

Going Global: Status of Japanese Startups

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Japan Investment Corporation

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Background and Purpose

- Japan's startup ecosystem has made significant progress over the past decade. Some startups have reached unicorn status through successive funding rounds from venture capital firms and other sources. However, there are still only a limited number of cases where these companies have grown into top-tier global players capable of leading the next generation of Japanese startups.
- Looking overseas, many startups have expanded beyond their domestic markets to become global leaders in various fields. While Japan remains one of the world's largest economies, its market growth potential is waning due to a declining and aging population. In this environment, international expansion is increasingly seen as a critical strategic option for Japanese startups seeking substantial growth.
- In this report, we conducted a desktop research and interviews with relevant parties to review the challenges of Japanese startups have faced in overseas markets to date, and to identify insights that may support Japanese startups and their backers as they pursue global expansion in the future.

Topics Covered in this Report

1. Progress of Japanese startups' global expansion

6. Operational issues

2. When to expand

7. Funding from international investors

3. Where to set up

8. Communication & culture building

4. First boots on the ground

9. Ambition

5. M&A as a growth strategy

1. Progress of Japanese startups' global expansion

- 60% of the startups with the highest market capitalizations have already attempted overseas expansion. However, there are still only a few successful cases where their international business has surpassed their domestic operations.
- In the deep tech and manufacturing sectors, Japanese-origin startups aiming for global markets hold a competitive advantage.

2. When to expand

- Many startups choose to expand overseas only after establishing their business in Japan.
- In contrast, many deep tech startups have considered global expansion from an early stage and have succeeded in entering international markets sooner.

3. Where to set up

- Many startups are expanding into the U.S. and Southeast Asia to capture new markets. Those in cutting-edge technology fields are particularly eager to enter the U.S. and Europe, aiming to drive innovation and attract top talent.

4. First boots on the ground

- The expansion of startups into overseas markets is significantly constrained by management resources.
- Different strategies for entering international markets involve varying levels of investment and risk.
- When establishing a physical presence is required, startups have two main options: setting up their own operations or acquiring a local company through M&A.

5. M&A as a growth strategy

- Some companies have accelerated their overseas expansion through M&A. To succeed, they require the right talent and systems for effective post-merger integration (PMI) and risk management.

6. Operational issues

- Key issues include talent recruitment, salary and incentive design, personnel dispatch to local markets, securing work visas, and improving local living conditions.

7. Funding from international investors

- Startups aiming to compete in the global market require significant capital.
- However, Japanese startups raise less than half the amount of funding compared to their U.S. counterparts. This disparity in funding could undermine the international competitiveness of Japanese startups. As a result, startups seeking large-scale funding often place high expectations on overseas investors with greater capital resources. To promote the global expansion of Japanese startups, attracting more investment from international investors is crucial.
- In practice, however, a mismatch exists between the interests of overseas investors and the fundraising preferences of Japanese startups expanding abroad. These gaps often arise around factors such as growth stage, sector focus, valuation expectations, and business plans.

8. Communication & culture- building

- When managing a multinational team, it's crucial to establish a common language to overcome communication barriers.
- It's also important to be mindful of diverse cultures and backgrounds, and to foster open, low-context communication.

9. Ambition

- Entrepreneurs tend to rely on a cozy domestic market. To defy the gravity, they need strong ambition to tackle the international market.
- As major successes emerge and companies become role models, larger-scale challenges are expected to become increasingly common.

List of Surveyed Global Expansion Cases

- Among the top-capitalized Japanese startups, companies pursuing global expansion—such as those listed below—were selected as the research samples.

Sector	Startups	Business Overview
AI・Semiconductor	Sakana AI	Practical application of machine learning and deep learning technologies.
	Preferred Networks	Product development that combines deep learning and hardware technologies.
eCommerce	Mercari	Platform for second-hand goods trading and payment system.
FoodTech	DAIZ	Research, development, manufacturing, and sales of alternative meat.
MedTech	AI Medical Service	An AI diagnostic support system to judge the tumor potential of gastric lesions.
SIer	ABEJA	AI-powered system Integrator.
Space	Astroscale	On-orbit services, including space debris removal and refueling.
	Synspective	Development and operation of small SAR satellites.
	GITAI	Robots capable of performing tasks in space domains.
Automation・Robot	Mujin	Development and sales of industrial intelligent robot controllers and components.
	Caddi	Platform of drawing data for manufactures.
SaaS	Sansan	Cloud based client management platform
	AnyMind Group	Developing a platform to support eCommerce sales, operations, and logistics.
	Andpad	Cloud system for the architecture and construction industry.
	LegalOn Technologies	Legal tech
	Josys	SaaS management platform to simplify IT works
Greentech	Shizen Energy	Renewable energy power generation (solar, wind, and small hydropower).
	Kyoto Fusioneering	Research and development of peripheral equipment for fusion reactors.
	Terawatt Technology	Research and development of next-generation lithium-ion batteries
Materials	Spiber	Development of the structural protein material "Brewed Protein."
	JEPLAN	Recycling business for clothing, PET bottles, and other materials.
	Elephantech	Manufacturing and sales of low-carbon printed circuit boards using metal inkjet printing.
	TBM	Development of environmentally friendly materials.
Fintech	OPN Holdings	One-stop online payment processing service.
	Global Mobility Service	Develop an IoT device to assess driver creditworthiness, enabling drivers to access loans and leases for vehicle procurement.
Healthcare	CureApp	Developing disease treatment software that runs on smartphones.
Mobile Apps	SmartNews	A free news browsing app for portal-based news.
Mobility	WHILL	Next-generation electric wheelchair MaaS (Mobility as a Service) business.
	SkyDrive	Development of flying cars (eVTOL) and logistics drones.
	Tier IV	Research and development of the open-source software for autonomous driving.
	Dynamic Map Platform	High-precision 3D data for various industries, including autonomous driving.

(Note) The top 200 Japanese startups—defined as those founded by Japanese entrepreneurs or headquartered in Japan—were selected based on market valuation. From this list, a shortlist was created featuring representative companies from each industry, focusing on startups with a proven track record of international expansion (e.g., overseas markets, customers, production, or development) and those that have raised funds from foreign investors. Startups that have already exited were also included in the survey.

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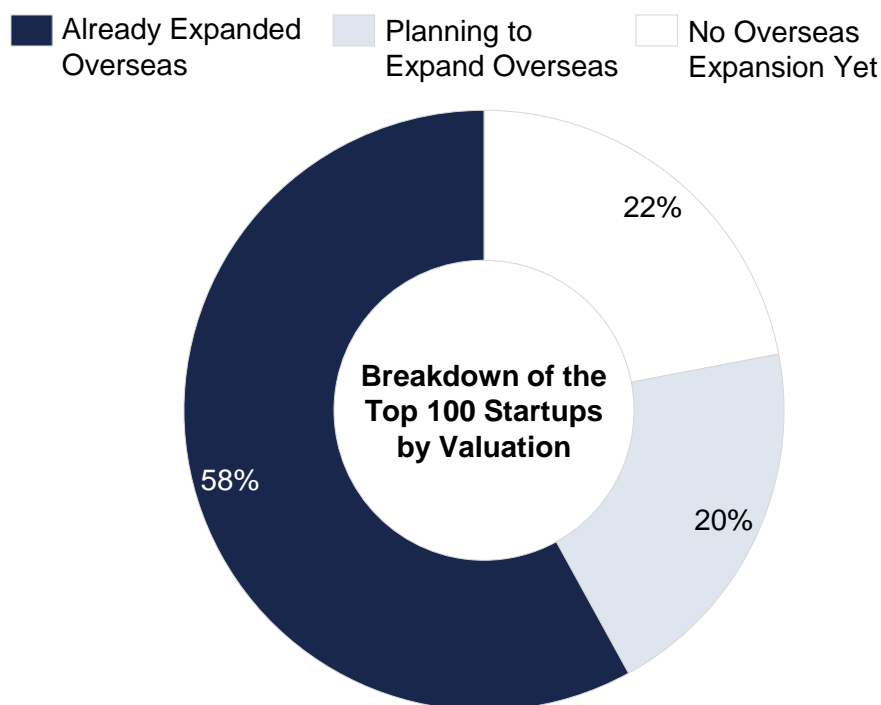
1.

Progress of Japanese startups' global expansion

Overseas Expansion of Japanese Startups

- Out of the top 100 Japanese startups by valuation¹, 58 have already expanded overseas in some form². Also, 20 companies have plans to expand overseas³.
- However, according to interviews, cases where overseas sales exceed domestic sales are still limited. Overall, it is hard to say that overseas business is a major driver of growth for these Japanese startups.

Overseas Expansion Status of the Top 100 Startups by Valuation



Note 1: Valuations are based on the latest funding rounds (as of November 2023).

Note 2: Overseas expansion is defined as the establishment of local subsidiaries, development bases, production facilities, sales offices, or the signing of licensing agreements.

Note 3: Refers to cases where preparations are underway for overseas expansion, such as securing funding (fundraising), setting up overseas business teams (organization), or entering into strategic business partnership agreements (business).

Source: SPEEDA Startup Information Research, Company websites, Article searches

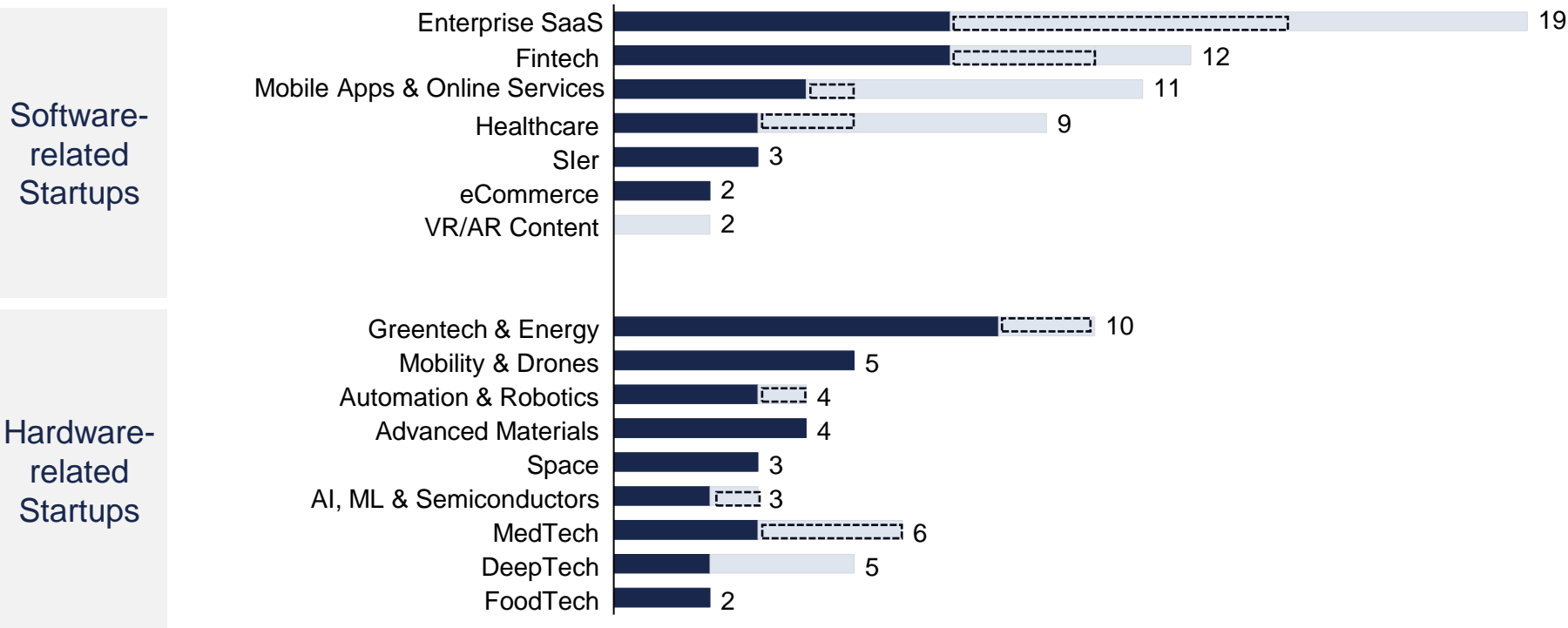
Overseas Expansion Status by Product Type

- Japanese hardware startups appear to be advancing further in overseas expansion compared to their software counterparts.

Overseas Expansion Status of the Top 100 Startups by Valuation (Note)

(# of Companies)

■ Already Expanded Overseas¹ □ Planning to Expand Overseas² ■ No Overseas Expansion Yet



Note 1: Overseas expansion is defined as the establishment of local subsidiaries, development bases, production facilities, sales offices, or the signing of licensing agreements.

Note 2: Refers to cases where preparations are underway for overseas expansion, such as securing funding (fundraising), setting up overseas business teams (organization), or entering into strategic business partnership agreements (business).

Note 3: Market cap is as of November 2023.

Source: SPEEDA Startup Information Research, Company websites

- Hardware startups, particularly those in deep tech and manufacturing, possess a competitive advantage.

Sectors Where Japanese Startups Have a Global Competitive Edge

Companies with cutting-edge technology at their core are generally better positioned to overcome language and cultural barriers.

While the specifics vary by business model, overseas expansion often presents challenges such as cultural differences, local business practices, and regulatory or standards-related hurdles. Compared to software-based startups, those in hardware (deep tech) and life sciences typically build their businesses on core technologies, which can make it relatively easier for them to overcome these obstacles.

Although competition is fierce, the standard approach is to first succeed in the most advanced market and then expand to other countries. For example, in fields such as robotics/manufacturing, games/manga/anime, and biotech/healthcare, the Japanese market is at the forefront.

If the domestic market in Japan is sufficiently advanced, it often functions as an effective launchpad for global growth.

- Japan has a wealth of specialized talent.
- Products can be refined domestically by meeting the high standards of Japan's global enterprises.
- Implementing the solution at the headquarters of a Japanese enterprise can pave the way for adoption at its overseas branches.

Sample Cases (Technology × Japanese Market)

Kyoto Fusioneering

- In Japan, not only nuclear fusion but also the broader field of nuclear science has accumulated extensive academic assets over the years, which can be utilized.
- Japan has historically placed strong emphasis on nuclear engineering and is home to many of the world's leading nuclear scientists, including Nobel Prize winner Dr. Hideki Yukawa.

Mujin

- Japan holds the top global market share in industrial robots and is home to many leading robot manufacturers. Collaborating with Japanese manufacturers from the outset makes it easier to build a strong track record.
- Many robotics specialists, particularly those from Professor Inaba's lab at the University of Tokyo, are actively contributing to the field.

Sakana AI

- Japan's copyright laws are relatively lenient toward generative AI compared to other countries, with fewer restrictions on the generation of images, videos, and manga content.
- The relatively low salary levels of IT talent in Japan are one contributing factor. In some cases, salaries are about half of those in China or the United States.

AI Medical Service

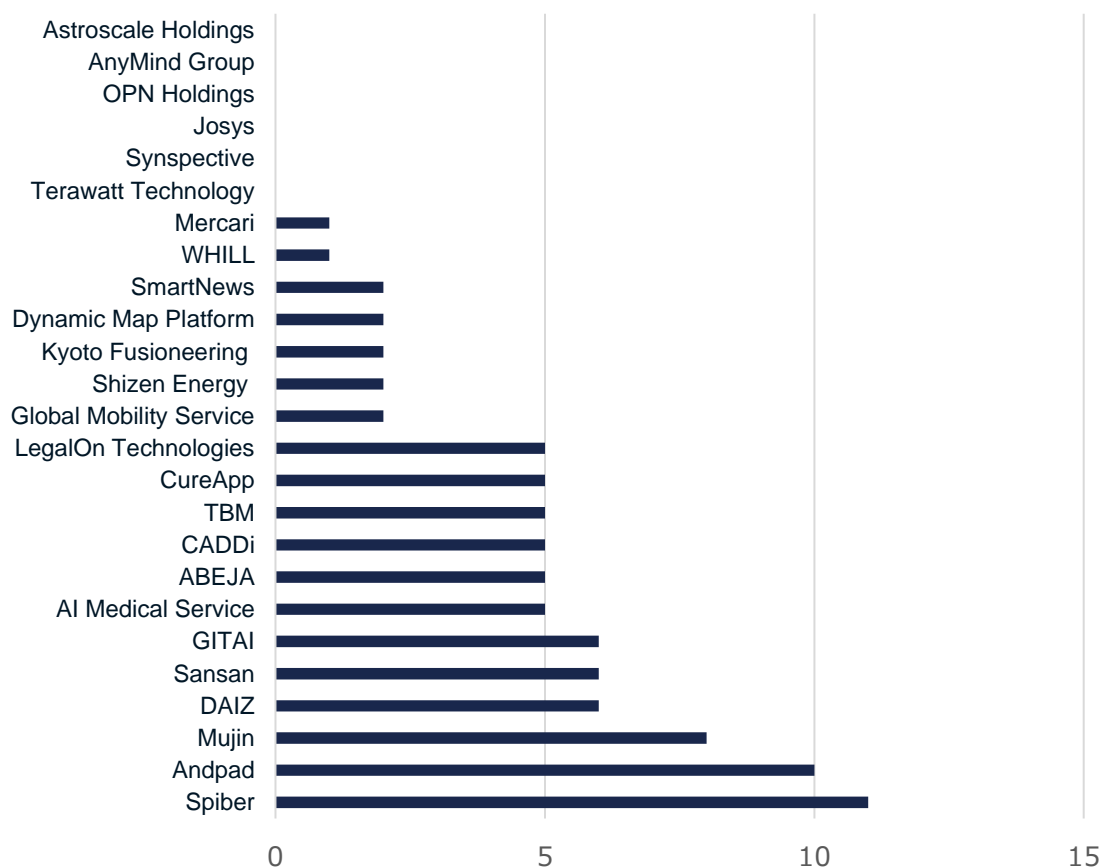
- The research team of the company accounts for more than half of all global citations in the field of AI-assisted endoscopy.
- Japanese manufacturers hold the largest share of the global endoscopy market.
- The AI, trained on gastric lesion images provided by over 100 medical institutions, assists in detection and particularly excels at identifying early-stage gastric cancer due to its extensive training on such cases.

2. When to expand

Timing of Establishing Overseas Offices

- While most startups tend to expand internationally only after operating domestically for a period, many deep tech startups aim for global markets from the outset and often achieve early entry into international arenas.
- Some Japanese entrepreneurs take a “Global from Day One” approach, launching their businesses with immediate international ambitions.

Timing of Overseas Expansion for Surveyed Startups (Years Since Founding)



Source: SPEEDA Startup Information Research, company websites

Patterns of Overseas Expansion Timing

Global from Day 1

- Company A | Established its Singapore office before launching in Japan.
- Company B | Founded in Singapore.
- Company C | Established in Thailand and launched its services there.
- Company D | Founded with the vision of providing services not only in Japan but across all regions of the world as a global service.

Early Focus on Global Expansion

- Company E | Attracted by the size of the U.S. market and its potential demand, the company decided to enter the U.S. early in its founding stage. From the product development phase, it has been developing with a focus on sales and mass production in the U.S.
- Company F | Expanding the business globally had always been part of the plan. Based on the belief that a truly global company cannot be built without succeeding in the US, the founder deliberately chose, pitched for, and executed projects in the US after entering the workforce.

Expanded overseas after growing the domestic business in Japan

- Company G | Started its business in Japan and later expanded to the United States and Southeast Asia.

- It is premature to consider overseas expansion unless the necessary framework is in place. First, thorough market research must be conducted.

Elements	Key Points	Comments from Startup/VC Stakeholders
Customer Analysis	<ul style="list-style-type: none"> • Understanding customer segmentation by size, industry, and region is essential. • It is also crucial to develop a deep understanding of the specific features and services customers seek. In deep tech fields, products developed in areas where Japan has a competitive edge often become global standards. 	<ul style="list-style-type: none"> • Our potential markets include regions with relevant research institutions and areas where related startups are concentrated. — Kyoto Fusioneering
Value Chain Analysis	<ul style="list-style-type: none"> • In the deep tech field, there are areas where domestic manufacturing is less competitive. Therefore, it is important to consider manufacturing overseas from the early stages of the business and delivering directly to local markets. 	<ul style="list-style-type: none"> • Kyoto Fusioneering is adopting a distinctive strategy: providing services to related startups and turning potential competitors into customers— reminiscent of “pickaxes and shovels” model in the gold rush era. This approach capitalizes on Japan’s research strengths and extensive corporate networks. — Kyoto Fusioneering
Competitor Analysis	<ul style="list-style-type: none"> • Identify key players in the market and analyze their funding levels and market penetration. • Assess market position by referencing the funding amounts of benchmark players in similar fields. 	<ul style="list-style-type: none"> • Competing successfully in local markets requires investment on par with leading domestic players • International expansion typically requires funding of several billion yen or more. — Investor
Compliance with Regulations	<ul style="list-style-type: none"> • In the IT sector, regulations on personal data and cross-border data transfer are critical. • In life sciences, regulatory approvals and compliance with FDA regulations are essential. • In manufacturing, regulatory affairs and quality assurance play a central role. 	<ul style="list-style-type: none"> • Regulations should be reviewed before market entry, and local legal counsel should be appointed in each country. An internal legal team should also be established to keep the corporate headquarters informed with the latest legal developments. — IT Startup

3. Where to set up

Purpose & Destinations of Startup Overseas Expansion 株式会社産業革新投資機構

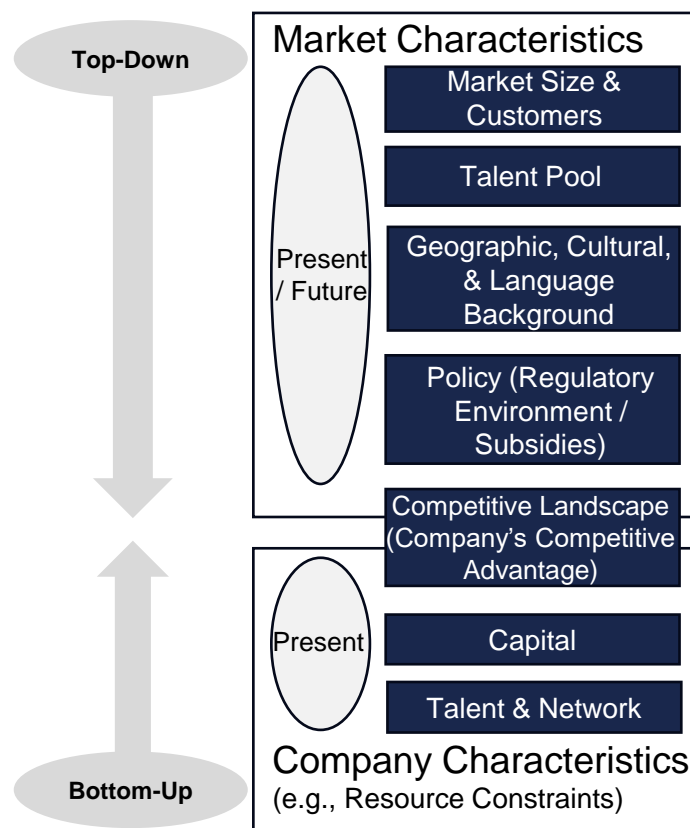
- Many startups expand into the U.S. and Southeast Asia to tap into new markets.
- Startups in advanced technology sectors are particularly motivated to enter the U.S. and European markets, aiming to drive innovation and attract top-tier talent.

Purpose		United States	Europe	China	Southeast Asia & India
Business Growth (Sales)	• Overseas markets often offer greater scale or higher growth potential than Japan	<ul style="list-style-type: none"> • Josys • GITAI • SmartNews • CADDi • WHILL 5 other companies 	<ul style="list-style-type: none"> • WHILL • Mujin • Spiber • DAIZ 他 1 社 	<ul style="list-style-type: none"> • Mujin • WHILL 	<ul style="list-style-type: none"> • Josys • AnyMind • OPN • GMS 2 other companies
	(Regulations)	<ul style="list-style-type: none"> • 1 company 	<ul style="list-style-type: none"> • Astroscale 		<ul style="list-style-type: none"> • Shizen Energy • OPN 1 other company
	• As Japanese corporate partners expand globally, startups tend to follow, accelerating their own international expansion.				<ul style="list-style-type: none"> • Sansan • CADDi
Technology & Talent Acquisition	• Developing advanced technology requires access to skilled talent, a supportive ecosystem, and strong business partners (such as CleanTech, space, and medical devices)	<ul style="list-style-type: none"> • Astroscale • GITAI • Kyoto Fusioneering 4 other companies 	<ul style="list-style-type: none"> • Astroscale • Kyoto Fusioneering 3 other companies 		<ul style="list-style-type: none"> • Astroscale 2 other companies
	• The appeal of low-cost development centers (programmers and engineers).			<ul style="list-style-type: none"> • SmartNews • Mujin 	<ul style="list-style-type: none"> • Josys • Sansan
	• Utilization of local materials and local production sites.			<ul style="list-style-type: none"> • WHILL 	<ul style="list-style-type: none"> • CADDi • TBM • Spiber

Source: Company websites, article searches

- Decisions regarding overseas expansion and target destinations are influenced by both market dynamics and company-specific factors.
- Startups aspiring to global leadership typically target the largest markets or regions with mature innovation ecosystems. However, succeeding in these highly competitive environments is a significant challenge.

Key Factors in Determining Overseas Locations (Top-Down / Bottom-Up)



- Countries with large market sizes — the U.S. stands out as the dominant market, especially in the IT sector.
- The presence of a specialized talent pool can also influence expansion decisions.
- Geographic proximity and time zone differences significantly impact the ease of collaboration. In certain sectors, such as vertical SaaS (e.g., Fintech), business practices are highly localized, whereas other industries are less constrained by local norms.
- In deep tech fields (e.g., space, energy, batteries), these factors are particularly critical.
- They are also tied to national security and supply chains.
- The level of market competition and the company's positioning within it are key considerations.
- Entry barriers must also be evaluated in relation to the company's unique strengths and capabilities.
- Decisions made within financial capital constraints.
- Networks of founders, executives, investors, and customers.

4. First boots on the ground

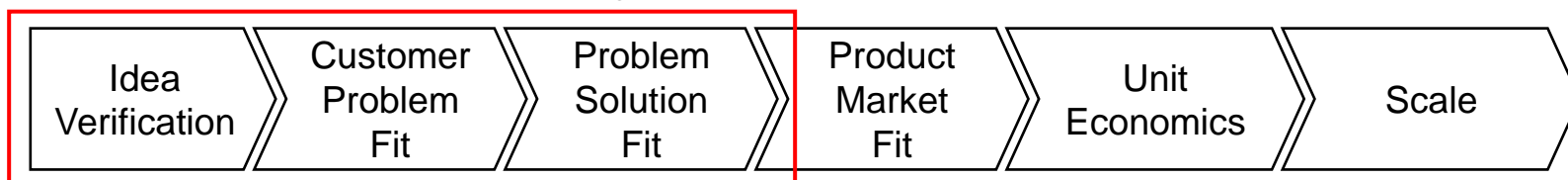
Approaches to Global Expansion

- A key characteristic of startup global expansion is the significant limitation on management resources that can be allocated to it. As a result, success often hinges on how and when these limited resources are deployed.

	Management Resources (Capital & Human Resources)	Decision-Making Speed	Market Entry Strategy	Brand Awareness	Risk Tolerance
Startup	Capital and human resources are limited in general. It is necessary to allocate resources strategically and avoid dispersing capital.	Due to the small size of the organization, quick decision-making and swift action are possible. However, there is a risk of hasty execution.	Flexible, low-risk strategies such as partnerships with local partners and the use of digital channels.	Due to low brand awareness, building trust locally requires time and effort.	Tends to take risks proactively in pursuit of high growth.
Traditional Enterprises	Possesses abundant capital and resources.	Organizational hierarchies are generally complex, resulting in slower decision-making processes.	Many strategies require significant investment, such as setting up subsidiaries or acquiring local companies.	Established brand strength makes it easier to gain trust even in new markets.	Emphasis on risk management to protect existing businesses.

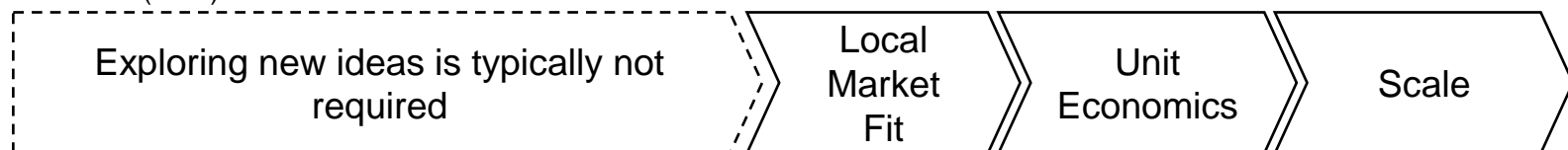
[Startups: Commercialization Process]

- Many startups aiming for exponential growth seek to introduce new ideas and technologies in areas where no established services exist.
- When expanding overseas before achieving product-market fit (PMF) in their home market (as shown in the red box below), they must also develop products and services tailored to the target country.



[Traditional Enterprises: Commercialization Process]

- In many cases, the overseas business of traditional enterprises begins by localizing a product or service that has already achieved product-market fit (PMF) in the domestic market.



Allocation of Management Resources

- For startups, the allocation of limited management resources represents a key strategic choice. This decision is generally guided by two factors: (1) the strategic importance of the overseas market and (2) the degree to which a local presence is necessary. Based on these considerations, companies decide whether to position the management team and critical functions domestically or internationally.

Reference: Patterns of Resource Deployment by European IT startups expanding into the U.S.

	Maintain Home Country as Core			Shift Core to the U.S.
	Home-Centered Model (Anchor)	Remote Control from Home Country (Telescope)	Dual Focus on Home and U.S. (Pendulum)	U.S.-Relocation Model (Compass/Transplant)
Overview	Primarily domestic business	Primarily U.S.-focused business	Focus on both domestic and U.S. businesses	Primarily U.S.-focused business.
Importance of the U.S. Market (% of TAM represented by the U.S.)	15~30%	30~100 %	30~50%	>50%
Importance of U.S. Presence (Ratio of personnel based in the U.S.)	Low	Slightly Low	Medium to High	High
Management Team Location	Appoint a local CEO in the U.S. (without assigning function-specific executives)	Appoint a VP of Business Development in the U.S.	Place the CEO and some executives in the U.S.	The CEO and all executives gradually relocate to the U.S.
GTM Hub Location	Home Country	Home Country	Home Country and U.S.	U.S.
Key Considerations	<ul style="list-style-type: none"> The home market remains the company's core focus, with the U.S. market playing a 2ndry role. The company plans to enter the U.S. by leveraging strategic advantages and resources developed in its home country. The initial goal is to achieve PMF domestically and establish a strong strategic position before expanding internationally. Fundraising will be required in advance of the U.S. expansion. 	<ul style="list-style-type: none"> Despite the size of the U.S. market, this business model supports remote expansion, removing the necessity for local sales and support operations. The company will maintain a centralized base in its home country, consolidating key operations there. 	<ul style="list-style-type: none"> Both the home country and the U.S. represent major markets. The approach is to first test and refine the business model domestically, then scale into the U.S. market. In some instances, U.S. expansion can be as transformative as a second founding, making it essential to place senior management and directors on the ground. 	<ul style="list-style-type: none"> The U.S. is a large market where locally rooted business development and sales efforts tend to be highly effective. The company's strategy is to drive growth by keeping its engineering functions in its home country while using its U.S. presence as the primary base for global expansion.

The Necessity of Localization in International Expansion

株式会社産業革新投資機構

- Many startups face the need to localize their products or services based on the unique market environment of the target country, including business practices, regulations, and standards.
- Broadly speaking, there are three common approaches to address this challenge.

(a) Launching a global product

Josys
<p>Overview</p> <ul style="list-style-type: none"> • The company has deployed a globally designed product to 40 countries from the early stages of development. <p>Product Development</p> <ul style="list-style-type: none"> • Guided by the “One Team, One Product” philosophy, the company maintains a unified global product team, rather than creating separate teams for Japan, the U.S., or other regions. This approach ensures consistency and alignment across markets. <p>Talent Allocation</p> <ul style="list-style-type: none"> • A product management lead was hired and based in Silicon Valley, serving as a hub for driving global product development and marketing efforts.

Company A
<p>Overview</p> <ul style="list-style-type: none"> • The company has deployed globally oriented products from the early stages of development. <p>Product Development</p> <ul style="list-style-type: none"> • Products are consistently designed with global markets in mind, aiming to meet a wide range of user needs across diverse regions. <p>Talent Allocation</p> <ul style="list-style-type: none"> • Management personnel from acquired overseas companies are retained and integrated, while top-tier talent is strategically placed in key roles to support global growth.

(b) Developing localized products

Company B
<p>Overview</p> <ul style="list-style-type: none"> • The company developed a separate product for the U.S. market, distinct from the one that achieved PMF in Japan. <p>Product Development</p> <ul style="list-style-type: none"> • A U.S.-specific product has been thoroughly developed for the local market. <p>Talent Allocation</p> <ul style="list-style-type: none"> • The CTO and engineers were located at the headquarters in Japan. <p>“</p> <ul style="list-style-type: none"> • In general, it's difficult to localize everything at once, so the process must be approached step by step. Even minimal localization requires human involvement, which makes it necessary to prioritize tasks. • A key decision point is whether to “branch” the product. One approach is to build the U.S. version on top of the continually updated Japanese version. The other is to fully branch off at a certain point and allow the U.S. version to evolve independently with its own source code. • In our case, we chose to create a branch. This decision was made because branching enables faster development and allows the U.S. team to make independent decisions. On the other hand, if the product is not branched, development must proceed cautiously to avoid impacting large-scale projects in Japan. <p>— Venture Capitalist</p> <p>”</p>

(c) Deploying the original Japan product

Company C
<p>Overview</p> <ul style="list-style-type: none"> • Products originally optimized for the Japanese market are translated into English and deployed overseas. <p>Product Development</p> <ul style="list-style-type: none"> • Although overseas markets share similar customer pain points with Japan, the product often struggles to gain traction without localized feature adjustments. As a result, internal discussions are underway regarding the potential need for a dedicated product development track tailored to local markets. <p>Talent Allocation</p> <ul style="list-style-type: none"> • The Product Manager (PM) and Chief Technology Officer (CTO) are based in Japan and oversee the entire development process from the domestic headquarters.
Company D
<p>Overview</p> <ul style="list-style-type: none"> • Expansion of Japan-developed products into overseas markets. <p>Product Development</p> <ul style="list-style-type: none"> • While products developed in Japan were deployed abroad without modification, challenges arose due to limited alignment with local operational standards and practices. <p>Talent Allocation</p> <ul style="list-style-type: none"> • Local engineers were brought to Japan and integrated into the development team to enhance collaboration and knowledge transfer.

Source: Company websites, article searches, and expert interviews

Choosing market entry approach

- There are various approaches to entering overseas markets, each involving different levels of investment and risk. Choosing the right entry strategy requires careful consideration of factors such as the company's product characteristics, business model, and stage of growth.
- When a physical presence in the target market is necessary, options include establishing a local office independently or entering through M&A by acquiring an existing local company. (as shown in the red box below),

Approach		Details	Example
Increased investment and risk in overseas markets	Export	• Operate from a base in Japan and sell to inbound customers (foreign visitors to Japan).	• Content-related
		• Operate from a base in Japan and sell to overseas customers via cross-border e-commerce platforms and the internet.	• Elephantech
		• Operate from a base in Japan and sell to overseas customers via trading companies or agents.	• E-commerce, SaaS
	Licensing / Franchising	• License products, services, or production technologies to overseas manufacturers.	
	Strategic Partnership	• Establish business partnerships with Japanese companies that are already operating overseas.	• ANDPAD, SkyDrive, WHILL
		• Establish business partnerships with international companies.	• Spiber, OPN, DAIZ
	Joint Venture	• Create joint ventures with Japanese companies that have expanded abroad.	
		• Create joint ventures with foreign business entities.	• Shizen Energy
	Set up an Independent Overseas Presence	• Establish development subsidiaries or sales subsidiaries overseas.	• Josys, CADDi, AI Medical Service, Kyoto Fusioneering, WHILL
		• Establish overseas production facilities.	• Spiber, DAIZ
	Acquiring a Local Business	• Secure distribution channels.	• WHILL
		• Enter new market segments.	• AnyMind, OPN
		• Acquire production assets or other facilities.	• Astroscale
		• Increase market share by acquiring competitors.	• DMP

Source: Company websites, article searches

(Reference) Partnership Strategy

- Effective overseas expansion requires collaboration with partners who have established local networks. Hardware-focused startups, in particular, often partner with Japanese companies that already have an established presence in local market.

IT	Leverage the local network of partner companies	<div>■ Josys</div> <div><ul style="list-style-type: none">- Josys is actively pursuing a strategy to expand its partnerships across the APAC region. In its efforts across Singapore, Indonesia, and Malaysia, the company has been exploring whether to sell directly to end users or to leverage partners—and, if so, which partners to collaborate with—through a process of trial and error. Particularly in Indonesia, Josys has established a successful strategy and is currently executing it.</div>
	Utilize the global business networks of leading Japanese companies	<div>■ Andpad</div> <div><ul style="list-style-type: none">- Given the competition with leading startups in the U.S. and Europe, the company is exploring expansion into the Asian market and global growth in collaboration with the Japanese construction industry. With Japanese general contractors and homebuilders actively expanding into overseas markets—particularly in Southeast Asia—the company has recognized the growing need for corporate headquarters to adopt its products for centralized management of international operations.</div>
<div>■ SkyDrive</div> <div><ul style="list-style-type: none">- SkyDrive has signed a manufacturing cooperation agreement with Suzuki, one of its shareholders, and has established a wholly owned subsidiary dedicated to the production of flying cars. The company is actively collaborating with this manufacturing subsidiary to prepare for production, including efforts to secure skilled personnel. In parallel, it is working closely with Suzuki to explore overseas market opportunities, with a particular focus on India. In response to a pre-order from an Indian airline, they have begun considering a potential business venture in Gujarat, with Suzuki's support, where Suzuki operates a manufacturing facility.</div>		
<div>■ SUN METALON</div> <div><ul style="list-style-type: none">- Headquartered in the United States, the company works with Toyota Motor Corporation and Komatsu in the field of metal recycling. With Toyota, it co-developed a new recycling process for aluminum alloys, and with Komatsu, it initiated joint research into recycling processes for iron-based grinding sludge. Through these partnerships, they are advancing global business expansion while leveraging cutting-edge technologies originating in Japan.</div>		
Deep Tech		

Approach

Key Characteristics

① Establishing Overseas Offices Independently

- When entering a new market for the first time, the standard approach is to start by dispatching a "landing team" and hiring senior management locally.
- In some cases, the founder or an executive may choose to relocate overseas. This decision is influenced by factors such as the level of commitment to the local market, the need for effective communication, and the importance of cultural integration.

② Acquiring Local Businesses (M&A)

- It is possible to shorten the time required for market acquisition (such as entering new fields or increasing market share through competitor acquisitions), as well as for securing sales channels and production facilities.
- Acquiring an established organization reduces the time and effort required for recruitment and operational setup. In regulated industries, acquiring a company with the necessary licenses facilitates a faster and smoother overcoming of entry barriers.

Initial Local Expansion (1/2)

- There are two types of landing teams deployed locally: a global team and a Japan-based team. In some cases, no landing team is sent, and instead, responsibility is delegated to personnel hired directly in the local market.

With landing team

Type A – Global Team

Definition

- The team sent locally is a mix of Japanese and foreign personnel.

Example

- Cases where the team was diverse from the time of founding, or where an internationalization process has progressed through the formation of a mixed (diverse) team.

Type B – Japan Team

Definition

- All personnel dispatched from Japan to overseas locations are Japanese nationals.

Example

- This is a typical case in agency-based business models, as well as in deep tech and manufacturing sectors where Japan has a competitive advantage.

Without landing team (locally hired team)

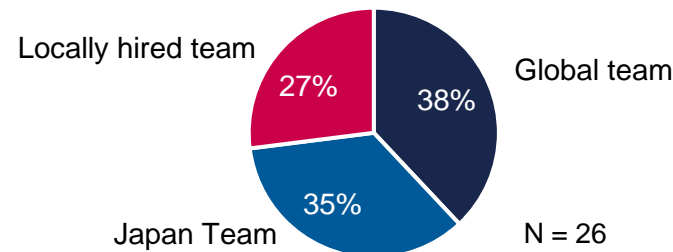
Definition

- Hire management personnel (CEO and VP-level) locally.

Example

- Examples include hiring local executives, acquiring management talent through M&A, and recruiting VP-level personnel during the local expansion phase. The goal of local recruitment is to ensure long-term business stability and growth by bringing in individuals with deep knowledge of the local culture and market. However, identifying the right candidates can take time.

(Reference Data) Local Expansion Formation



(Reference) Index Ventures offers the following recommendations for European startups.

- If a startup plans to implement its GTM —originally developed in Europe—in the United States, it is advisable to deploy a “landing team” from the home country to support the transition. This team serves as both cultural ambassadors and internal translators, effectively communicating the company’s values, processes, and product vision.
- With strong ties to the core organization, the landing team is well-positioned to guide essential adaptations in product, marketing, and operations to meet the demands of the U.S. market. Ideally, the team should consist of two to four members, blending senior leadership with junior to mid-level talent to ensure both strategic alignment and effective local execution.

Initial Local Expansion: Examples (2/2)

- The key to success lies in adopting a flexible approach tailored to the local environment and stage of business development.
- Companies like Kyoto Fusioneering and Josys have built global teams. CADDi and Global Mobility Service have deployed management teams on the ground to drive hands-on operations. Meanwhile, AnyMind Group, Synspective, and AI Medical Services are accelerating their global expansion by hiring local talent.

Type		Company Name	Team Structure Example
Landing team	Global team	<ul style="list-style-type: none"> • Josys • Kyoto Fusioneering • TeraWatt Technology • SmartNews • Astroscale • Mercari • Sakana AI • Mujin • Spiber • CureApp 	<ul style="list-style-type: none"> • Kyoto Fusioneering <ul style="list-style-type: none"> - The management team was originally structured as a global team from the start, enabling global expansion from Day 1. • Mercari <ul style="list-style-type: none"> - The CEO relocated to the U.S. and built a global team that includes a former Facebook executive. • CureApp <ul style="list-style-type: none"> - A Japanese national was appointed as the representative of the U.S. entity, while Mr. Xu was assigned as the head of U.S. operations. The U.S. team includes specialists such as project managers, designers, and physicians.
	Japan team	<ul style="list-style-type: none"> • CADDi • Andpad • GITAI • DAIZ • Sansan • TBM • ABEJA 	<ul style="list-style-type: none"> • CADDi <ul style="list-style-type: none"> - The CEO and CFO are directly managing operations in the U.S.. • GITAI <ul style="list-style-type: none"> - The CXO-level team consists solely of Japanese members, all of whom have relocated to the U.S.
No landing team (Locally hired team)		<ul style="list-style-type: none"> • Legal On Technologies • AnyMind Group • Synspective • AI Medical Service • OPN Holdings • Dynamic Map Platform 	<ul style="list-style-type: none"> • Synspective <ul style="list-style-type: none"> - Board members and executives are based at the Singapore entity. A key contributor to the local policy roadmap has been hired. • AnyMind Group <ul style="list-style-type: none"> - The company also completed an acqui-hire through an M&A deal, gaining valuable local management talent in the process.

- Founder relocation sends a strong message to the local market and also brings the following managerial benefits.

A Signal of Commitment to the Market

A founder's relocation sends a strong signal of commitment to the market.

When a founder personally relocates, it is often seen as the clearest indicator of dedication—resonating strongly with customers, partners, talent, and investors. This is especially important in the early stages of market entry, where the quality and intensity of local activities can significantly influence long-term success. Several key factors contribute to this impact.

- ❑ **Action:** Actively engage in the local market to directly understand real customer needs.
- ❑ **Cultural Adaptation:** Develop a deep understanding of local culture and business practices, and adapt with flexibility.
- ❑ **Founder Commitment:** Local teams are most effectively motivated when they directly experience leadership's commitment through visible actions and shared values.
- Although still relatively uncommon among Japanese startups, an increasing number of founders are choosing to relocate and take direct action in local markets.
- During the initial phase of expansion, every interaction matters. customers, partners, potential hires, and investors will all be evaluating the company's presence and commitment—assessing whether it is likely to remain in the market one or two years down the line.

“

- The CEO has relocated to the local market and is personally leading customer meetings and recruitment efforts. This hands-on approach has enhanced market understanding and fostered trust. With local leadership directly engaging in the market, strategic decision-making has become more precise, and coordination with the Japan headquarters has improved significantly.
- The founder's relocation is not merely a strategy to drive business growth—it serves as a powerful signal of genuine commitment to the market. The CEO's active involvement underscores the critical role and impact of local leadership.

— IT startup

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Management Advantages of Relocating Overseas

The managerial benefits of founder relocation are numerous

- When a startup expands overseas, founders must ensure that the company's vision is fully realized in the local market. This requires their deep involvement in early-stage recruitment and sales, a clear understanding of the local differences, and securing the necessary resources for success.
- As the primary bearers of the company culture, founders play a crucial role in embedding the company's values and vision locally, thereby driving sustainable growth.

✓ (Reference) Challenges of Relocating Overseas

Managerial Capabilities and Qualifications

- When a manager responsible for domestic operations relocates overseas, insufficient knowledge or experience of the local market may render them unsuitable to lead the overseas business effectively.

Delegation of Authority Following the Founder's Relocation

- When a founder moves overseas, the extent to which the domestic business relies on the founder's involvement becomes a critical consideration. This is especially important if the founder has been responsible for the product roadmap and ownership. In such cases, a clear process must be established to transfer these responsibilities to other team members appropriately.
- If this transfer is inadequate, domestic product development and collaboration with the overseas market may be delayed, potentially disrupting business operations. Conversely, a smooth transfer of responsibilities enables sustainable and efficient business continuity.

5. M&A as a growth strategy

Approach

① Establishing Overseas Offices Independently

Key Characteristics

- When entering a new market for the first time, the standard approach is to start by dispatching a "landing team" and hiring senior management locally.
- In some cases, the founder or an executive may choose to relocate overseas. This decision is influenced by factors such as the level of commitment to the local market, the need for effective communication, and the importance of cultural integration.

② Acquiring Local Businesses (M&A)

- It is possible to shorten the time required for market acquisition (such as entering new fields or increasing market share through competitor acquisitions), as well as for securing sales channels and production facilities.
- Acquiring an established organization reduces the time and effort required for recruitment and operational setup. In regulated industries, acquiring a company with the necessary licenses facilitates a faster and smoother overcoming of entry barriers.

- Acquiring Local businesses is an effective strategy for accelerating overseas expansion. Several startups have successfully leveraged M&A to fast-track their entry into foreign markets.

Key Points for Leveraging M&A

- To ensure success, it is essential to establish an integrated management framework, including thorough risk assessment through due diligence, a robust governance system, and consolidated accounting practices.
- Careful design of post-merger integration (PMI) is also critical. This includes aligning corporate cultures and implementing incentive schemes—such as stock options and equity participation—to motivate the acquired company's managers and employees.
- Key pillars of successful M&A are: Selecting target companies aligned with the focus market and strategic area; Acquisitions made with the assumption of retaining key management personnel; Driving growth by providing technology and resources. The cornerstone of success lies in forming the right team—especially individuals with M&A experience who can effectively execute these pillars.

Why overseas M&A is effective

- Faster Market Entry
 - M&A shortens the time to market entry, enabling immediate business development in new regions.
- Acquisition of Experienced Management:
 - Incorporating experienced leadership and specialized teams from the acquired company strengthens the overall organizational capability.
- Accelerated Regulatory Compliance
 - In regulated industries, acquiring companies that already hold necessary licenses and permits allows for more efficient navigation of entry barriers.

- The purposes of M&A can be broadly categorized into three areas: business and geographic expansion, enhancing market responsiveness, and entering new lines of business. To achieve success, it is essential to ensure compatibility with the founder, align goals across organizations, stabilize integration processes—including post-merger integration (PMI)—and implement a matrix organizational structure that clearly defines the functional roles of both the acquiring and acquired companies

Objectives of M&A

1. Business and geographic expansion

- WHILL, AnyMind Group, OPN Holdings, and Dynamic Map Platform have scaled their operations and entered new regions through strategic acquisitions.

2. Enhancing market responsiveness

- WHILL acquired a Canadian company, while OPN Holdings acquired a U.S. company—strengthening their responsiveness to local market needs by bringing these operations under their direct control. These moves have helped expand their footprint in the North American market.

3. Entry into new line of business

- AnyMind Group has acquired multiple companies involved in media monetization and e-commerce support across Japan, Thailand, Indonesia, and Hong Kong. By building a track record of acquisitions across different industries and regions, the company aims to expand its capabilities, diversify geographically, and drive growth in a broader range of business areas.

Key Success Factors for M&A in Entering Global Markets

- ✓ **Assess Compatibility between Buyer and Acquired Company Founder**
 - Before the acquisition, ensure that the founder of the target company is someone who can collaborate effectively with the buyer. Compatibility is essential for successful integration and ongoing cooperation.
- ✓ **Governance by the Acquiring Company**
 - Align the strategic goals of both the acquiring and acquired companies. Establish a system that enables smooth collaboration and integrate the acquired company into the buyer's chain of command.
- ✓ **Post-Acquisition Organizational Stabilization**
 - Clearly define the post-acquisition integration process, the potential impact on stakeholders, role assignments, and the compensation structure. Transparency in these areas helps stabilize the organization and maintain morale.
- ✓ **Introduction of a Matrix Organization**
 - Clarify the reporting structure and designate final decision-makers. Build a matrix organization that enables effective collaboration between the acquired company's reporting lines and the buyer's functional teams.

Representative M&A Cases

AnyMind Group

— Examples of Key Features in Acquisition Strategies —

- Multinational Acquisitions
 - Acquisitions conducted in Japan, Thailand, Indonesia, and Hong Kong. Founder-CEOs with strong management skills and business acumen were acqui-hired.
- Team with Deep Expertise in M&A
 - A team reporting directly to the CEO handles targeting and sourcing.
- Systematic Execution
 - While collaborating with management teams in each country, the company continuously searches for new targets alongside its daily operations.

Source: Created by JIC based on Index Ventures "Destination USA", company websites, news articles, web blogs, and expert interviews

M&A: Key Points at each step

- The key considerations and examples for each step of the M&A process are as follows.

		Targeting	Sourcing	Execution	PMI
Objectives & Key Points		<ul style="list-style-type: none"> Identify potential acquisition targets. Conduct market research and industry analysis to identify targets that align with the strategic objectives of the acquisition. Evaluate factors such as financial status, growth potential, and synergy opportunities. Clarify the criteria for selecting candidate companies. 	<ul style="list-style-type: none"> Initiate negotiations with the targets. Compile a list of potential companies and determine the approach strategy Reach out to target companies through investment banks or advisors. Build relationships with target companies through competitive bidding or private negotiations. 	<ul style="list-style-type: none"> Finalize the agreement and execute the transaction Conduct due diligence (financial, legal, and tax). Negotiate the acquisition price and set the terms. Draft legal agreements and reach a final agreement. Secure acquisition financing (through equity, debt, etc.). 	<ul style="list-style-type: none"> Ensure post-acquisition integration and maximize synergies. Develop and execute an integration plan (including organizational structure, business processes, and system integration). Integrate corporate cultures and manage employees. Establish a financial management system for budgeting and reporting.
Case	Step	AnyMind Group Founded in Singapore in 2016, the company has closed 10 M&As both domestically and internationally before and after IPO.			
	Key Element	<ul style="list-style-type: none"> Analyze countries and businesses using a matrix framework to identify targets. Assignment of staff with deep expertise in M&A <ul style="list-style-type: none"> Assigning staff with deep M&A expertise is essential to building a structure capable of executing repeated acquisitions effectively. CFO capable of leading M&A <ul style="list-style-type: none"> Specialized skills and experience in M&A are critical, and a CFO with a proven track record in acquisitions is required. The CFO plays a pivotal role throughout the M&A process, including leading acquisition-related fundraising, negotiating and finalizing the purchase price as a key party to the agreement, and overseeing financial integration. Following the acquisition, the CFO is responsible for incorporating the transaction into the financial statements and preparing consolidated financial reports. 	<ul style="list-style-type: none"> Approach target companies in collaboration with local management teams. The greater the resolution and depth of industry understanding, the higher the quality of management decision-making. Steps to Take and Practical Examples <ol style="list-style-type: none"> The CEO conducts initial meetings <ul style="list-style-type: none"> M&A target domains are selected directly under the CEO's direction. Members of the CEO's office compile a list of relatively high-ranking companies in each domain by country, and the CEO personally meets with selected prospects.. Approach to Non-Tech Companies <ul style="list-style-type: none"> The focus is on operations-driven rather than technology-driven companies, with the aim of accelerating growth by applying the company's technology to these non-tech businesses.. Emphasis on Founding CEOs <ul style="list-style-type: none"> Founders and managers of acquired companies are also seen as valuable talent. Leaders who have built profitable businesses through strong operations and sales capabilities often bring significant business acumen and managerial expertise. 	<ul style="list-style-type: none"> Once a suitable company is identified, it is handed over to the CFO, who is primarily responsible for carrying out the execution. Incentive Design <ul style="list-style-type: none"> Provide equity to the management team of the acquired company to foster long-term commitment. Issue performance-based stock options to sustain ongoing motivation. Establish an earn-out structure that offers additional payouts based on future profitability and growth. Link post-acquisition compensation for the acquired company's management to their performance to align incentives and drive results. Alignment with the Corporate Philosophy <ul style="list-style-type: none"> When integrating the management of an acquired company, it is essential to have the founding executives align with the corporate philosophy and develop a sense of loyalty. Whether the acquired management feels loyalty will be the key to driving actions on the ground. Reporting Structure <ul style="list-style-type: none"> A reporting system will be established to support the preparation of consolidated financial statements and ensure accurate and timely disclosure Culture Development <ul style="list-style-type: none"> A dedicated team reporting directly to the CEO will lead post-acquisition cultural integration efforts. 	<ul style="list-style-type: none"> The integration of finance and accounting is necessary, supported by the company's ERP system. The acquired company's corporate functions will be brought into alignment with the organization's established standards

M&A: IPO Timeline

- A typical IPO timeline is as follows. When a startup preparing for an IPO considers an M&A option, it is essential to evaluate the pros and cons while ensuring alignment with the IPO timeline.

✓ Key Considerations When Planning an M&A

- Conduct thorough due diligence.
- Perform a comprehensive valuation.
- Consult in advance with the lead underwriter and auditing firm.

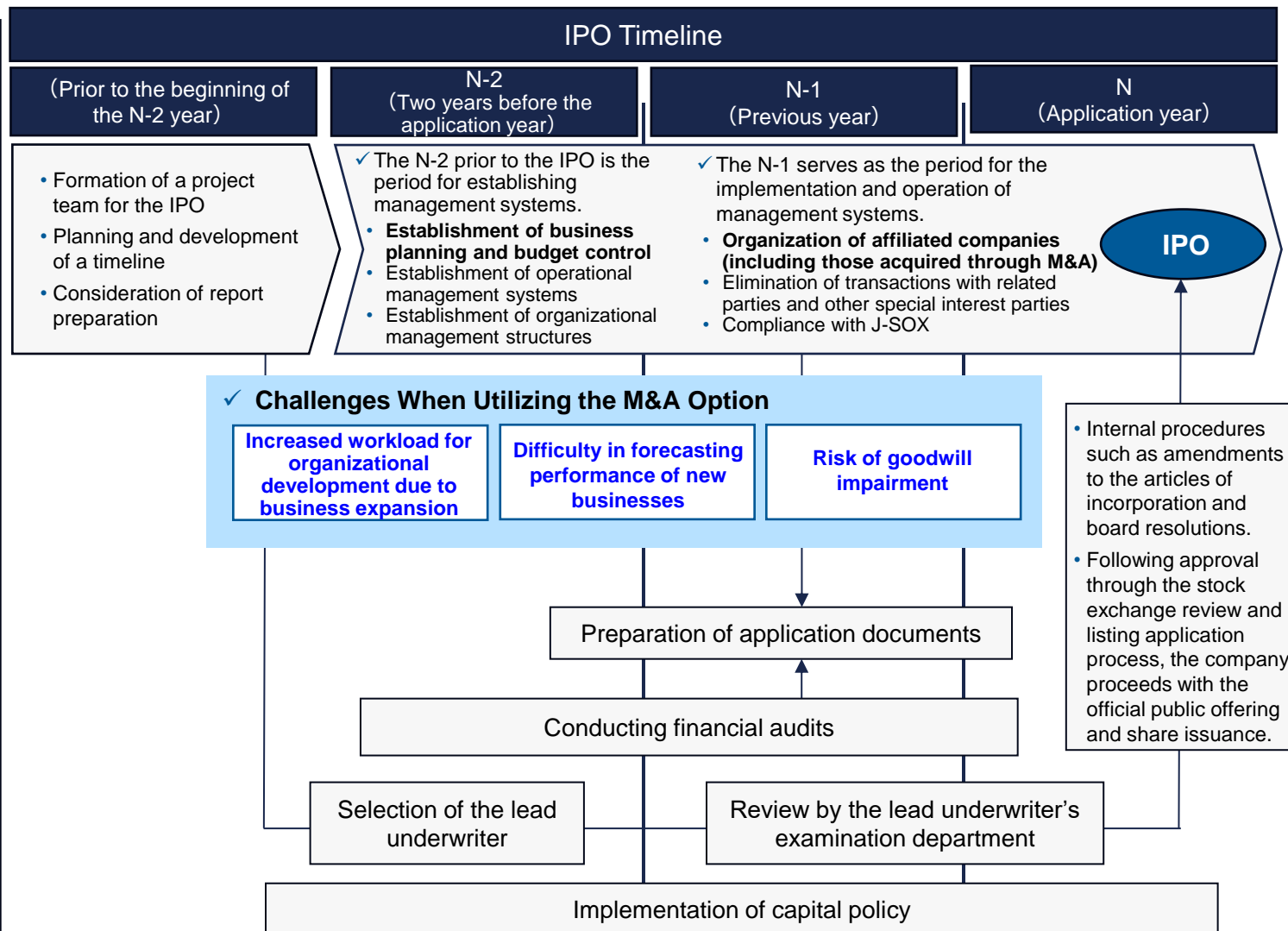
✓ Pros and Cons of Conducting M&A Before an IPO

Pros:

- Realize economies of scale.
- Enhance market expectations for growth, accelerating business expansion through M&A.

Cons:

- Increased workload related to building systems required for IPO readiness.
- Challenges in assessing risks and forecasting performance in unfamiliar business areas.
- Potential profit reduction due to goodwill amortization or impairment.



- The following cases illustrate unsuccessful M&A transactions involving startups.
- Successful M&A execution depends on having the appropriate expertise and organizational infrastructure to manage strategic planning, conduct thorough due diligence, execute post-merger integration, and mitigate associated risks.

Case: Company A

Background

- Strategy focused on global expansion and strengthening presence in the North American market.
- Acquisition of a U.S.-based competitor.

Issues

- Post-merger integration (PMI) was insufficient.
- The acquired company's performance declined sharply.
 - Expected growth failed to materialize, with the company's performance plummeting within less than a year after the acquisition.

Outcome

- Full goodwill impairment occurred, leading to a significant decline in net assets.

Reasons for Failure

- **Intensified competition due to market downturn**
 - Following the acquisition, market conditions deteriorated, and competition intensified. Transaction volumes fell significantly short of the original plan at the time of acquisition, making it difficult to achieve goals.
- **Insufficient Acquirer Understanding**
 - There was a lack of deep understanding of the U.S. market, local corporate culture, and operational processes, resulting in inadequate management and support.
- **Delays in Recruitment and Resource Allocation**
 - Recruitment efforts in the local market were delayed, hindering talent acquisition and proper resource deployment.
- **Ineffective Changes to Incentive Programs**
 - Modifications to the incentive system for employees of the acquired company did not align with local practices, adversely affecting morale and performance.

Case: Company B

Background

- To enter global markets, the company pursued aggressive M&A activities.
- Multiple entities across the U.S., Europe, and Asia were incorporated into the corporate group.

Issues

- Post-merger integration (PMI) was insufficient.
- The acquired companies experienced a sharp decline in performance.

Outcome

- Impairment losses were recorded on goodwill and fixed assets of subsidiaries.
- Several offices were closed or downsized.
- The overall number of group employees was reduced.

Reasons for Failure

- **Lack of Acquisition Strategy**
 - A series of M&A deals proceeded rapidly, with inadequate focus on planning for successful integration.
 - Failure in PMI
- **Business operations were poorly integrated, coordination with local management was weak, and an excessively hands-off approach was taken.**

6. Operational issues

- For startups aiming to expand overseas successfully, recruiting the right local talent is essential. While hiring local talent can be challenging when brand recognition is still low, referral-based recruitment is a highly effective strategy to overcome this barrier.
- By securing trustworthy talent early on, startups can build a strong reputation that attracts even more high-quality candidates over time, fostering the development of a sustainable talent pipeline.

Hiring Channels

• Job Site	• Recruitment Agent	• Referrals
Promote job opportunities broadly through online recruitment platforms and social media to reach a wide pool of applicants.	Engage specialized recruitment agencies to source candidates with targeted, hard-to-find skill sets.	Acquire reliable talent through employee referrals and ensure their smooth integration into the organization.

- Local hiring can be challenging when brand recognition is low in the region, but there are several effective approaches. Among them, referral hiring is particularly effective.

• Advantages and Disadvantages

	Advantages	Disadvantages
Job Site	<ul style="list-style-type: none"> ✓ Reach a wide pool of job seekers. ✓ Relatively low cost. ✓ Facilitate employer branding. 	<ul style="list-style-type: none"> ✓ The quality of applicants varies ✓ Highly competitive with low applicant volume. ✓ Time-consuming screening process.
Recruitment Agent	<ul style="list-style-type: none"> ✓ Receive pre-screened candidate introductions. ✓ Reduce the burden of the hiring process. ✓ Easier to secure talent who can contribute immediately. 	<ul style="list-style-type: none"> ✓ High hiring costs. ✓ Candidates often have limited understanding of the company. ✓ Risk of overreliance on recruitment agencies.
Referrals	<ul style="list-style-type: none"> ✓ Leveraging introductions from key personnel enables more efficient recruitment. ✓ Utilizing a referral network helps establish a stable and sustainable talent pipeline. 	<ul style="list-style-type: none"> ✓ Since it relies on the referrer's network, it is difficult to reach a broad pool of candidates.

Source: Company websites, expert interviews

Referral

Josys Case

- Josys leveraged its global network to secure top talent.

Example

- **Network of Former Members from BlueJeans (U.S.)**
 - Josys effectively utilized a referral network to bring in a series of former members from BlueJeans, a U.S.-based startup that had gone through a growth phase. This enabled Josys to attract experienced talent in a chain reaction through trusted connections.
- **Hired HR Professional with Experience in the U.S. SaaS Industry**
 - Brought on a professional with extensive experience in HR within the SaaS industry and a wide-ranging network, enabling the company to build out its talent acquisition (TA) function.

Kyoto Fusioneering Case

- The company leveraged CEO Konishi's strong presence in the fusion energy field and his personal network, focusing primarily on referral-based hiring rather than relying on recruitment agencies.

Example

- **International Network Including ITER**
 - Through CEO Konishi's connections, Kyoto Fusioneering successfully brought in Christian Day, a globally recognized authority in the field of nuclear fusion. The hiring strategy leveraging a strong network of skilled engineers has been successful.

- In global expansion, startups face challenges such as disparities in salary levels and the design of stock options. Establishing a competitive compensation structure is key to attracting top-tier talent.

Salary Level Disparities

Key Points:

- In recent years, employee compensation at Japanese startups has improved; however, a significant gap remains compared to their overseas counterparts. Without adequate funding, attracting top-tier global talent remains a challenge.
- Salary levels at Japanese startups—and even at Japan-based offices of international startups—tend to be relatively low. This has emerged as a key issue in the global competition for talent, and the disparity in compensation is expected to become an even greater challenge for startups going forward.

Average CEO Compensation (Excluding Equity) – Japan vs. U.S.:

- A survey by Kruze Consulting reports that the average annual salary for founders of funded U.S. startups is approximately \$140,000 (around ¥21.15 million), nearly double that of founders at Japanese startups.

	In the case of Japan※1	In the case of the United States※2
CEO Compensation Levels (Average, excluding equity compensation)	\$74,333 (¥11.15 million at 150 yen per dollar)	\$141,000 (¥22.15 million at 150 yen per dollar)

※1 : Survey conducted by Sumitomo Mitsui Trust Bank (conducted from November 27, 2023, to February 29, 2024). The survey targeted 724 startups primarily operating in Japan that have received (or plan to receive) funding from venture capital firms or operating companies and are aiming for an exit through IPO or M&A. (n=724)

※2 : Estimates by U.S. consulting firm Kruze Consulting, based on aggregated payroll data as of January 2024. The data covers over 450 U.S. startups that have received funding from venture capital firms. (n = over 450)

Incentive Design for Executives and Employees

Key Points:

- Effective incentive design is crucial for boosting employee motivation and enhancing performance. For startups with limited financial resources, stock options (SOs) play a particularly important role in their incentive structures. Because employee rewards are directly tied to the company's growth, SOs serve as a powerful long-term motivator.

Differences in Stock Option Practices Between Japan and the U.S.:

- In Japanese startups, the employee stock option pool typically accounts for around 10% of shares. In contrast, U.S. startups often allocate approximately 20%, indicating a significant difference in scale. (*Recently, there has been a shift in Japan toward raising the SO pool limit to 20%.*)
- In Japan, it is uncommon for employees to retain the right to exercise stock options after leaving the company. In the U.S., however, it is common for departing employees to retain this right, at least for a certain period.

Differences in Legal Frameworks Between Japan and the U.S.:

- Under Japan's Companies Act, stock option terms must be approved by a shareholder resolution. The authority delegated to the board of directors is restricted in both scope and duration.
- To improve flexibility in issuing stock options, the Japanese government introduced the "Stock Option Pool System" in September 2024.

※This system allows startups less than 15 years old, upon confirmation by the Minister of Economy, Trade and Industry and the Minister of Justice, to issue stock options more flexibly and efficiently within parameters defined by the company.

Navigating the U.S. Work Visa Process: Key Challenges



株式会社産業革新投資機構

- One of the initial challenges startups face when establishing a U.S. presence is obtaining a work visa. (Note)
- When applying for a visa, it's essential to proceed carefully and consult with immigration law experts to ensure compliance with relevant regulations.

Work Visa Options in the United States

- In the United States, there are several work visa options for Japanese, as outlined below. Many Japanese entrepreneurs seem to prefer E-2, L, or O-1 visas. Since the eligibility requirements and standards are complex and there are ongoing efforts to tighten these standards, it is advisable to consult with an expert.

(Ref) Work visa options available to Japanese startups

	Key Points	Valid for
E-1 Treaty Traders	<ul style="list-style-type: none"> • This visa is based on the Japan-U.S. Trade Treaty. The nationality of both the company and the applicant must match. Pay close attention to the shareholder composition. More than 50% of the shareholders must be of Japanese nationality. A substantial volume of trade between Japan and the U.S. is required for at least six months. Trade with the U.S. must account for more than 50% of the company's total international trade. 	5 Years ※can be renewed (No limit)
E-2 Treaty Investor	<ul style="list-style-type: none"> • This visa is based on the Japan-U.S. Trade Treaty. The nationality of both the company and the applicant must match. Pay close attention to the shareholder composition. More than 50% of the shareholders must be of Japanese nationality. • This visa requires a significant investment in the United States. The required amount varies depending on the business sector (e.g., larger investments are necessary for manufacturing). 	
L-1A Intra-Company Transferee Visa (managers)	<ul style="list-style-type: none"> • Visa for expatriates temporarily dispatched to US corporations (no restrictions on nationality). Employees who have worked for more than one year at an affiliated company outside the US can be dispatched to US corporations. • No large investment is required, and it is relatively easy to apply if you have a business plan. However, it is difficult to renew. Business progress and the number of subordinates under you are confirmed. 	Maximum 7 Years (1 year Initially +2 2+2 by renewal)
L-1B Intra-Company Transferee Visa (specialists)	<ul style="list-style-type: none"> • Visa for expatriates temporarily dispatched to a US corporation (no restrictions on nationality). Employees with at least one year of work experience at an affiliated company outside the US can be dispatched to a US corporation. • Only available to engineers related to the company's unique technology (must be a patent or other proprietary technology of the company, not a technology with high general applicability). 	Maximum 5 Years (1Year Initially + 2 +2 Years by renewal)
H-1B Specialty (Professional Workers)	<ul style="list-style-type: none"> • Visa for hiring special skilled workers. There is a limit on the number issued each year. • Hold a four-year university degree or equivalent work experience. 	6 Years (3Years + additional 3 Years by renewal)
O-1 Individuals with Extraordinary Ability or Achievement	<ul style="list-style-type: none"> • Must have outstanding ability in the relevant field (business, science, education, etc.). Proof must be provided by patents, publications, media exposure, etc. 	3 Years ※can be renewed (No Limit)

※For applicants who hold more than 50% of the company, the initial and initial renewal periods are limited to 18 months each (with subsequent renewals of up to 3 years, subject to a total limit of 6 years)

(Note) In addition to visa-related issues, Japan's departure tax has also been cited as a challenge for entrepreneurs relocating overseas. This tax applies to individuals who have lived in Japan for more than five of the past ten years and have total assets exceeding 100 million yen. Because the taxable assets include unlisted shares and stock options, the tax has become a significant hurdle for startup founders. In 2015, a tax deferral system was introduced, allowing taxes to be deferred for up to 10 years under certain conditions, such as providing collateral and filing tax returns. In some cases, corporate guarantees may also be accepted as collateral.

(for ref) Key Points to Note

- Shareholder Composition: Maintain 50% or More Japanese Ownership (E Visa)
To obtain an E visa, Japanese nationals must hold at least 50% of the company's shares. If foreign investment in the future causes this threshold to fall below 50%, the visa will become invalid. *If a shareholder is a corporation, ownership must be traced to the ultimate parent company's shareholders. If investment is received from a VC fund, ownership must be traced to the shareholders of the fund's management company. Corporations listed solely on Japanese stock exchanges can be regarded as Japanese nationals.*
- Re-entry Permission: Differences Based on Application Location (E Visa)
E visa applications can be submitted either:
① At a U.S. Embassy in Japan, or
② To U.S. Citizenship and Immigration Services (USCIS) within the United States.
Note that option ② is only available for changing status from another visa. If approved through USCIS, a "stay permit" is granted, but not a "re-entry permit." Therefore, if you leave the U.S., you must reapply for a visa to return.
- Processing Time and Renewal Challenges (L Visa)
For L visas, special attention is required for the first renewal, which is due one year after issuance. Preparing for travel to the U.S. and applying for renewal takes at least 1–2 months, limiting the time you can actually work on-site. Given the difficulty of renewal, it may be more practical to pursue an E visa from the beginning instead of an L visa.
- Number of Local Employees (E Visa / L Visa)
When renewing an L-1A visa for managers, the number of employees is reviewed, regardless of nationality. For E visas, while not an explicit requirement, immigration authorities do review the number of employees who are U.S. citizens or permanent residents. Note that the criteria for assessing employee numbers differ depending on the visa type.

Source: JETRO webinar "Webinar: A Guide to Setting Up a US Company for Born Global Startups" (November 9, 2021) and the U.S. Embassy in Japan website (as of March 2025), compiled by JIC.

- One of the initial challenges faced by individuals dispatched from startups to overseas locations is securing suitable living arrangements.

Challenges in Enhancing Living Environments

• Living Environment

- Refers to the conditions and systems established to ensure that expatriates and their families can live with peace of mind. This includes safety, access to medical care, and a sense of cultural and psychological security)
 - In many developing countries across Asia, Japanese companies commonly provide support such as housing allowances, personal drivers, and arrangements for domestic helpers. However, startups often face challenges in the early stages due to limited funding, making it difficult to offer adequate housing and employee benefits.
 - Some startup CEOs have noted that as their businesses grow, they are eventually able to upgrade to better living arrangements—often in residential areas where employees of other Japanese companies also reside.

• Education for Dependents

- Refers to the overall environment that allows children to receive education with peace of mind in the country. This includes the choice of local schools, international schools, and Japanese schools, the provision of educational programs tailored to future academic paths, and the availability of adequate language support.
 - An increasing number of startups are focusing on supporting foreign CXO-level executives when they relocate to Japan, including assistance with choosing schools for their children, as part of efforts to create a hiring environment that meets global standards.

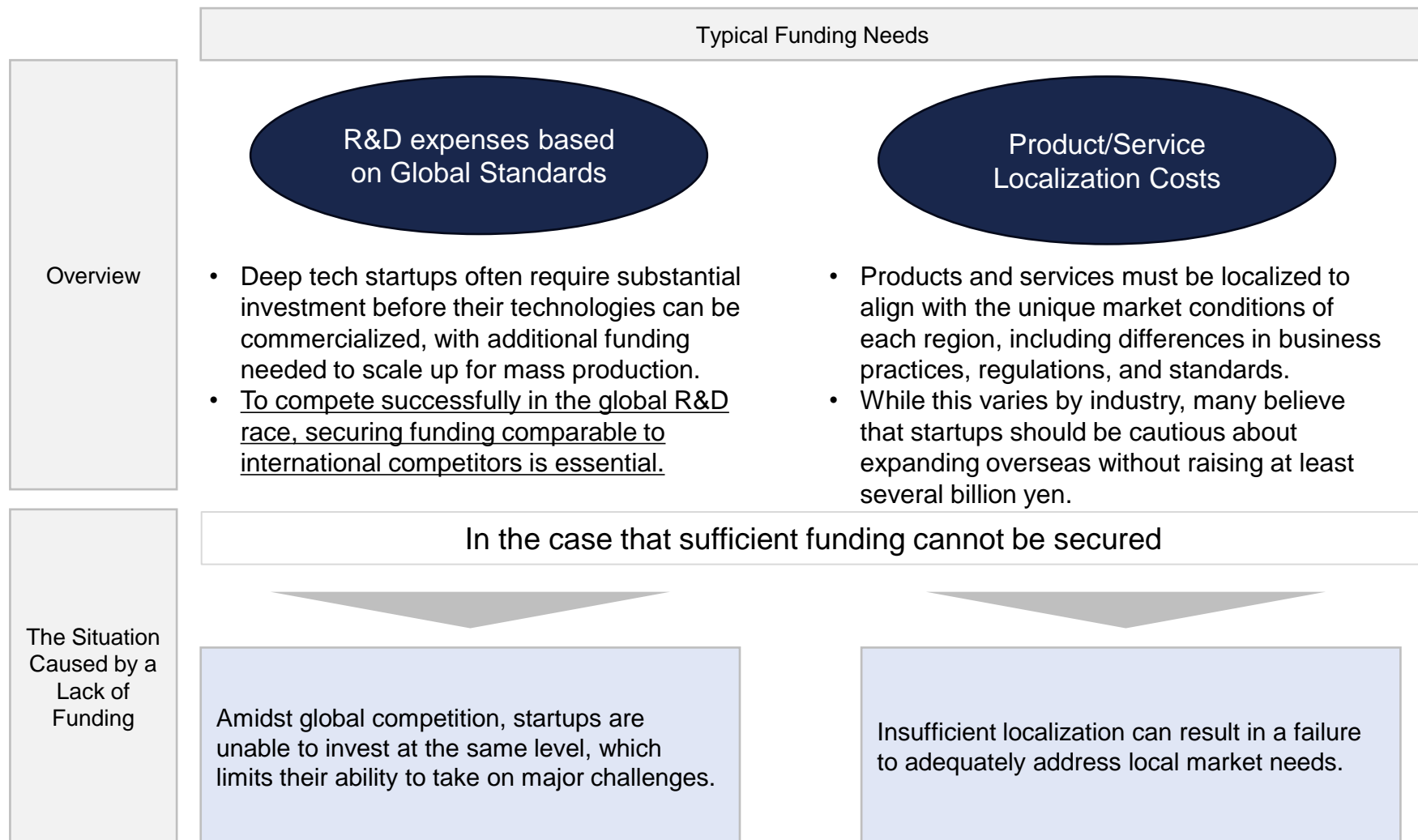
• Cost of Living

- A standard that requires appropriate adjustments when dispatching personnel from Japan to overseas locations, taking into account differences in living expenses and cost of living at the destination.
 - When employees are assigned to regions with varying costs of living, measures such as salary adjustments and lump-sum payments can be implemented to maintain a standard of living comparable to that in Japan.
 - A certain global startup adjusts the compensation of its overseas management personnel to align with the high cost of living in Singapore, where the company is headquartered.

7. Funding from international investors

Funding Needs of Startups Expanding Overseas

- Startups aiming to enter the global market require substantial funding.



Funding Gap in Global Competition

- When comparing funding amounts raised at each stage, Japanese startups lag significantly behind their American counterparts. At every stage, the funds raised are less than half of those in the United States. For example, the average Series D funding for a Japanese startup is approximately 2.5 billion yen, compared to 6 billion yen in the U.S. (based on an exchange rate of 150 yen to the dollar).
- This funding gap poses a challenge for Japanese startups aiming to compete globally, potentially limiting their international competitiveness.

■ Japan/U.S. : Average funding amount per startup founded between 2012 and 2014

Japan (n=649 startups ※1)		United States (n=11,694 startups ※3)			
Series (※2)	Funding Amount (average)	VC Round (※4)	Funding Amount (average)	\$1=¥100	\$1=¥150
Seed	¥74M	1st	\$3.7M	¥374M	¥561M
A	¥312M	2nd	\$7.6M	¥756M	¥1,134M
B	¥738M	3rd	\$13.8M	¥1,379M	¥2,069M
C	¥1,344M	4th	\$22.8M	¥2,283M	¥3,425M
D	¥2,505M	5th	\$40.2M	¥4,022M	¥6,033M
E	¥3,301M	6th	\$52.5M	¥5,248M	¥7,872M

(※1) The number of startups established between 2012 and 2014 is 2,512. Among them, 649 startups have an assigned SPEEDA Series and disclosed funding amounts.

(※2) SPEEDA Series.

(※3) The number of startups established between 2012 and 2014 is 15,186. Among them, 11,694 startups have an assigned VC Round and disclosed funding amounts.

(※4) VC Round, defined by PitchBook.

※Source: Created by JIC, based on data from Speeda Startup Information Research and PitchBook.

(Reference) Comparison between Japan and the U.S. : Transition Differences Across Funding Stages

- Only 3% of Japanese startups successfully progress through the various growth stages from seed to Series E, compared to 6% in the United States—double the rate.

■ Japan: Funding transitions of startups established between 2012 and 2014
(Unit:# of startups)

Series (※1) Status	Speeda Seed	Series A	Series B	Series C	Series D	Series E	Total (Occurrence rate)
# of startups (※2) (The probability of reaching each Speeda Series)	801 (100%)	577 (72%)	383 (48%)	197 (25%)	70 (9%)	22 (3%)	-
IPOed *	2	19	21	13	3	7	65 (8%)
M&A	27	22	10	3	2	2	66 (8%)
Out of business	12	7	9	5	1	0	-
No further funding	183	146	146	106	42	10	-
Go to next Speeda Series	577	383	197	70	22	3	-

* Market Value Distribution (valued by closing price of
October 2, 2024) (Unit:# of startups)

Less than ¥10 Billion / unknown	2	14	13	6	2	2
¥10 Billion ≤ <¥30 Billion	0	3	4	5	0	2
¥30Billion ≤ <¥100 Billion	0	2	3	2	0	1
¥100 Billion ≤	0	0	1	0	1	2

(※1) Speeda Series, defined by Speeda Startup Information Research.

(※2) The total number of startups established between 2012 and 2014 is 2,512 (including those with undisclosed funding amounts). Among them, 801 startups have an assigned SPEEDA Series. Some figures are estimated by JIC.

■ U.S.: Funding transitions of startups established between 2012 and 2014
(Unit:# of startups)

Round(※1) Status	VC 1st	2nd	3rd	4th	5th	6th	Total (Occurrence rate)
# of startups (※2) (The probability of reaching each VC Round)	15,186 (100%)	8,107 (53%)	4,965 (33%)	2,995 (20%)	1,693 (11%)	918 (6%)	-
IPOed *	40	41	34	22	32	22	191 (1%)
M&A	1,177	770	548	339	183	89	3,106 (20%)
Out of business	2,783	781	284	127	41	21	-
No further funding	3,079	1,550	1,104	814	519	338	-
Go to next VC Round	8,107	4,965	2,995	1,693	918	448	-

* Market Value Distribution (valued by closing price of
October 2, 2024) (Unit:# of startups)

Less than \$100M / unknown	29	20	23	9	18	9
\$100M ≤ <\$300M	4	9	4	5	5	1
\$300M ≤ <\$1B	2	7	2	3	3	4
\$1B ≤	5	5	5	5	6	8

(※1) VC Round, defined by PitchBook.

(※2) The total number of startups established between 2012 and 2014 is 15,186 (including those with undisclosed funding amounts). Some figures are estimated by JIC.

- Startups seeking to raise significant capital have high expectations for cash-rich overseas investors.
- In addition to funding, foreign VCs are also valued for their international networks and specialized expertise.

Benefits and Challenges for Japanese Startups Seeking International Investment

Perspective	Benefits	Challenges
Individual Transactional Level	<ul style="list-style-type: none"> • Access to new sources of funding <ul style="list-style-type: none"> - Japanese startups can secure large-scale investments from international VC funds. - Successfully raising capital from reputable and well-established international VCs can also provide advantages in subsequent fundraising, talent acquisition, and business development. • Leveraging the networks of international VCs including access to customers, talent, investors and potential exit opportunities <ul style="list-style-type: none"> - Engaging international VCs from an early stage can help accelerate business expansion in target markets. • Leveraging the expertise of international VCs including knowledge of local market strategies and industry insight <ul style="list-style-type: none"> - While each VC varies in the type and quality of support they offer, tapping into their areas of expertise can be a key driver of startup success. 	<ul style="list-style-type: none"> • Challenges arising from differences in business practices Accepting investment from international VCs who lack commitment, or a deep understanding of Japanese business practices can require significant effort to manage, placing additional strain on a startup's limited resources. • Communicating with international venture capitalists can be challenging due to time zone differences and language barriers. For early-stage startups with limited management capacity, engaging such investors may stretch already scarce resources and risk disrupting daily operations.
Ecosystem level	<ul style="list-style-type: none"> • International VCs, with investment strategies that differ from those of domestic firms, can complement Japan's capital supply and contribute to the growth of the startup ecosystem. • Their presence also offers domestic VCs valuable learning opportunities, helping them enhance their own capabilities by drawing on international best practices. • In addition, the involvement of global investors can foster stronger collaboration between domestic and international players, enhancing the ecosystem's global connectivity. 	<ul style="list-style-type: none"> • There are concerns that the involvement of international VCs could accelerate brain drain from the domestic ecosystem, as startups may be encouraged to relocate overseas, pursue IPOs in foreign markets, or be acquired by international companies. • Additionally, the entry of international VCs into the domestic market may raise concerns about crowding out local investors, potentially limiting future investment opportunities for domestic VCs (crowding-out effect).

Funding from International Investors (1/2)

- Nearly 80% of Japanese startups that expand overseas have raised funds from international investors (78%).
- However, only a relatively small portion (35%) secured investment from international investors at the time of or prior to their overseas expansion.
- There are also cases where startups expanded overseas with funding exclusively from Japanese investors. (e.g. AnyMind, GITAI, Josys)

Expectations: Startups & International Investors

Startups' Perspective

① **Abundant Capital**

In Japan, there is a shortage of investors capable of making large-scale growth-stage investments. This is especially true in deep-tech sectors, where substantial capital is required to achieve profitability, leading to high expectations for investment from overseas investors.

② **Local Networks and Expertise**

Having investors who can support startups with talent recruitment, customer and partner acquisition, and other local industry connections is crucial.

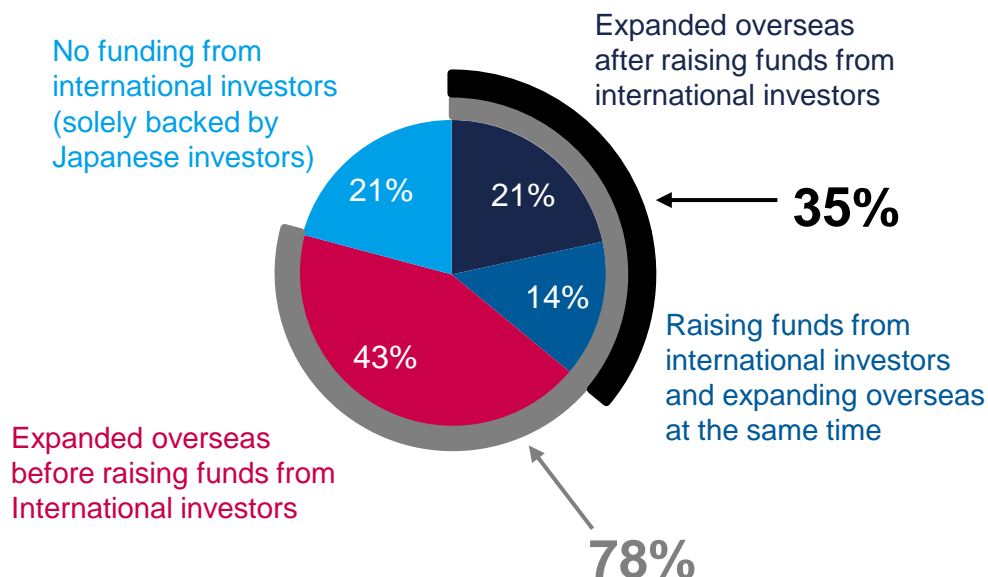
Investor Perspective

Preference to Japan Champion

Japan is one of the world's leading economies in terms of economic scale. There are cases where investors choose to invest in Japanese startups that bring advanced and successful overseas business models into the Japanese market. However, if an investor already has a portfolio company operating a similar business model in another region, the Japanese startup may be seen as a competitor. In such cases, the investor may not necessarily be proactive in supporting the Japanese startup's overseas expansion.

Funding from International Investors and Global Expansion

Of the startups that had expanded globally, 78% had obtained funding from international investors. However, only 35% had secured this funding before or at the time of their overseas expansion.



N=28

Funding from International Investors (2/2)

- In most cases, startups receive funding from international investors at Series C or later stages.
- However, there have been few observed cases in which international investors provided substantial business support—such as customer introductions or talent referrals—to their investee Japanese startups.

Which came first? : Funding from International Investors or Global Expansion

Company name	Funding stage	IT/ Deep Tech	Timing of Funding from International Investors: Years Since Establishment (A)	Timing of Global Expansion: Years Since Establishment (B)	Gap (B)-(A)	Which Came First?: Funding from International Investors or Global Expansion
ANDPAD	Series C	IT	8	11	3	Funding
ABEJA	Series B	IT	2	5	3	Funding
SkyDrive	Series C	Deep T	4	5	1	Funding
OPN Holdings	Unknown	IT	1	2	1	Funding
JEPLAN	Series D	Deep T	16	17	1	Funding
CADDi	Series C	IT	4	5	1	Funding
WHILL	Seed	Deep T	2	2	0	Simultaneous
AI Medical Service	Series C	Deep T	5	5	0	Simultaneous
LegalOn Technologies	Series D	IT	5	5	0	Simultaneous
Sansan	Series A	IT	6	6	0	Simultaneous
SmartNews	Series C	IT	3	2	-1	Global expansion
DAIZ	Series E	Deep T	7	6	-1	Global expansion
Spiber	Series D	Deep T	13	11	-2	Global expansion
TBM	Series E	Deep T	7	5	-2	Global expansion
GITAI	Series A	Deep T	5	3	-2	Global expansion
Kyoto Fusioneering	Series C	Deep T	5	2	-3	Global expansion
CureApp	Series E	IT	8	5	-3	Global expansion
Synspective	Series B	Deep T	3	0	-3	Global expansion
Dynamic Map Platform	Series C	Deep T	6	2	-4	Global expansion
Mujin	Series B	Deep T	12	8	-4	Global expansion
Astroscale	Series E	Deep T	8	4	-4	Global expansion
Shizen Energy	Series A	Deep T	12	2	-10	Global expansion

International Investors: Current Trends

- Beginning in 2024, an increasing number of prominent international investors have begun investing in Japanese startups, with some even exploring the possibility of establishing a base of operations in Japan.
- However, a closer look at their investment targets reveals that few are deep-tech startups or startups pursuing overseas expansion.

Background of the Change

Geopolitical shifts

- Due to the deterioration of U.S.-China relations, funds that would have traditionally been invested in Chinese companies are now being redirected to other Asian countries, such as India and Japan.

Growing expectations for the Japanese economy

- Expectations are growing for Japan's economy—one of the world's largest—alongside ongoing structural reforms.
- The combination of large IT budgets and lagging cloud adoption presents a clear opportunity to accelerate digital transformation efforts among Japanese companies.
- Additionally, Japan's cultural, legal, and economic stability further bolsters confidence in achieving positive outcomes.

Strengthening of global networks by Japanese VCs

- Japanese VCs are strengthening their collaboration with international VCs.

Investments in Japanese Startups by International Investors (2024)

	SmartHR	Sakana AI	matsuri technologies	Loglass	Dinii	Leaner Technologies	Habitto	CADDI
Business Overview	Cloud-based HR and Labor Management Software	AI Architecture and Model R&D	Space Utilization Model for Lodging and Short-term Rentals	Cloud-based Business Management Platform	Mobile Ordering and POS Services for Restaurants	DX Solutions for Procurement and Purchasing Departments	Financial Advisory Platform	AI Platform for Manufacturers
Year Established	2013	2023	2016	2019	2018	2019	2021	2017
International Investors	KKR, Ontario Teaches' Pension Plan (OTPP)	Khosla Ventures, NEA	Vertex	Sequoia Heritage	Bessemer Venture Partners, Hillhouse Capital	Bessemer Venture Partners	QED Investors	Atomico
Funding Date	2024/7	2024/9	2024/6	2024/7	2024/9	2024/10	2024/11	2025/3
Funding Round	Series D	Series A	Series D	Series B	Series C	Series B	—	Series C
Amount Raised (¥B)	10	30	1.34	7	7.5	1.5	1.8	4.0
Deep-Tech	—	○	—	—	—	—	—	—
Status of Global Expansion	— Primarily Domestic	(Currently Domestic-Focused)	— Primarily Domestic	— Primarily Domestic	(Plans for Global Expansion)	— Primarily Domestic	— Primarily Domestic	Already started global business

Source: SPEEDA Startup Research, Globis Capital Partners' "Bryan from Bessemer on the Unique Potential of Japanese Startups" (December 13, 2024), company websites, and other media reports.

Challenges for International Investors in Investing Japanese Startups

- Some international VCs express a desire to invest in Japanese startups. However, there is often a mismatch between the preferences of these VCs and the needs of Japanese startups aiming to expand overseas. Here is a list of the mismatches*.
- Furthermore, VCs with a proven track record in deep-tech investment are scarce, and as a result, there are few instances in which international VCs capable of providing business support participate in the funding of Japanese deep-tech startups.

Mismatches	Japanese Startups Aiming for Global Expansion	International VCs
Startup's Growth Stage	Startups generally seek funding from international VCs in their growth stages, typically during: <ul style="list-style-type: none"> • Later stages when startups need large-scale funding • The IPO phase, often involving crossover investors 	<p>International VCs have varying preferences in the growth stages:</p> <ul style="list-style-type: none"> • Those seeking high returns prefer to invest at relatively early stages, where they can secure a significant equity ownership. • Conversely, international VCs with limited understanding of the underlying technology or target market tend to invest at the middle or later stages, when the business model and revenue streams have become more stable. However, even at these stages, they may withhold investment if the startup lacks sufficient refinement—such as low technological maturity or an unproven financial track record. Additionally, for international VCs unfamiliar with the Japanese market, conducting qualitative DD, such as reference checks, can be particularly challenging
Sector (especially Deep-Tech / Hardware related)	Startups targeting the global market, especially those in deep-tech, require substantial funding to achieve their goal of becoming global champions . In this regard, international VCs with abundant capital are strong candidates for fundraising. Moreover, securing investment from international VCs with extensive knowledge and networks in overseas markets brings the added benefit of ongoing business support for the startups.	<p>Both in Japan and internationally, there are few venture capitalists with deep expertise and successful track records in deep-tech and hardware related startups.</p> <p>Many international VCs hold high expectations for startups that replicate proven SaaS business models from abroad and adapt them to the Japanese market, aiming to create so-called “Japan Champions.” In such cases, these VCs typically favor startups that concentrate their operations in Japan or Asia, in order to avoid competitive overlap with portfolio companies in other regions.</p>
Valuation / Business Plan	<p>Startups often craft realistic business plans influenced by Japanese investors' expectations around exit timing and valuation. This conservative approach—favoring steady returns over “home runs”—is closely linked to the issues of small-scale IPOs in Japan.</p> <p>Funding rounds led by Japanese CVCs or strategic investors tend to end up with inflated valuations.</p>	<p>Aiming for a major exit (“home run”)</p> <p>Startups that have undergone multiple funding rounds primarily backed by Japanese investors often reach excessively high valuations, making it difficult for international investors to anticipate significant upside when considering participation in later stages.</p>

* In addition to the items listed in the table above, there have been cases where various other barriers prevented international investors from proceeding with investment considerations. For example, (1) cases where international investors were not granted the right to appoint directors or observer rights in the startup, and (2) cases where the startup was unable to provide audited financial statements, thus failing to meet the requirements of the international investor.

- Investment contracts for Japanese startups often have several distinctive features compared to those used in the U.S. (see examples ① to ③ below). While these differences are sometimes seen as potential barriers to attracting overseas investors, our interviews revealed very few instances where Japanese-style contracts impeded fundraising from abroad.
- In many cases, Japanese-style contracts are simply translated into English and used for raising funds from overseas investors—with Japanese remaining the primary language. However, some pointed out the drawbacks of using English as the main language, as certain Japanese investors may struggle to keep up.

①Covenant to Use Best Efforts to Achieve IPO

- In Japan, investors generally seek to realize capital gains through an IPO. To enable VC funds to recover their investments within the duration of their fund life, term sheets or shareholder agreements often include provisions stating that the startup will pursue an IPO by a specified date. However, this obligation is typically framed as a “best-efforts” commitment rather than a legally binding requirement to go public.

The issuing company and its management shareholders shall make their best efforts to achieve the listing of the issuing company's common shares on a financial instruments exchange by [date], using the fiscal year ending [date] as the application reference fiscal year.

②Liquidation Preference (participating type)

- A method whereby, after the preferential distribution of residual assets to preferred shareholders, any remaining assets are distributed to both preferred and common shareholders.

1. Upon distribution of residual assets, the Company shall first pay [xx] yen per Class A Preferred Share (the “Class A Preferred Distribution Amount”) to the Class A Preferred Shareholders or the Registered Pledgees of Class A Preferred Shares, in priority to the Common Shareholders and their Registered Pledgees.

2. If any residual assets remain after the distribution described in the preceding paragraph, such remaining assets shall be distributed among the Common Shareholders and their Registered Pledgees, as well as the Class A Preferred Shareholders and their Registered Pledgees. In such case, the Company shall further distribute to each Class A Preferred Shareholder or Registered Pledgee of Class A Preferred Shares an amount per share equal to the product of (i) the amount of residual assets distributed per Common Share to Common Shareholders or their Registered Pledgees, and (ii) the Class A Acquisition Ratio as defined in [referenced article].

③Repurchase Obligation by Management Shareholders

- In the event of a breach of the provisions of the investment agreement or if it is discovered that the representations and warranties are untrue, the management shareholders shall be obligated to repurchase the shares in the startup held by the investor.

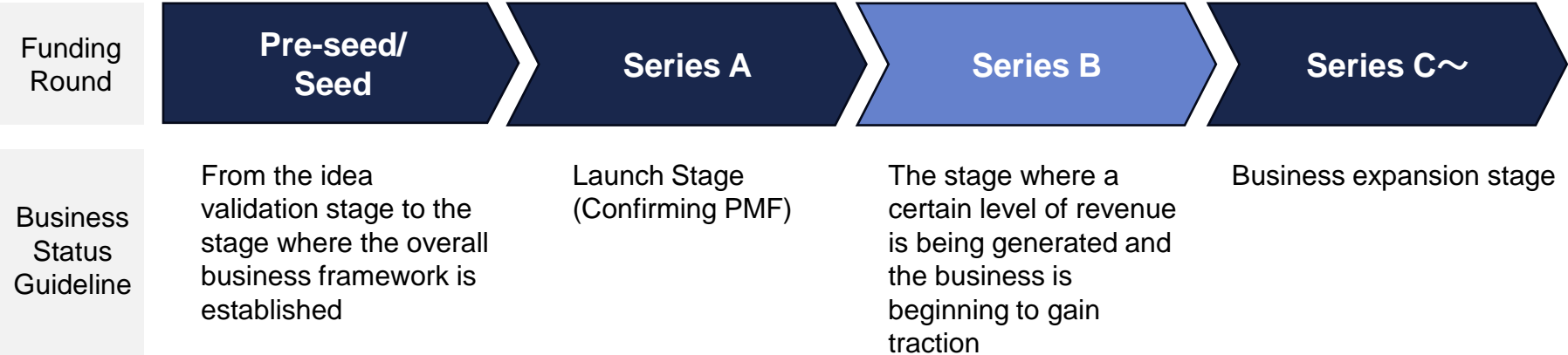
The Issuing Company and the Management Shareholders shall be jointly obligated to repurchase the shares in the following cases:

- (1) If the Issuing Company or the Management Shareholders breach the investment agreement;
- (2) (2) If any representation or warranty made by the Issuing Company or the Management Shareholders is untrue or inaccurate.

However, this repurchase obligation is often ineffective in practice, as it is difficult to quantify damages arising from breaches of the investment agreement—for example, when the right to nominate directors is disregarded, calculating the resulting damages can be challenging. For this reason, it is often necessary to stipulate a clear penalty, such as a mandatory share repurchase, in the agreement. Nevertheless, under Japan's Companies Act, restrictions on treasury stock acquisitions—due to financial limitations and other regulatory constraints—make it difficult for the company itself to repurchase shares. As a result, it is often management shareholders, rather than the company, who are contractually required to fulfill the buyback obligation. That said, the Guidelines for Business Collaboration with and Investment in Startups—jointly published by the Japan Fair Trade Commission and the Ministry of Economy, Trade and Industry—express concern over this practice. The guidelines suggest that obligating individual founders or management shareholders to repurchase shares may be undesirable from a competition policy perspective, as it could reduce incentives for entrepreneurs to seek investment and launch new ventures.

Source: “Guidelines for Business Collaboration with and Investment in Startups” (March 31, 2022) published by the Ministry of Economy, Trade and Industry, and the article “Comparison of Startup Investment Terms Between Japan and the U.S.: Participating vs. Non-Participating Preferred Shares” (September 21, 2022) on the website of the Japan Startup Association, among others.

- It is generally considered desirable for startups to bring in international investors around the Series B stage—once product-market fit has been validated and the company is entering its growth phase. This view is commonly held among Japanese investment professionals.
- International VCs typically have strong networks in their home markets, clear go-to-market strategies, and a deep understanding of local regulatory environments. As such, engaging international VCs at an earlier stage can better position Japanese startups for global expansion, allowing them to benefit from these VCs’ insights, expertise, and talent referrals as active shareholders.
- However, based on the interviews conducted, successful cases of this kind have yet to be observed.



8. Communication & culture-building

Profile of Japanese Startup Entrepreneurs

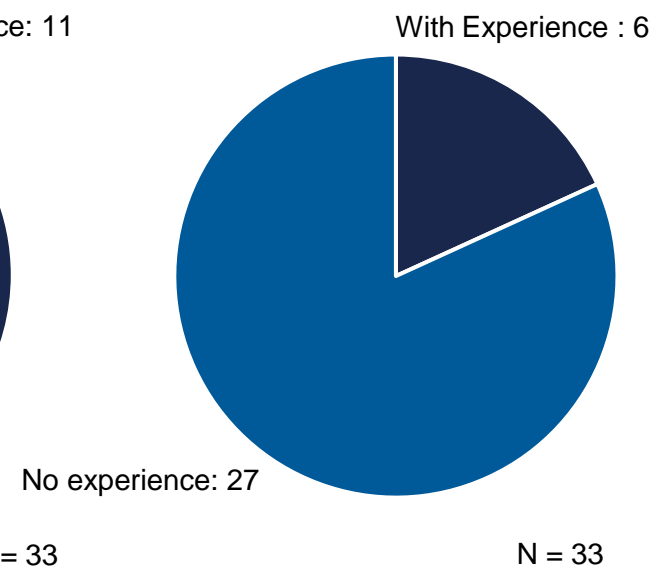
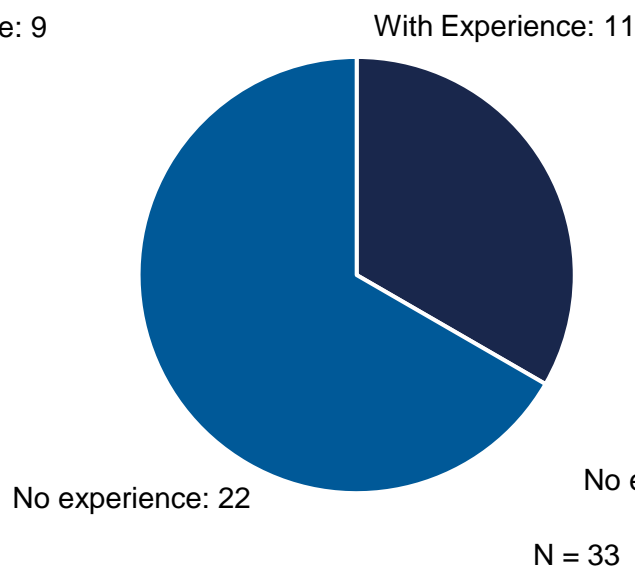
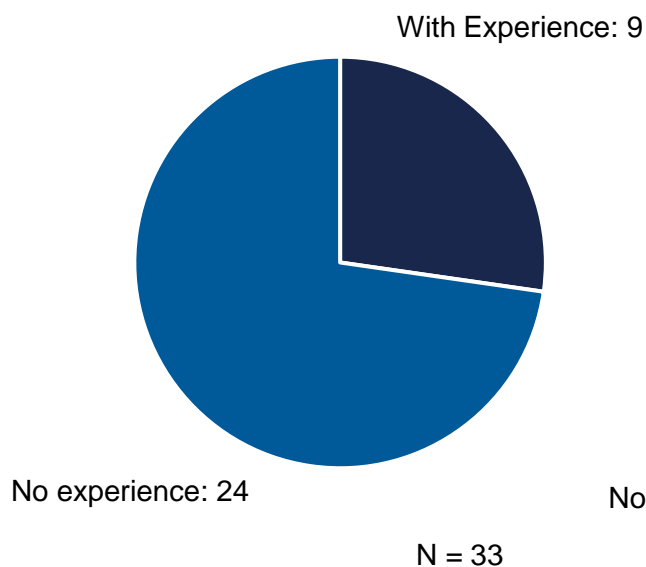
- An analysis of entrepreneurs leading major startups expanding overseas reveals that most lack prior entrepreneurial experience or international exposure, such as studying or working abroad.
- Those who do possess business or overseas experience tend to establish startups in markets familiar to them, leveraging insights and lessons gained from their past experiences.

■ Past Entrepreneurial Experience

■ Overseas Business Experience

■ Overseas Study Experience

(Unit: Number of Entrepreneurs)



Communication: Adoption of English

- When managing a multinational team, using a common language such as English is essential to eliminating communication barriers.
- Although English proficiency among Japanese entrepreneurs varies widely, effective communication in English is critical for them to build a global team. Those who recognize this necessity are proactively working to improve their language skills.

Building a Global Organization and a Common Language

- Integrating a multinational team and embracing diversity from the early stages is a key factor for successful international expansion.
- Using a common language, such as English, helps eliminate communication barriers and foster alignment across teams.
- Although English proficiency levels vary among entrepreneurs, those actively pursuing global growth often adopt English as their official internal language. For example, startups like AnyMind and Josys established English as their corporate language early in their development.

English Usage	Overview
Company-Wide	Implementing English as the official internal language across the entire company. (Adopted by companies such as JOSYS and AnyMind.)
By departments, teams, or meetings	Operating certain departments, teams, or meetings in English. For example, conducting board meetings in English facilitates smoother communication with management, external directors, and observers with international backgrounds.(Adopted by companies such as WHILL.)
By overseas offices or by relevant members	When most employees are Japanese speakers or key members have limited English proficiency, Japanese is primarily used to ensure smooth communication and decision-making, with interpreters brought in as needed.

Source: Expert interviews

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Comments on Each Company's Initiatives

• AnyMind Group

“ English has been the company's official language from day one. Given the business's global focus from the start, this was a natural decision. We believe that the key to effective communication in English is having the confidence to speak without hesitation. ”

• Josys

“ All communication is conducted in English. Holding company discussions in a common language helps accelerate success. Offsite meetings and All-Hands gatherings are also conducted entirely in English. ”

• Deep Tech startup

“ Just two years ago, the CEO and team did not operate in English. Since then, the adoption of English has advanced considerably, with more international members joining the team and key discussions now taking place in English. ”

• IT startup

“ English is a skill that can be developed through effort, and neglecting it may signal complacency in leadership. ”

- As startups expand internationally, they increasingly collaborate with team members from diverse cultural backgrounds. It is therefore essential to adopt an open-minded, low-context communication style—one that conveys information clearly and explicitly, without relying on shared assumptions or implicit context that may only be understood by Japanese staff.

Theme	Case Study		
Conducting Offsite Meetings and All-Hands Meetings	<ul style="list-style-type: none">• Josys The company held an offsite bootcamp, spending several days with the leadership team in Karuizawa and a few days in Tokyo. They found that fostering openness and information sharing during the retreat was extremely valuable.	<ul style="list-style-type: none">• Kyoto Fusioneering The company hosts a Culture Day with off-site gatherings at each location, actively involving management in the events.	<ul style="list-style-type: none">• Deep Tech Startup Placing importance on in-person events, the organization holds an annual all-hands meeting, inviting members from overseas as well. In line with its philosophy of valuing the natural environment, the team also occasionally organizes ski retreats.
Real and Virtual Communication, Business Trips, and Travel	<ul style="list-style-type: none">• Kyoto Fusioneering The company operates in seven locations across five countries, with the management team frequently traveling to each site to participate in off-site meetings and maintain effective communication.	<ul style="list-style-type: none">• AnyMind Group The CEO visits offices in 4 to 5 countries every month, frequently traveling to key markets like Indonesia, Thailand, and Vietnam almost monthly.	
Localization and Adaptation to Local Culture	<ul style="list-style-type: none">• AnyMind Group Localization for each country is essential, requiring adaptation to local cultures and business practices. The founders and management team place a strong emphasis on open, flat communication and have remained consistently attentive to effective localization. While English is used as the primary language of communication, they focus on fostering an open and egalitarian culture—a practice embedded from day one.		
Diversity	<ul style="list-style-type: none">• Deep Tech Startup More than half of the employees come from diverse national backgrounds, and the company maintains a roughly equal gender balance. The CEO brings prior experience managing a startup with an international footprint and demonstrates strong capability in leading within a multicultural environment.		

Source: Article search, web blogs

9. Ambition

- For Japanese startups, the domestic market is relatively large and benefits from language and cultural barriers that provide a degree of protection. Entrepreneurs who boldly pursue the highly competitive global market are driven by a strong ambition to overcome the challenges of overseas expansion.
- This ambition often stems from intrinsic motivation, though some entrepreneurs acknowledge that external influences—such as role models—have broadened their perspectives.
- If iconic success stories emerge from startups leading the way in global expansion, it is expected that more ambitious, large-scale ventures will follow in the future.

The background and process leading entrepreneurs to develop ambition

Ambition for Global Problem-Solving and Innovation

- We recognized that the Japanese market was limited, so we couldn't confine ourselves to it. Naturally, we targeted the global market and adopted a broader, more strategic perspective.
- Founder of a Deep Tech Startup

Ambition for Business Expansion

- In my previous role, domestic sales ranged from 50 to 60 billion yen, making it challenging to reach unicorn status solely within the Japanese market. I realized that in order to build a business on a trillion-yen scale, global expansion is essential.
- Founder of an IT Startup

The Founder's Personal Experiences and Background

- As a student, I backpacked across India, which broadened my business perspective and fostered a more global mindset. Witnessing firsthand the people's skilled sales tactics and relentless perseverance, I became convinced that as the next generation grows up, India's development will accelerate even further.
- Founder of an IT Startup

The Presence of Role Models

- I had the opportunity to engage closely with many global leaders, including successful international entrepreneurs. I was deeply inspired by the scale of their achievements and their strong sense of purpose, which became a major turning point for me.
- Founder of an IT Startup

Mentorship from Investors and Supporters

- With the support of a central figure in the global startup ecosystem, I was introduced to GPs or equivalent professionals at top-tier investment firms. Throughout the fundraising process, I was struck by the breadth of their vision and their bold ambition to achieve a true "home run."
- Founder of an IT Startup