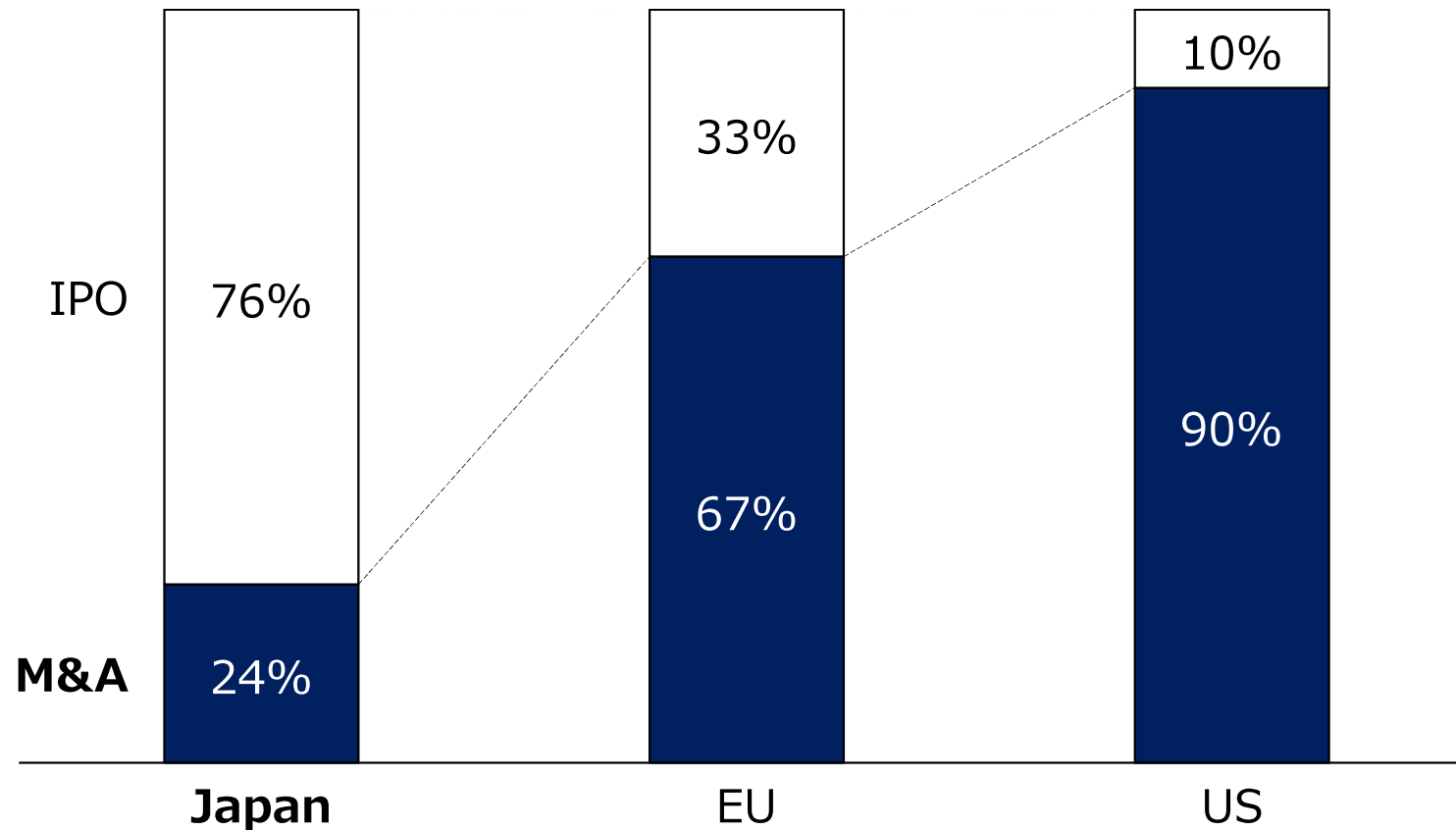


*1:\$1=¥106.8

The Exit of Japanese Startups

- For Japanese startups, IPO accounts for the majority of exits, and exit by M&A is less common.

International comparison of exit of startups *1



*1:As of 2020 (FY in Japan, CY in EU and US)

Summary of Issues and Viewpoint of Consideration

- It is necessary to comprehensively solve the multilayered issues of Japanese startup ecosystem. We shall start by strategically tackling issues which has large policy effects, based on the magnitude of issues and limitation of government reach.

HR	1	Shortage of entrepreneurs	<ul style="list-style-type: none"> Lack of entrepreneurial mind because of fear of failure and lack of familiarity with entrepreneurs Few serial entrepreneurs who aspire to start another business after their success
	2	Shortage of HR that support growth	<ul style="list-style-type: none"> Lack of mobility in the labor market and movement of HR from large firms to startups
Business	3	Failure of commercializing research outcomes	<ul style="list-style-type: none"> Shortage of funding that supports each phase from product development to market introduction Shortages of researchers' intentions to commercialize technology and ideas, and management resources and accelerators that support such intentions
	4	Delay in speed of growth and market expansion	<ul style="list-style-type: none"> Shortages of intentions, knowledge, and understanding of system for global expansion Intentions for business development are domestically oriented Domestic market for innovative products and services is not mature or does not exist
Fund	5	Shortage of absolute amount of fund	<ul style="list-style-type: none"> Small fund size due to delay of funding supplied by institutional investors Limited supply of risk money from abroad
	6	Shortage of liquidity of fund	<ul style="list-style-type: none"> Limited options and opportunities for exit strategy (few M&As, exit biased toward IPO) Small amount of distribution and transaction of unlisted stocks