
Industrial Policy for Fostering Entrepreneurship in Japan

October , 2014

Ministry of Economy, Trade and Industry

Venture Businesses Create Innovation and Jobs

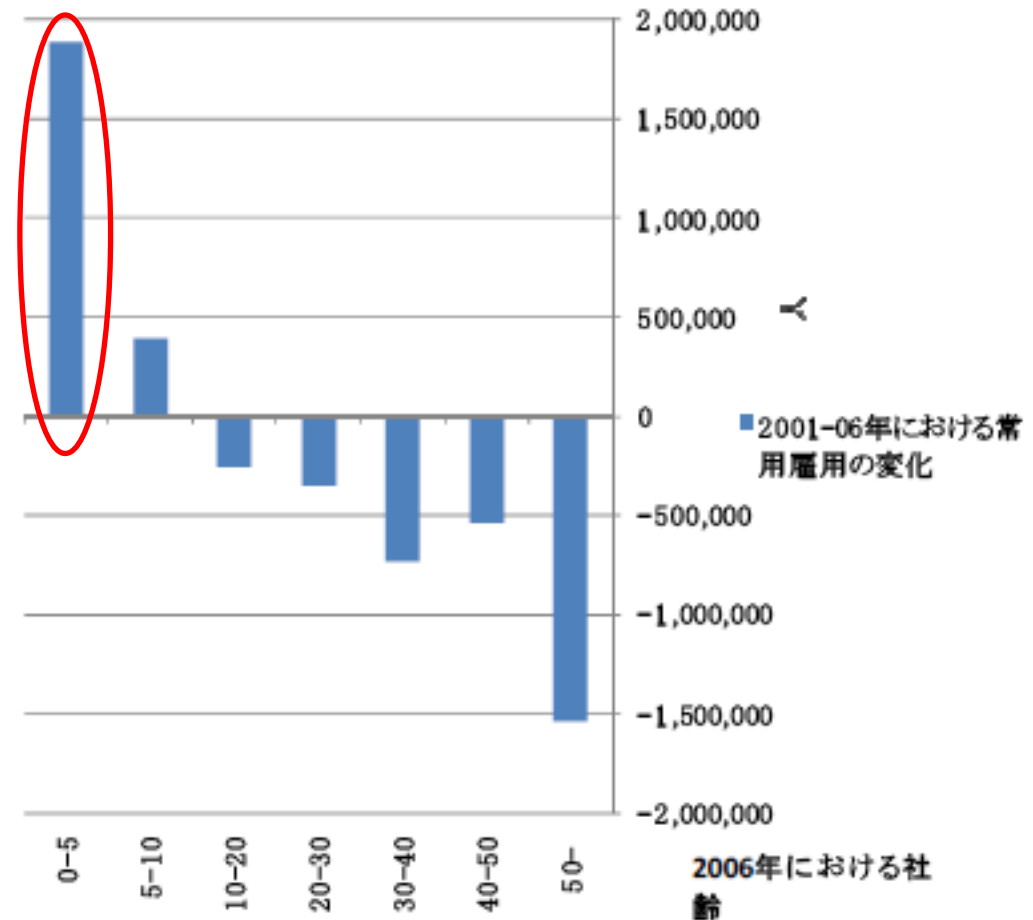
Venture businesses create innovation

PCs, home delivery services,
fast food, search engines,
SNS etc.

50% of innovations stem from
venture business. (Timmons, 1994)

SONY, Honda, Kyosera, Softbank,
Rakuten were all started as venture
businesses.

New companies create jobs.



Venture Businesses: Pioneer of new growth industries

○ **Extension of the national “healthy life expectancy”:**

Health promotion/ disease prevention; lifestyle support services; and pharmaceuticals/medical equipment, etc.

○ **Clean and economical energy supply and consumption:**

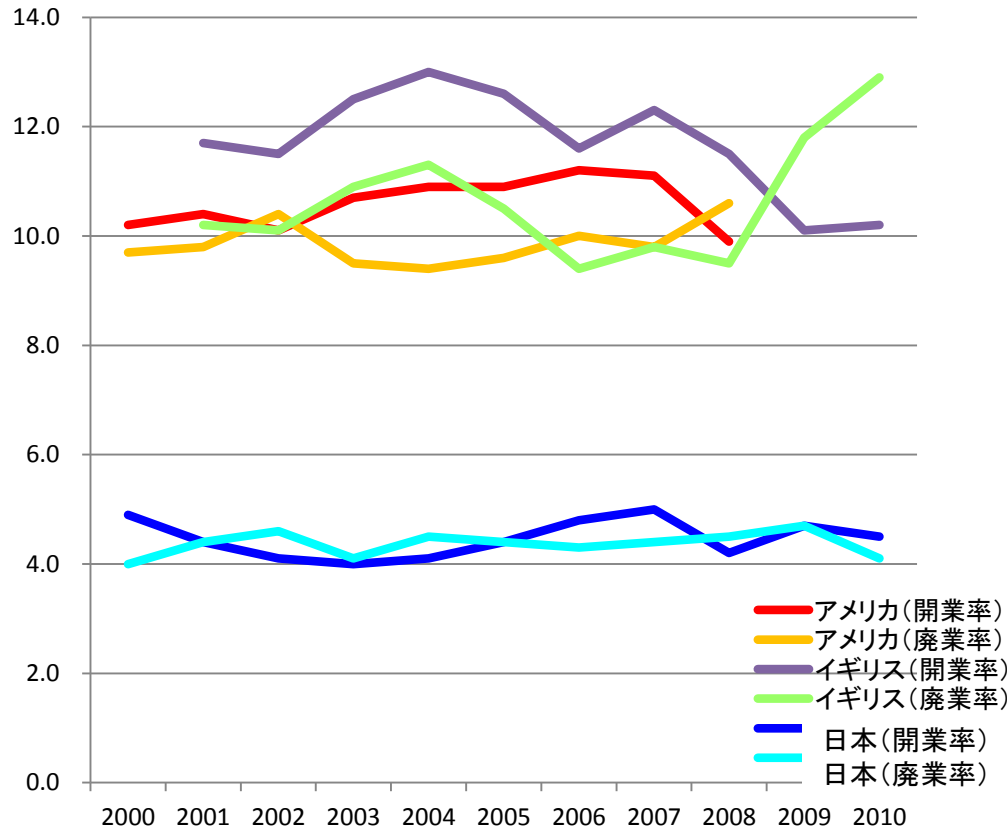
Storage batteries; next generation’s devices/parts/materials; next generation’s vehicles; and fuel cells, etc.

○ **Fusion of IT and conventional industry:**

IT-based manufacturing; and innovation of agriculture, forestry and fishing, etc.

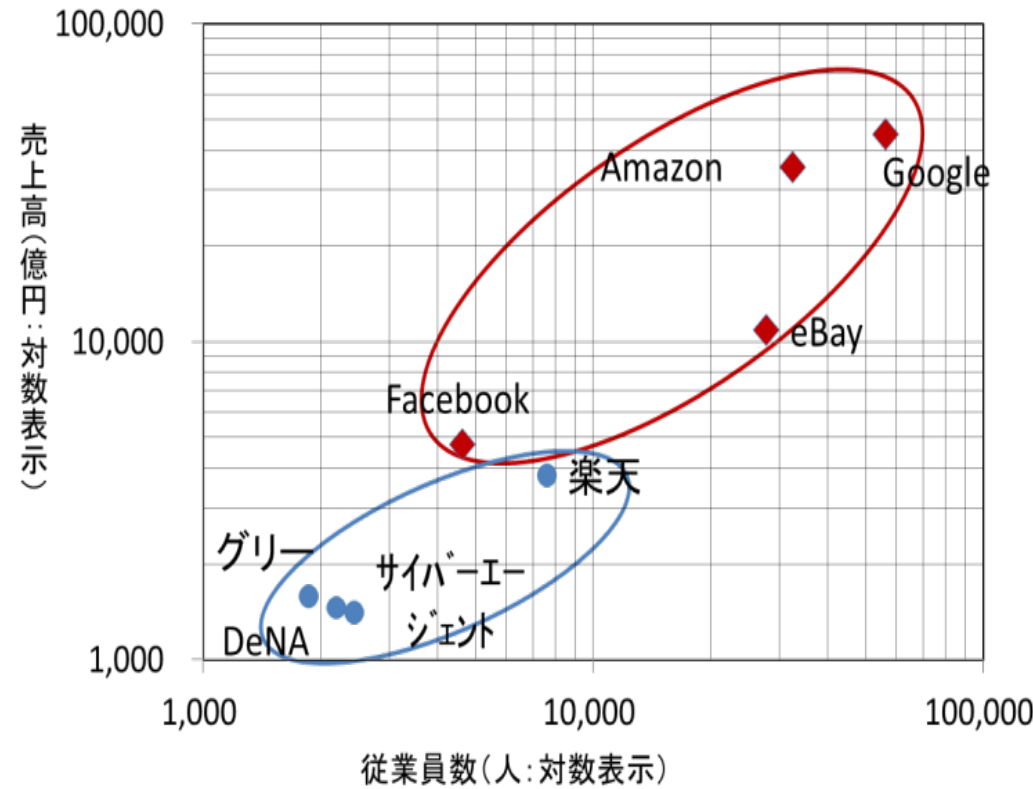
Problems Needed to be Addressed

Low start-up ratio



(出所) 中小企業白書2012年版

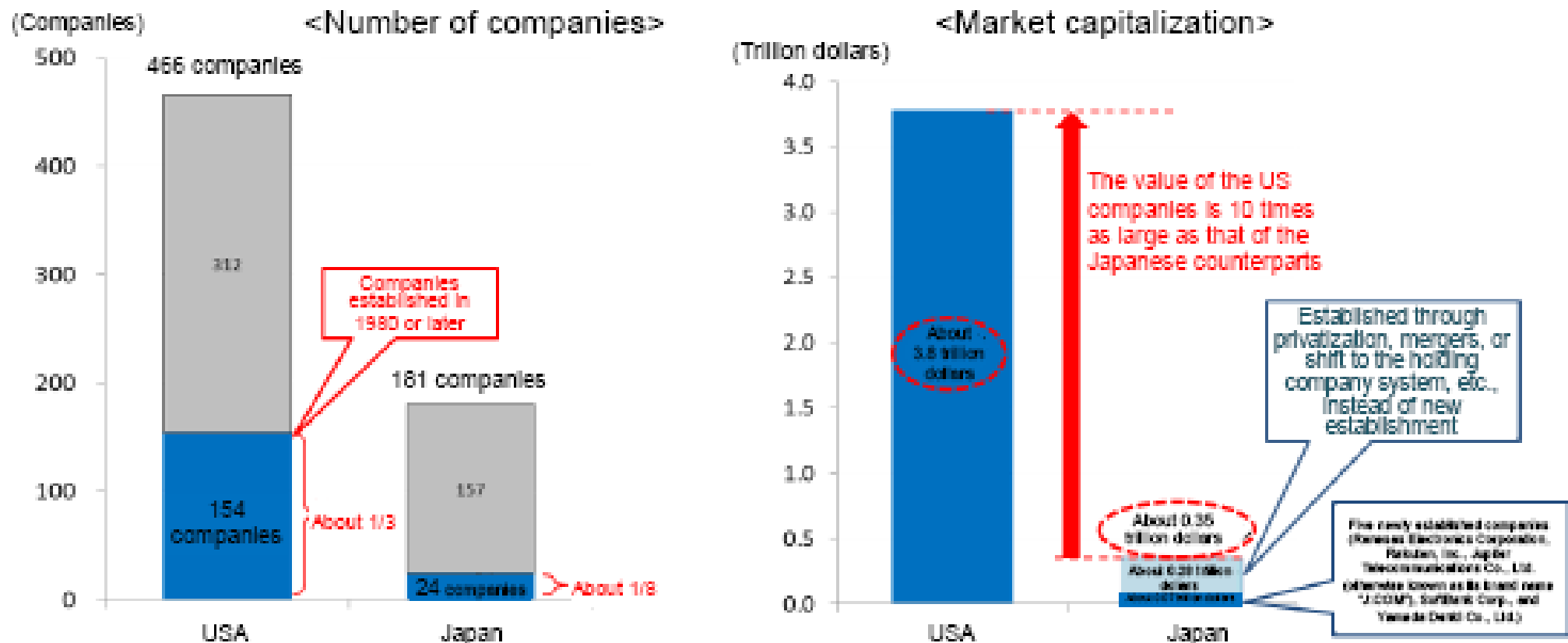
Absence of new “Mega-ventures”



(出所) 直近の入手可能な決算より経済産業省において計算 (US\$1=93.4円)

What is the driving force?

Comparison among companies (excluding financial institutions)
established in 1980 or later out of Forbes Global 2000



Data: Prepared on the basis of the data from Forbes Global 2000, 2013.

Note: From the relevant Forbes 2000 companies (543 companies in USA and 251 companies in Japan), banks, insurance companies and investment service companies, etc. (or according to the Forbes classification, Major Banks, Regional Banks, Diversified Insurance, Life & Health Insurance, Property & Casualty Insurance, Investment Service, Thrifts & Mortgage Finance) have been excluded. The market capitalization figures are based on the Forbes 2013 data (as of May 2013).

105 trillion yen VS 89 trillion yen



Leading venture businesses
founded in 1995 or later

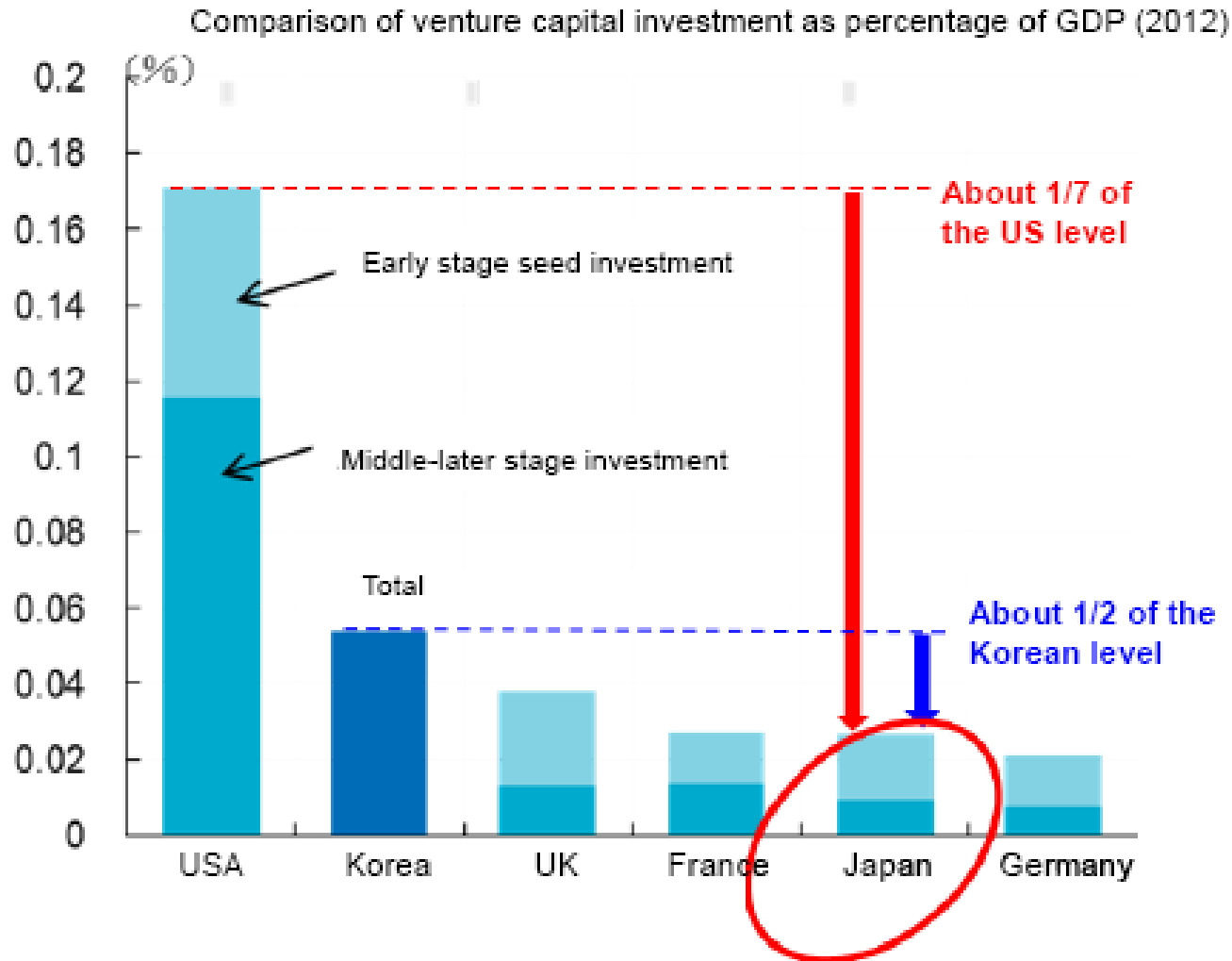


Market value	Company name	Trillion yen
1	Toyota Motor Corporation	21.38
2	SoftBank Corp.	10.57
3	Mitsubishi UFJ Financial Group, Inc.	9.62
4	Sumitomo Mitsui Financial Group Inc.	7.60
5	NTT DOCOMO, INC.	7.59
6	Honda Motor Co., Ltd.	7.50
7	NIPPON TELEGRAPH AND TELEPHONE CORPORATION	6.62
8	Japan Tobacco Inc. (JT)	6.37
9	KDDI CORPORATION	5.65
10	Mizuho Financial Group, Inc.	5.62
	Total	88.6

As of January 17, 2014

Source: Presentation material by Mr. Gen Isayama, Member of the Expert Meeting

Risk money: Venture capital investment



Data: OECD Entrepreneurship at a Glance 2013. The figure for Japan is as of 2011.

Challenges of Japanese Venture Businesses

Few challengers

Little risk money

**Lack of collaboration between large enterprises
and venture businesses**

Few technology development-type venture businesses

Few local-originated venture businesses

Insufficient globalization

Japan Revitalization Strategy (June 14, 2013)

Unleash the power of the private sector

Accelerating structural reform

Improve employment system

Enhance science, technology and innovation

<Target area>

- **Healthy life**
- **Clean and economic energy**
- **Regional Communities**
- **Global outreach**

Japan Revitalization Strategy

Speeding up the restructuring and accelerating venture businesses

<Key performance indicator>

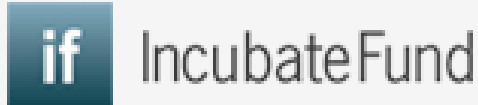
Ensure that the business startup rate exceeds closure rate and raise the current startup rate of 5% to a 10% range on par with the U.S. and the UK

Japan Revitalization Strategy

- **Cultivate support personnel, “Mekiki,” business evaluation experts**
- **Improve Angel Tax Incentive Program**
- **Encourage investment from the private sector**
 - **Establish new tax program to aid private companies’ venture investment**
 - **Actively promote venture investment of Innovation Network Corporation Japan**
- **Diversify funding / encourage crowd funding**

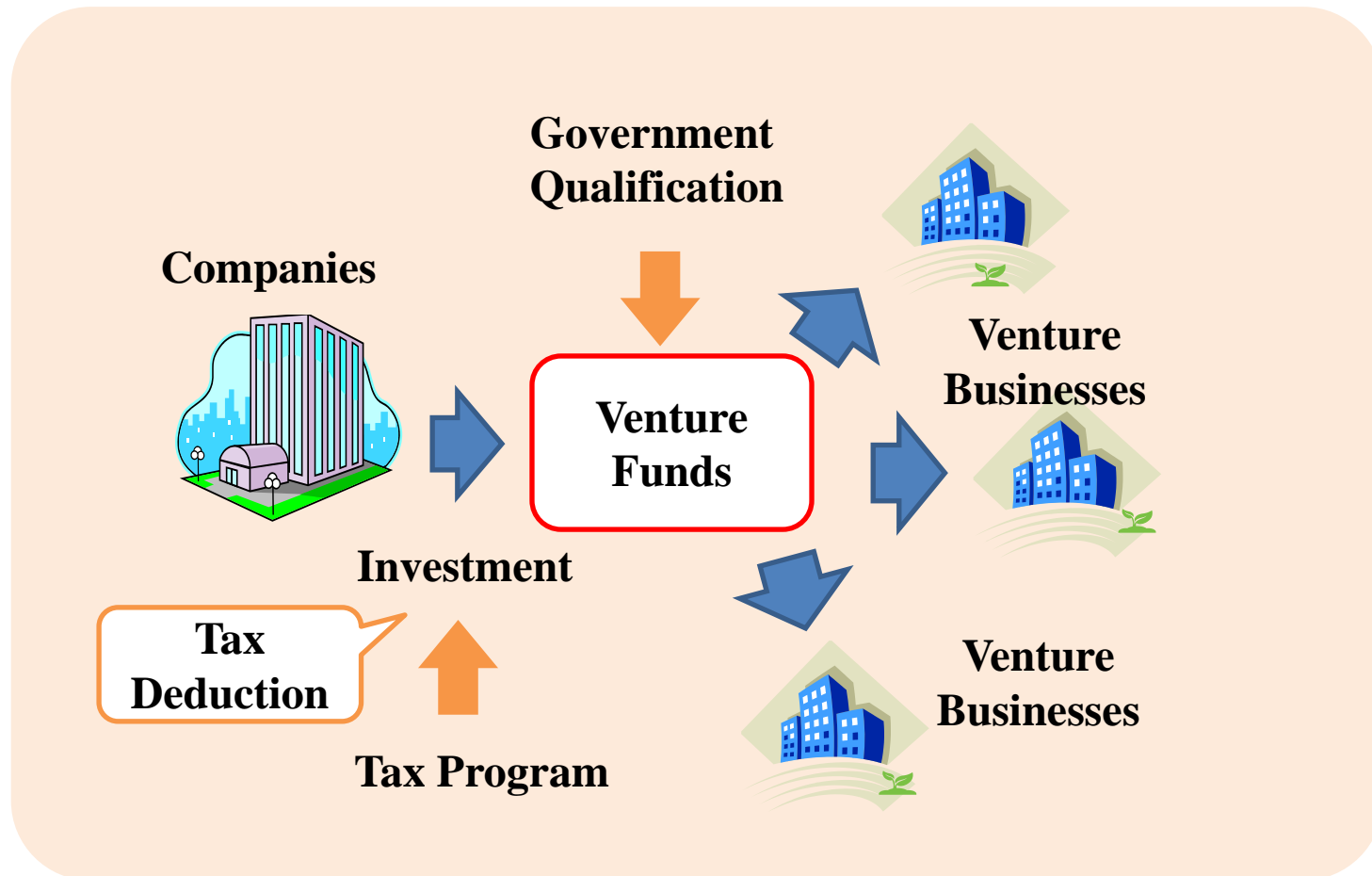
Mekiki Program

To make success stories, and to build up a venture eco system,
Mekiki program for new business creation was established.
Under the top supporter's network, model supports are ongoing.



Tax Program for Private Company's Venture Investment

Under the Industrial Competitive Advantage Law, government qualifies the venture funds that have certain hands-on support abilities for venture businesses. Private companies can get tax deductions by investing in the qualified funds. (80% of venture investment through funds is deductible from taxable income.)



Enhance Venture Investment of INCJ

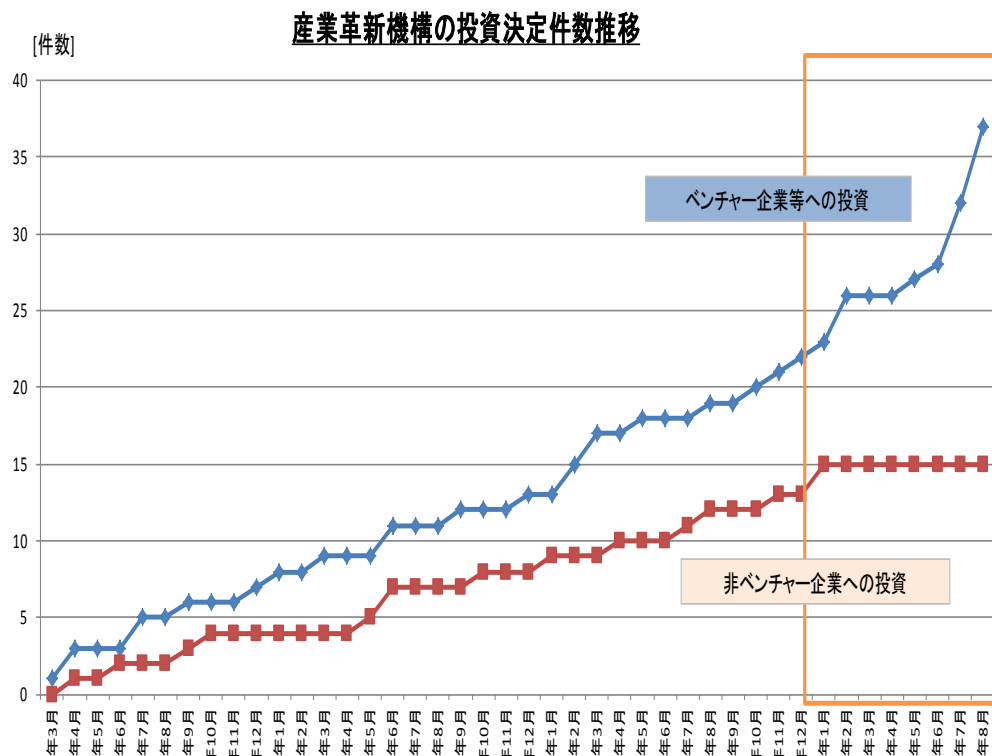


□ Strategic Investment Division for Venture Investment

INCJ established new division to increase venture investment.

□ Early venture program

INCJ accelerates venture investment with quick decision making.



Policy programs for the future: Creating venture ecosystem

System reforms to drive the society forward:

- (1) Creation of the respective venture capital investment by pension funds**
- (2) Bold tax breaks for venture businesses**
- (3) Creation of government's procurement quota from venture businesses**
- (4) Creation of a DARPA-type R&D support scheme, etc.**
- (5) Deregulations by the System of Corporate Field Tests
and the System to Remove the Gray Zone Areas**
- (6) Release of the public sector's resources (such as data)**

Policy programs for the future: Creating venture ecosystem

No human resources, no venture businesses

- (1) Enrichment of entrepreneurial education from primary school**
- (2) Double the participation of universities entrepreneurial education network**
- (3) Decouple the capable human resources to support venture businesses**
- (4) Support for capitalization of the diversity**
- (5) Development of human resources suitable for global venture businesses**
- (6) Encouragement of re-start**

Policy programs for the future: Creating venture ecosystem

Efforts by large enterprises and society

- (1) The 100 Selected Advanced Enterprises
for collaboration with venture businesses**
- (2) Promotion of M&A**
- (3) Enhancement of the governance to promote spin-offs and carve-outs**
- (4) Construction of a new incubation model through
crowd-funding and other measures**

Emerging Venture Businesses in Japan



Est. 1997
Revenue : 443 billion
Employees: 7,600



Est. 2004
Revenue : 158 billion
Employees: 1,800



Est. 1999
Revenue : 145 billion
Employees: 2,100



Est. 1998
Revenue : 141 billion
Employees: 2,500



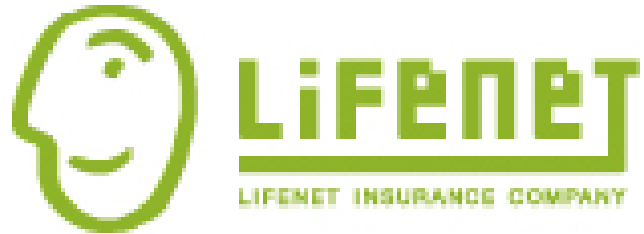
Est. 2005 Venture started by Tokyo University's researchers.
Produces supplements for health care and jet fuel from Euglena. "Euglena can save the earth."



Response.

Est. 2010 "Born global company"
Already top share of "e-Scooter" in Japan.
Penetrating the Asian market by establishing manufacturing facilities in Vietnam and the Philippines.

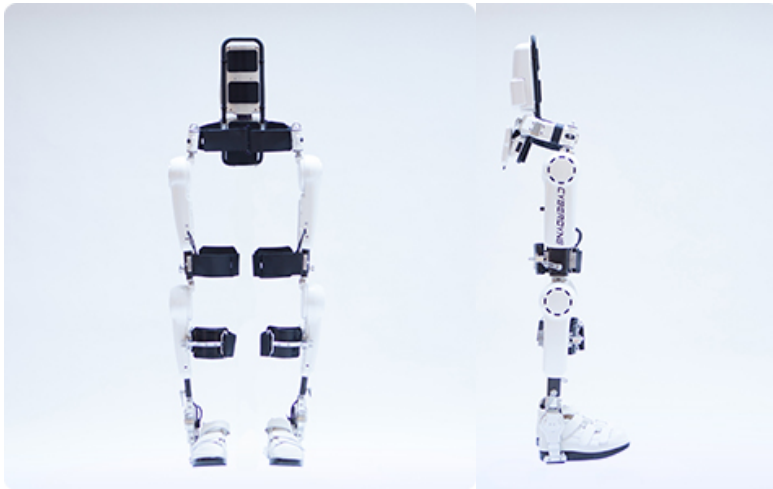
Emerging Venture Businesses in Japan



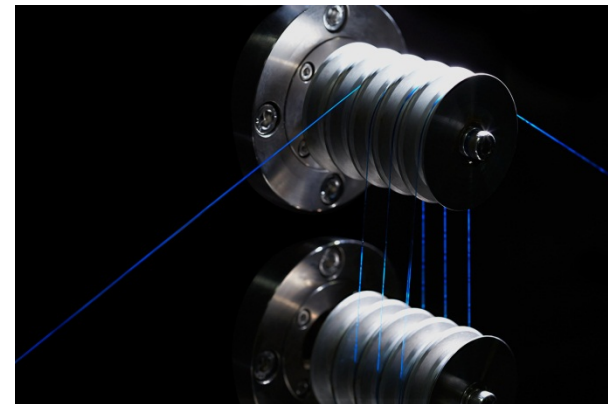
Est. 2008 Offer simple and convenient life insurance over the internet.



Est. 2002 Clinical-stage biotechnology company developing novel therapeutics to treat sight-threatening ophthalmic diseases .



Est. 2004 Create robot-suits for disabled people and elderly.



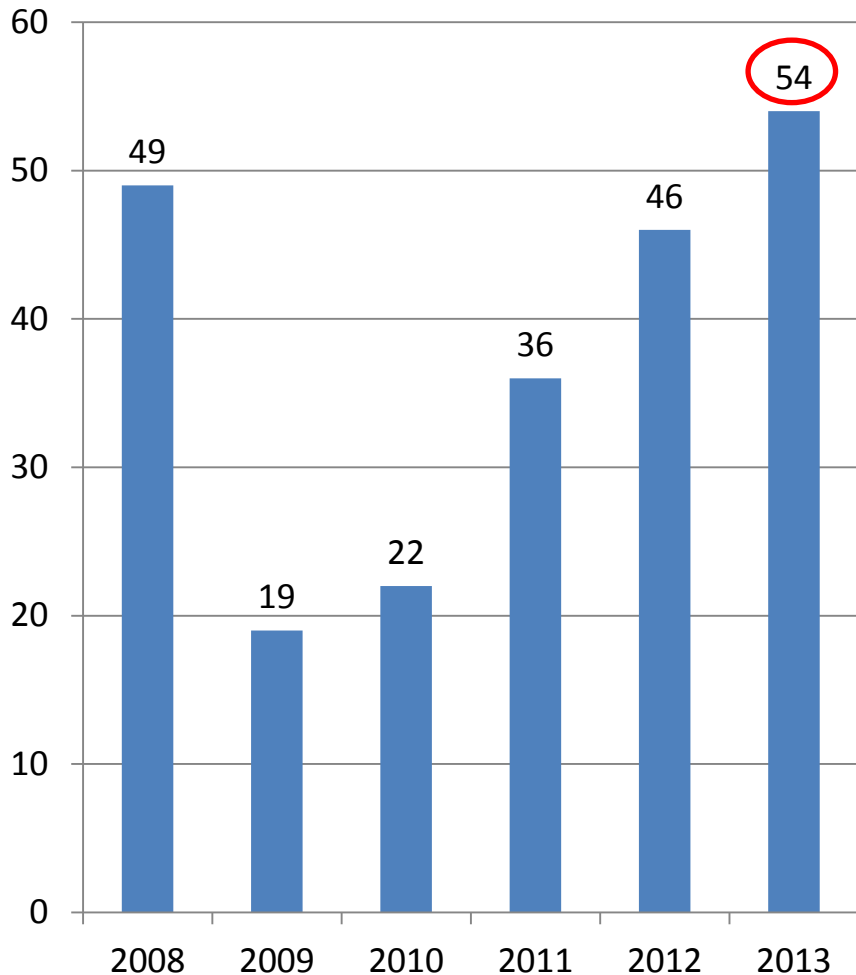
Est. 2007 Create new materials from artificial spider's thread.

Improving IPO Market

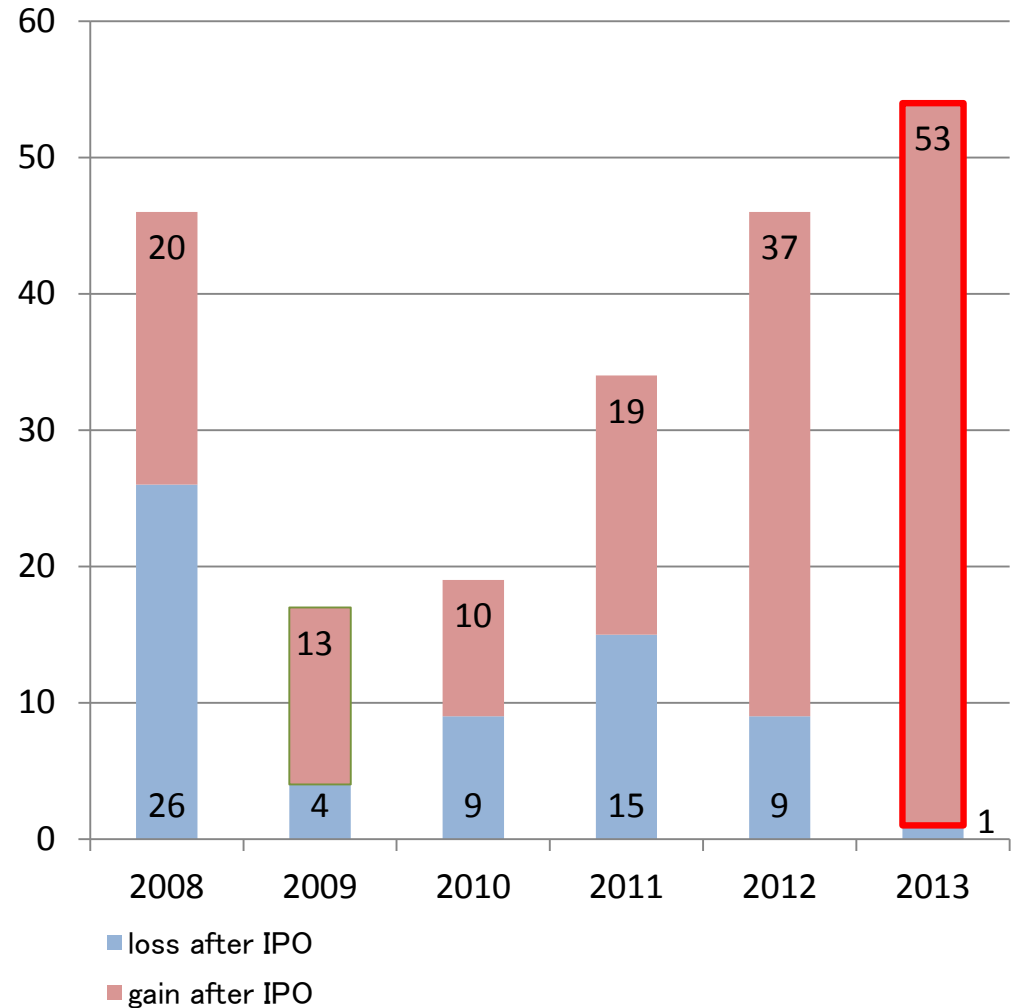
IPO market in Japan is improving.

IPOs are increasing and stock prices are rising after IPOs.

Number of IPOs



Gain or loss after IPO



出所: VEC「2013年度ベンチャービジネスに関する年次報告」

New Movement of Ventures and Entrepreneurs

Fourth venture boom

Many ICT lean start-ups and social ventures have started.

Not many spin-off ventures and technology based ventures have found.

Money to Social impact

Change in the mindset of entrepreneurs after the Livedoor shock, the Lehman shock can be observed. Mission and social impact are important for them.

<Key Points for Success>

○ Technology oriented ventures:

Life innovation, clean-tech, robots, etc.

○ Born global ventures:

Targeting Silicon valley and growing Asian market

○ Big enterprises:

As supporters: Procurement, Collaboration, Investment, M&A

As seeds of ventures: Spin-offs, Curve-outs