

“SCALING UP YOUR BUSINESS IN JAPAN – HOW AND WHY”

This is a brief overview of material written and presented in the JETRO-Austrade webinar “Scaling up your business in Japan - how and why”, August 2020, by Takashi Sato, JETRO Tokyo.

Current challenges and opportunities in Japan

Worldwide governments and major corporations are redefining their strategies to solve increasingly complex issues. Japan is also grappling with challenges and opportunities accelerated by COVID-19 impacts.

The Japanese Government and Japanese corporations are acutely aware that they need to foster more innovation, create more diversity in collaboration and that a more global outlook is key.

Now more than ever, the Japanese market is accessible to foreign technology and innovation.

There is also increasing scope for strategic commercial partnerships between Japanese corporations and foreign companies, including Australia, in the Asia Pacific region.

The challenges and resultant opportunities outlined here are those which are highly relevant to Australian capability.

Work Style Reform

Due to COVID-19, Japan has had to embrace working from home (WFH), which until recently was not a usual work practice. WFH adoption rate was 43% (large companies such as Hitachi, Fujitsu, Hitachi, Toshiba and Sony) compared to 16% (SMEs)¹ and it has become immediately clear that people and systems are not set up to work from home. However, the flexibility experienced by workers is something large corporations want to continue to offer to attract talent. Fujitsu has announced it will cut commutation by up to 80% and halve office space by 2023. This presents an opportunity for Australian companies who have disruptive technology that will enable Japanese SMEs to digitally transform their business practices with affordable solutions.

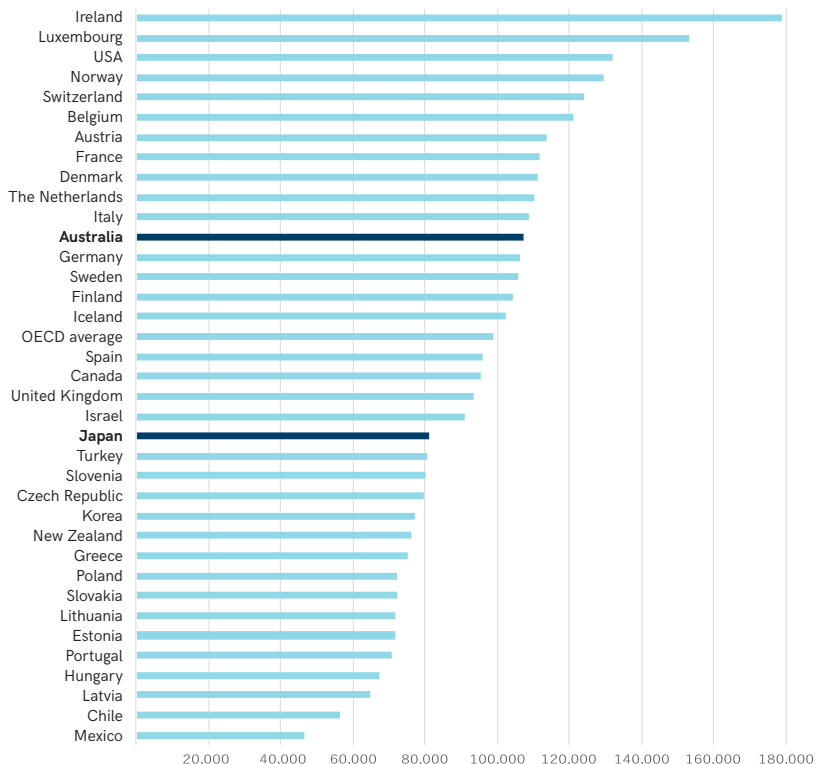
Japanese enterprises are also keen to find solutions that give a secure work from home environment that protects information of both the employees and clients.

Productivity

In parallel to Work Style Reform, at more structural level, there is a fundamental challenge of Japan’s low productivity.

According to 2020 White Paper on Small and Medium Enterprises, 99.7% of Japanese companies are SMEs. There are 3.5 million SMEs in Japan and roughly 70% of the workforce is employed by SMEs.

Labor productivity (2018) (purchasing power parity equivalent in US dollars)



Increased participation of women and older people in the workforce is required to counter the shrinking working-age population in Japan. Also, women in Japan held only 14.8 percent of managerial positions in businesses and the civil service in 2019, which is extremely low compared to 40% in the US or Sweden. A lack of talented women in the top management could be another cause of low productivity.

The productivity of small enterprises in Japan is roughly 45% of that of large companies. Among the least productive areas are retail, hospitality and tourism.

¹ Source: 'Results of the third emergency survey on the impact of the new coronavirus on telework'. Persol Research and Consulting Co., Ltd. パーソル総合研究所「第三回・新型コロナウイルス対策によるテレワークへの影響に関する緊急調査」(accessed 30 July 2020). Chart source: The Small and Medium Enterprise Agency, 2020. 2020 White Papers on Small and Medium Enterprises (中小企業白書2020), p.1-99 (accessed 30 July 2020)



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FinTech

Another area of growth and opportunity in Japan is FinTech, both retail and institutional.

Japan has traditionally been a cash based society and the move to FinTech solutions is dramatic. In 2019, cashless payments made up about 27% of all payments in Japan. The adoption rate is surging this year, as people are going cashless instead, especially with contactless smartphone payments.

At the national level, the Bank of Japan is looking closer into whether to issue central bank digital currencies and included the issue for the first time in its annual policy roadmap.

With this backdrop, IT spending to enhance financial digitalization is rising among financial institutions. That means both FinTech adoption for new service development and system upgrades to adapt the existing infrastructure to new technology and services are critical.

Along with major financial institutions, Japanese firms, such as financial service SMEs/startups and system integrators, have started to partner with foreign FinTech firms.

Artificial Intelligence

Ready-to-use AI solutions are highly sought after in Japan to achieve work style reform, higher productivity and FinTech solutions.

The application of AI technology is already widespread across industries. Australia has a much more competitive landscape than Japan in terms of research in the AI field. The "International Joint Conference on Artificial Intelligence" is one of the most prestigious international academic conferences on AI. It accepted 850 papers in 2019, and its acceptance rate was less than 18%. Australia ranked the 3rd following China and the US, while Japan ranked 8th in terms of academic papers accepted.

Retail and advertising data utilization enables development of omni channel strategies, behavioural targeting by smarter curation and marketing automation.

In the electricity market, utilities are teaming up with cross-sector startups to leverage the large amounts of data from smart technologies through AI.

That enables smarter demand response and aggregation of energy, which optimizes the utilities' customer engagement, boosting their competitiveness in return.

Medical Information

Aged care-tech was already a challenge and an opportunity before COVID-19. Currently there is an urgent need for technology to assist in providing care to the elderly in nursing homes and at home while reducing the burden on care workers.

Closely linked to the aging population is the need for digitalised medical information and solutions.

COVID-19 has prompted Japan to ease regulations on remote medical treatment, creating an opening for tech companies. The changes underscore significant disruption in one of the world's biggest medical markets, which has lagged countries like Australia, China, the United States and EU countries in telehealth and telemedicine.

The reforms could also help Japan grapple with both a skyrocketing healthcare burden and lack of doctors in rural areas.

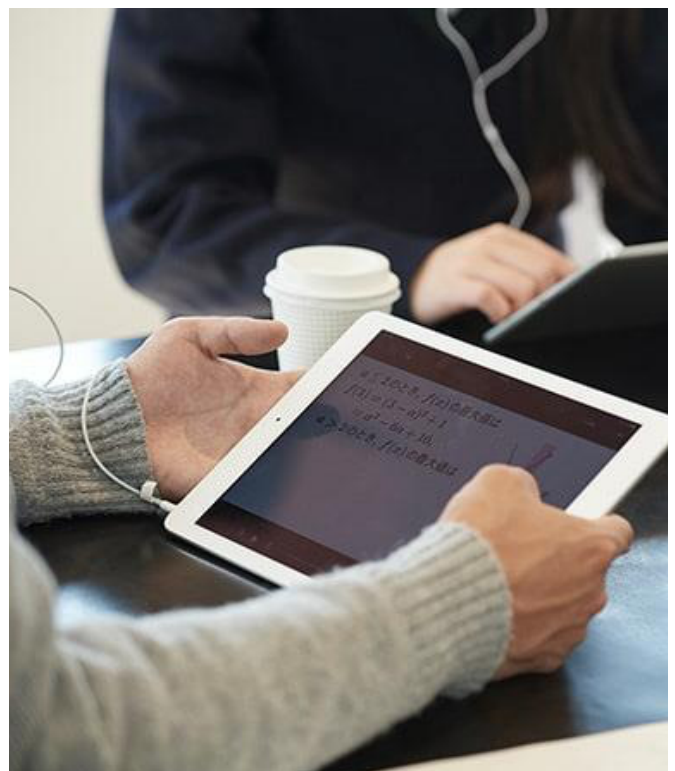
Edtech

As a result of the impacts of COVID-19, global EdTech startups are experiencing unicorn-style growth. Regardless of the age range, best practice solutions are sought after for professional development and upskilling, learning management, online classroom and study continuity.

In February 2020, in the middle of the pandemic, Benesse, Japan's top educational enterprise, invested \$50 million in Udemy, the largest global marketplace for learning and teaching online. With a valuation of AU \$2 billion, Udemy became an important strategic partner for Benesse.

Japan's move to online learning has not been without challenges given that "1 student: 1 device" has not been realized yet in many parts of Japan exposing socioeconomic gaps in terms of "education for all".

For Australian EdTech innovators and inventors, one key to scale in Japan would be to identify and team up with educational publishers or system integrators with a robust network and distribution channel.



Credit: 未来の教室 Learning Innovation, METI. Copyright (C) 2020 JETRO. All rights reserved.

Policy drivers to accelerate innovation

The Japan Investment Corporation (JIC) is a Government-led fund which provides risk capital to encourage private investment in sectors that struggle to attract private investment alone. JIC Venture Growth Investments, their new fund launched in July 2020, is specifically targeted at high potential scale ups. JIC will allocate AU\$1.6bn to growth stage ventures in areas including FinTech, AI, healthcare/medical, EdTech over the next five years.

Also in July 2020, the Japanese Government revealed the startup strategy "Beyond Limits. Unlock Our Potential", an ambition to create the Japanese version of Silicon Valley that gravitates venture capital and GAFAs-like giant tech companies to Greater Tokyo, Greater Nagoya, Kansai spanning Osaka, Kyoto, Kobe and Fukuoka City.

A third initiative is the project-based "Regulatory Sandbox". In the sandbox, demonstrations are permitted under a deregulated environment before commencing business in Japan, in order to accumulate big data and evaluate the likely outcomes.



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RECENT CASE STUDIES OF SUCCESSFUL AUSTRALIAN COMPANIES SCALING UP IN JAPAN

Catapult Sports

An ASX-listed sports performance analytics company, Catapult Sports is now working with nearly 3,000 teams in 39 sports, including top clubs in Bundesliga, Premier League, and J League. Athletes wear physical hardware to help track different elements of their performances.

Catapult developed a local positioning system (LPS) with CSIRO that delivers accurate positional data in varying environments.

Catapult has entered into a partnership with the Japanese distributor, leaving customer support and customer network maintenance to the Japanese partner, while its Japanese subsidiary focusses on new business development activities.



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HIVERY

HIVERY is a spinout in 2015 by two Australian-born entrepreneurs and three PhD data scientists from Data61/CSIRO.

The Sydney-based AI-driven startup is a pioneer of hyper-local retailing. In Japan, HIVERY is achieving what other Australian firms aspire to. They have set up offices in Tokyo to bring new AI-powered analytical innovation in the vending machine and category management space. At slightly over 5 million nationwide, Japan has the highest density of vending machines worldwide. Franki Chamaki, co-founder, says, "The biggest thing for us is that we are proudly an Australian AI company and we want to be an example of the way Australian intellectual investment can achieve overseas".



JETRO's role in assisting international companies to invest in Japan

The Japan External Trade Organisation (JETRO) a government organization that connects businesses with the resources they need to successfully expand to Japan. Invest Japan is a program which JETRO administers to specifically encourage investment of foreign companies into Japan.

JETRO Australia offers a range of business support services to Australian companies seeking to invest in Japan, as well as several industry-specific exhibits, seminars, and events for networking and partnership purposes.

About Invest Japan:

JETRO's program to support innovative tech companies invest in Japan.

[CLICK HERE](#)



Invest Japan Updates:

Lists of companies that JETRO has supported.

[CLICK HERE](#)



Invest Japan Success Stories:

Articles based on interviews with some of these successful companies who are stimulating the Japanese innovative ecosystem.

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[CLICK HERE for the recording of "Scaling up your business in Japan - how and why" webinar #1](#)

HOW JETRO CAN HELP

For more information on Jetro's services and how we can help your business email us at syd-bd@jetro.go.jp, phone 02 9002 6218 or visit jetro.go.jp/australia

