

Japan Startup Ecosystem Report 2023



GLOBIS
CAPITAL
PARTNERS



INITIAL



Contents

Japan Startup Ecosystem Overview

- Introduction
- Investment Trends
- Major Growth Stage Deals
- Japanese Unicorns and Next Unicorns
- Japanese Listed Unicorns
- Iconic IPO and M&A
- Column: The Rise of Deep Tech in Japan

2023 Update

- Overview
- Investments
- Deals
- IPOs
- M&As



GLOBIS Capital Partners (GCP) is a leading venture capital fund based in Tokyo, Japan, with aggregated assets under management of over JPY 180 billion (USD 1.3 billion). Since 1996, GCP has invested into over 200 companies, most of them as a lead investor, and accelerated their growth through hands-on support.

Contact:
GLOBIS CAPITAL PARTNERS Co., Ltd.
<https://www.globiscapital.co.jp/en/>
gcp-ir@globis.co.jp
9F Sumitomo Fudosan Kojimachi Bldg.,
5-1 Niban-cho, Chiyoda-ku, Tokyo 102-0084,
Japan

INITIAL

INITIAL is a one-stop platform for information on Japanese startups, allowing users to search, browse, and download business descriptions, funding details, data on shareholders and partners, related news, and analytical reports on such companies. It can be used in a wide variety of business scenarios that require startup information, including investment, M&As, business partnerships, sales, and various support activities.

Contact:
Uzabase, Inc.
<https://initial.inc/>
initial.support@uzabase.com
Mitsubishi Building, 2-5-2 Marunouchi,
Chiyoda-ku Tokyo, 100-0005, Japan



Definitions and Other Premises

Reporting Period

January 1, 2013 – December 31, 2023

INITIAL's compilation of data is based on publicly available information and is therefore affected by whether or not a startup or other company has released information at the time of data aggregation. Although INITIAL strives to ensure data completeness by other means, some undisclosed funding is not captured in real time. As such, some figures (including past figures) are subject to change following further surveys, with the probability of such changes rising for more recent rounds, for deals with smaller values, and for the total number of deals in a given period. However, these changes do not result in significant fluctuations in overall funding trends.

INITIAL's Definition of a Startup

Startups are defined by INITIAL as private Japanese companies (including domestic companies founded by non-Japanese citizens and foreign companies founded by Japanese citizens) possessing technology, products, services, and/or business models which are unique and innovative and that are actively engaged in investments and other efforts to grow their business. These companies must also strive to change or transform the world in terms of daily life, society, economic models, technology, or otherwise. In certain cases, other companies may also be deemed eligible for classification as startups by INITIAL.

Examples of companies ineligible for classification as startups under INITIAL's definition include unlisted companies that do not engage in fundraising—instead relying on revenue for growth—and wholly-owned subsidiaries or sub-subsidiaries of listed companies (in the case of wholly-owned subsidiaries or sub-subsidiaries of multiple listed companies, the company is ineligible if it is effectively deemed to be a group subsidiary due to factors such as its corporate profile and board composition).

INITIAL's Definition of Funding

Given that this report prioritizes completeness, the scope of its definition of "funding" is limited to that which results in a capital increase—a contributing factor to growth investment.

Accordingly, inflows of cash received through means such as M&As, share transfers, securitization, the issuance of bonds, and funding from debt financing are not included. Initial coin offerings (ICOs) are similarly excluded from the scope of funding under this report, as they do not constitute a capital increase under current accounting practices.

While some investments involve the transfer of shares held by VCs or their investment in startups through the acquisition or subsidiarization of general business corporations, which may be aggregated into their overall investment into a startup, such cases are not included under the scope of funding for this report.

INITIAL's Definition of Investment

Investment is defined by INITIAL as "capital participation" in startups and includes not only investments received through means such as the allotment of new shares to a third party but also in the form of share transfers, M&As, and subsequent further investments made by investors until their time of exit.

JPY USD Exchange Rate

JPY 140.5 for 1 USD (average exchange rate in 2023)

Japan Startup Ecosystem Overview

Introduction

About This Report

The Japanese startup ecosystem is on a 10-year bull run. Startup investors who previously overlooked Japan should take this into consideration because the ecosystem is robust, offering plentiful opportunities for investment and healthy returns.

However, it is also true that little information on Japanese startups is available in English. This report is intended to shed light on macro stats, exciting trends, unique insights and promising startups coming out from Japan. This is a joint report published by INITIAL, a leading startup database in Japan, and Globis Capital Partners (GCP), a leading venture capital fund in Japan.

Five Reasons To Be Excited about Japan

Below, we share five reasons why the Japanese startup ecosystem is exciting and worth actively looking at.

1. The Market Grew 10x in the Last 10 Years but There is Plenty More Room for Growth

Investments in startups in Japan has grown 10x in the last 10 years, representing 25% CAGR since 2013. In 2023, Japanese startups raised in estimate JPY 850 billion (approx. USD 6 billion), which is more than South Korea (approx. USD 4 billion) and approaching Germany (approx. USD 8 billion). Many local Japanese VCs are raising larger funds, which will translate to more deployment in the coming years.

Japanese corporations have never been more open and aggressive to work with startups. Most major corporations now have CVCs, direct investment programs, and dedicated teams for “open innovation” to work with startups. As a result, partnerships and M&A are becoming more common.

To further accelerate this organic growth, the government has announced a “Five-Year Plan” to accelerate startup activities. The plan aims to accelerate startup investment 10x and create 100 unicorns by 2028. To achieve this ambitious goal, the plan sets out to provide risk capital, renew SBIR (Small Business Innovation Research), connect with global startup ecosystems, provide tax incentives for M&A, and upgrade Stock Option regulations, among other strategies.

All signs, in other words, point towards further growth in startup investment in the coming years.

2. Exceptional Founders and Talents Flowing into Startups

In addition to an increasingly robust investment environment, the next generation of exceptional founders and talented team members are emerging in Japan. In the past, the Japanese were thought to be risk averse, and the country’s top talents typically entered government ministries and prominent, large corporations.

This has completely shifted in the last decade or so. It has become a new norm for top university students to work for a startup as an intern. Many startups have student interns from top universities and some join full time upon graduation. Indeed, GCP offers an entrepreneurship class, which is often oversubscribed, at the University of Tokyo.

Furthermore, many young professionals working for investment banks, strategic consulting firms and private equity funds chose to transition to a new career, after gaining a few years of experience, by founding their own startup or joining one.

Introduction

3. The Rise of Japanese Unicorns

As capital and talents flow into startups, Japan is witnessing the rise of Japanese unicorns—private companies with valuation over JPY 100 billion (approx. USD 711 million). The pivotal moment was when Mercari, a consumer-to-consumer marketplace app, went public with initial valuation of JPY 676 billion (approx. USD 4.8 billion) in 2018, a mere five years after it was founded. Mercari is often referred to as Japan's first VC-backed unicorn; it paved the way for more to come.

As of 2023, Japan had 7 unicorns and many more in the pipeline, but this was not always the case. It used to be that Japanese startups went public early, with a typical valuation in the range of JPY 10-30 billion (approx. USD 71-214 million). However, after seeing the success of Mercari and others, more founders and investors are becoming ambitious and going for bigger markets and outcomes. Some of these unicorns are founded by serial entrepreneurs, and the trend seems to be primed to accelerate.

4. Wide Range of Investment Themes in a less Crowded Market

The Japanese startup ecosystem has a wide range of themes, from B2B SaaS to consumer app to deep tech. Some themes may be familiar to global investors, as they can be described as the “Japanese version of x,” and with familiar business models, but in a different market. But Japan also offers unique technology and business models, especially in fields where it has competitive advantages, such as robotics, healthcare and entertainment. Our column in page 16 highlights some exciting trends in deep tech in Japan.

One thing to note is that the competition among startups is less fierce in Japan than in other markets, such as the US and China. Only a handful of companies compete in the same verticals in Japan, thereby creating the opportunity for breakout startups to capture entire markets in what is the world's fourth-largest economy.

5. Emerging and Open Opportunities in the Growth Stage

As the ecosystem develops and more ambitious startups emerge, startups are staying private longer and taking on bigger markets. As a result, growth stage investment has recently emerged, where startups raise north of JPY 5 billion (approx. USD 36 million)—or, in some cases, over JPY 10 billion (approx. USD 71 million). In 2023 alone, 16 startups raised over JPY 5 billion in a single round, of which 8 raised over JPY 10 billion.

The growth stage is especially suited for global investors for two reasons. One, because, at this stage, product-market-fit is achieved, go-to-market strategy is proven, and financial metrics are clear—enabling global investors to compare and contrast against opportunities in other markets. Two, because, at this stage, many startups are raising large capital to expand globally, and they welcome investors who can support their global expansion.

Many global investors are taking notice, as can be seen in the recent investments into three GCP portfolio startups: CADDi, ANDPAD and Kakehashi. There will be more to come as awareness of the Japanese startup ecosystem grows around the world.

Glimpse of Japanese Startup Ecosystem

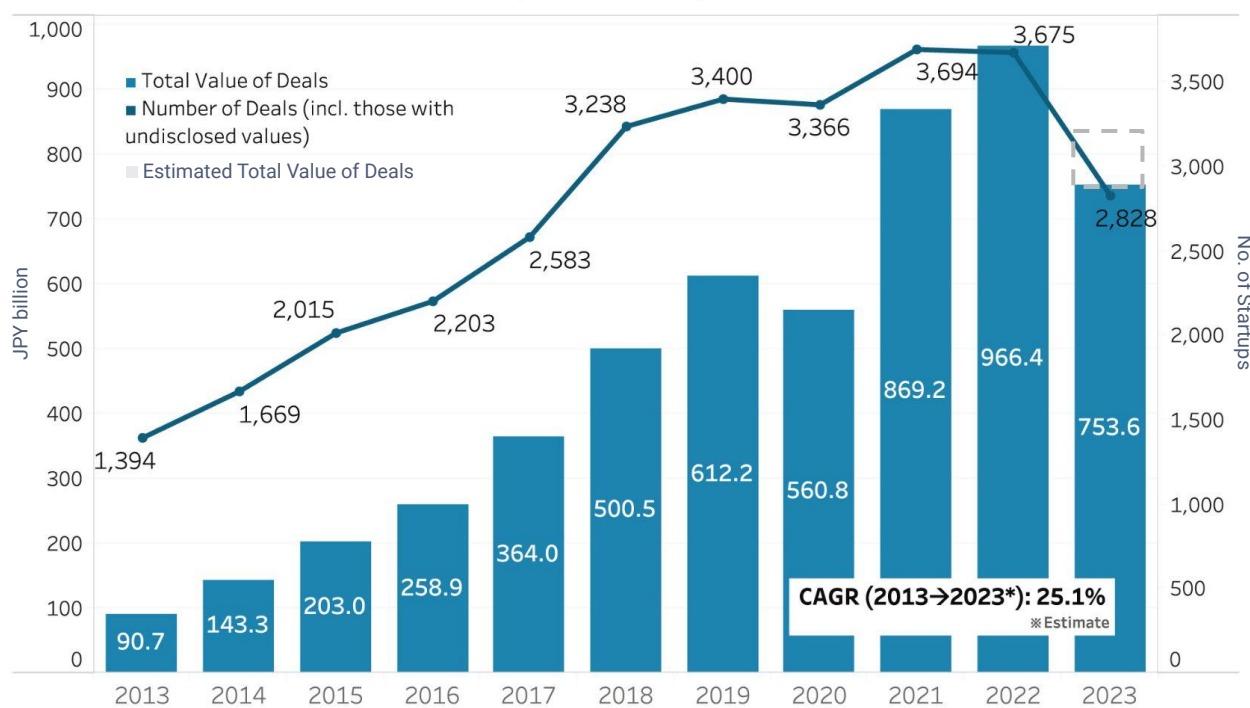
The report will highlight some of the most exciting trends and startups in the ecosystem, giving a glimpse of what's happening on the ground. However, by no means is it comprehensive or complete. We encourage anyone interested in Japan to contact Japanese founders and VCs. We also welcome any feedback you may have on the report via the contact information listed on page 25.

Investment Trends

10x in 10 years

The startup investment amount in Japan has been growing at over 25% CAGR in the last 10 years. The number of deals doubled since 2013, but the investment amount grew 10-fold, indicating the average amount per deal has grown approx. 5x, providing startups with ample capital to tackle larger opportunities and build bigger businesses than before. As of this writing, startup investment had been expected to maintain 10x growth in 10 years, and is estimated to reach JPY 850 billion (approx. USD 6 billion) in 2023.

Total Value and Number of Startup Deals in Japan



Source: INITIAL (as of January 23, 2024)

Note 1: Figures for each year correspond to data observed as of the stated date of calculation by INITIAL.

Note 2: Given the nature of the data, figures (including past figures) are subject to change following further surveys. Deals with smaller values and those that have taken place more recently are particularly likely to change.

Japanese Funds are Getting Bigger

Japanese funds are getting bigger in size to capture ever increasing opportunities in the market. According to publicly available information and disclosures made by each fund to INITIAL, 13 funds of over JPY 30 billion (approx. USD 214 million) each have been formed since 2020. Globis Capital Partners, for instance, raised its 7th fund in 2022, a fund size of JPY 72.7 billion (approx. USD 517 million), almost doubling the size from the previous fund. Additionally, it is worth noting that the majority of major funds in Japan are domestic players, partly due to the language barrier and differences in business practices.

Major Funds Formed Since 2020

Vintage	Fund Name	General Partner	Total Value (JPY Billion)
2023	SBI Venture Fund2023	SBI Investments	100.0
	JICVGI Opportunity Fund No.1	JIC Venture Growth Investments	40.0
	SMBC-GB Growth No. 1	Global Brain Corporation	30.0
	Mitsubishi UFJ Capital IX	Mitsubishi UFJ Capital	30.0
2022	JIC Venture Growth Fund No. 2	JIC Venture Growth Investments	200.0
	Globis Fund VII	Globis Capital Partners	72.7
	JAFCO SV7 Series	JAFCO Group	56.0
	EI Fund 5 Innovation and Impact Investment	Energy Environment Investment	30.0
2021	GB-VIII Growth Fund Investment Limited Partnership	Global Brain Corporation	40.0
	UTEK 5 Limited Partnership	The University of Tokyo Edge Capital Partners	30.4
	ZVC1 Investment Partnership	Z Venture Capital	30.0
2020	JIC Venture Growth Fund No. 1	JIC Venture Growth Investments	120.0
	SBI 4+5 Fund	SBI Investments	71.4

Source: INITIAL (as of January 23, 2024)

Note 1: "Value" corresponds to the total amount of funds raised as observed on the stated date of calculation by INITIAL and may include estimated values.

Note 2: Figures shown are for funds focused on financing Japanese startups or those with plans to do so. Funds with no verifiable investments in Japanese startups or plans to do so have been excluded.

Note 3: Given the nature of the data, figures (including past figures) are subject to change following further surveys.

Major Growth Stage Deals

Growth Stage on the Rise

The growth stage is a new and fastly emerging opportunity in Japan. These startups raise over JPY 5 billion (approx. USD 36 million), in some cases over JPY 10 billion (approx. USD 71 million), to dominate their market in Japan or start expanding overseas. Often, growth stage is funded by large domestic VCs, institutional investors and corporates. However, international growth equity funds have started to be a major player in this stage, and the trend is expected to continue.

Major Growth Stage Deals in 2023

Company	Sector	Business Description	Most Recent Funding (JPY Billion)	Post-Money (JPY Billion)
ELIY Power	CleanTech	Large lithium-ion batteries and energy storage systems	25.0	50.4
Mujin	Robot	Automated solutions "MujinRobot" for intelligent industrial robots	14.3	115.9
Josys	SaaS	IT device & SaaS management platform that automates and simplifies IT operations for clients globally	13.5	19.0
CADDi	Manufacturing, SaaS	B2B manufacturing parts procurement platform; Drawing data management SaaS	11.8	66.0
Astroscale Holdings	Space	Orbital debris removal service	11.1	126.3
GO	Consumer	Taxi hailing app "Go"	10.6	137.1
Kyoto Fusioneering	CleanTech	Advanced technologies for commercial fusion reactors	10.5	54.5
LayerX	FinTech, SaaS	Business spend management service "Bakuraku"	10.2	38.5
FRD Japan	FoodTech	Land-based aquaculture systems	9.7	18.2
Telexistence	Robot	AI enabled remote-controlled robots	9.7	62.6
Axelspace Holdings	Space	Microsatellite developer and provider of the "AxelGlobe" platform for satellite imaging	7.2	25.8
Gojo & Company	FinTech	Microfinance for developing countries	7.2	81.1
menu	Consumer	Food delivery and take-out application	5.8	35.2
PowerX	CleanTech	Grid batteries for large-scale energy storage	5.4	44.8
T2	AutoTech	Autonomous driving systems	5.4	15.8
cluster	Game/ Entertainment, VR	Metaverse platform "cluster"	5.3	29.2

Source: INITIAL (as of January 23, 2024)

Note 1: "Total Funding" refers to the aggregated value of funding raised in 2023 observed as of the stated date of calculation by INITIAL.

Note 2: Given the nature of the data, figures (including past figures) are subject to change following further surveys. Deals with smaller values and those that have taken place more recently are particularly likely to change.

Note 3: Preference is given to amounts indicated on official company registers and may not necessarily match the amounts announced by the companies themselves.

Major Growth Stage Deals in 2022

Company	Sector	Business Description	Most Recent Funding (JPY Billion)	Post-Money (JPY Billion)
Shizen Energy	CleanTech	Renewable power generation and distribution	24.4	43.2
LegalOn Technologies	LegalTech, SaaS	AI-powered contract review SaaS "LegalForce"	13.7	88.4
Dynamic Map Platform	AutoTech	3D map data for self-driving and automated driver assistance systems	13.4	68.5
Tier IV	AutoTech	Open-source autonomous driving software "Autoware"	12.2	93.5
ANDPAD	ConTech, SaaS	Construction site management SaaS	10.7	85.3
Spiber	Materials	Structural protein material "Brewed Protein"	10.5	161.7
SkyDrive	Mobility	Flying cars and cargo drones	9.2	35.5
Gojo & Company	FinTech	Microfinance for developing countries	8.1	81.1
AI Medical Service	MedTech	AI-enabled software to help detect gastric cancer	8.0	40.4
Kakehashi	HealthTech, SaaS	Vertical SaaS for pharmacies (patient record, SCM, and marketing)	7.7	42.3
Animoca Brands	NFT	Services for constructing Web3 platforms	7.4	74.3
PowerX	CleanTech	Grid batteries for large-scale energy storage	6.8	44.8
OPN Holdings	FinTech	Multiple FinTech solutions across Asia	6.4	47.1
Rapyuta Robotics	Robot	Cloud-based robotics platform "rapyuta.io"	6.4	22.2
SPREAD	AgriTech	Artificial light plant factories for vertical farming	5.7	13.8
Ubie	HealthTech, SaaS	AI-powered patient intake form for streamlining healthcare operations	5.5	30.0
DAIZ	FoodTech	Plant-based meat alternatives	5.4	33.6
Synspective	Space	Satellite data and analytic solution for small SAR satellite	5.4	42.6
Kyash	FinTech	E-wallet app with budget management functionality	5.3	33.9
UPSIDER	FinTech	Corporate cards and payment solutions to pre-IPO startups	5.3	39.7
jinjer	HRTech, SaaS	Cloud-based services for streamlining back-office operations	5.1	27.0
SUPER STUDIO	E-Commerce	All-in-one e-commerce platform "ecforce"	5.0	25.0

Source: INITIAL (as of January 23, 2024)

Note 1: "Total Funding" refers to the aggregated value of funding raised in 2023 observed as of the stated date of calculation by INITIAL.

Note 2: Given the nature of the data, figures (including past figures) are subject to change following further surveys. Deals with smaller values and those that have taken place more recently are particularly likely to change.

Note 3: Preference is given to amounts indicated on official company registers and may not necessarily match the amounts announced by the companies themselves.

Major Growth Stage Deals in 2021

Company	Sector	Business Description	Most Recent Funding (JPY Billion)	Post-Money (JPY Billion)
SmartNews	Consumer	News app "SmartNews"	25.1	203.9
GO	Consumer	Taxi hailing app "Go"	-	-
SmarterHR	HRTech, SaaS	HR SaaS "SmarterHR"	15.6	173.1
Spiber	Materials	Structural protein material "Brewed Protein"	-	-
Paidy	FinTech	Buy-now-pay-later service "Paidy"	13.1	138.0
Astroscale Holdings	Space	Orbital debris removal service	-	-
TBM	Materials	Paper and plastic alternative material "LIMEX"	9.7	134.5
SODA	Commerce	Specialised C2C marketplace for sneakers	9.1	36.8
Net Protections Holdings	FinTech	Buy-now-pay-later and other fintech services	8.4	104.1
NETSTARS	FinTech	QR code payment gateway "StarPay"	8.3	36.1
Linc'well	HealthTech, SaaS	IT solutions for the healthcare industry	8.2	32.0
STORES	Commerce	EC platform	8.1	92.2
CADDi	Manufacturing, SaaS	B2B manufacturing parts procurement platform; Drawing data management SaaS	8.0	66.0
bitbank	FinTech	Cryptocurrency exchange	-	-
Aculys Pharma	Pharmaceutical / Drug discovery	Drug R&D for neurological and psychiatric disorders	6.8	23.2
Bitkey	IoT	Digital platform for authentication and entry management.	6.7	73.9
HIKKY	Game/ Entertainment,...	VR content development engine "Vket Cloud"	6.5	64.9
Orizuru Therapeutics	Pharmaceutical / Drug discovery	iPS-based regenerative medicine products	6.2	16.5
atama plus	EdTech, SaaS	AI-based personalized learning	6.2	52.2
ATONARP	Semiconductor, Hardware	Molecular sensing and diagnostics product	6.0	24.8
ispace	Space	Lunar landing robot and lunar payload delivery	5.6	75.6
GOOD EAT COMPANY	Commerce	EC for Japanese foods	5.1	-
CBcloud	Logistics	Shipment delivery platform	-	-

Source: INITIAL (as of January 23, 2024)

Note 1: "Total Funding" refers to the aggregated value of funding raised in 2023 observed as of the stated date of calculation by INITIAL.

Note 2: Given the nature of the data, figures (including past figures) are subject to change following further surveys. Deals with smaller values and those that have taken place more recently are particularly likely to change.

Note 3: Preference is given to amounts indicated on official company registers and may not necessarily match the amounts announced by the companies themselves.

Japanese Unicorns and Next Unicorns

Unicorn Landscape of Japan

Unicorns are regularly emerging from the Japanese startup ecosystem, and seven such startups have realized valuations in excess of JPY 100 billion (approx. USD 712 million). Notably, these successes are emerging in a variety of industries. SmartNews, for instance, is a news app developer. SmartHR is a SaaS provider for HR management. Spiber and TBM, meanwhile, are materials science startups. Astroscale is a startup in the space industry, while Mujin is a maker of industrial robot controllers.

As for “next unicorns” with valuation in excess of JPY 80 billion (approx. USD 569 million), notable mentions include ANDPAD, a leading SaaS provider in the construction industry, and Gojo & Company, a prominent entity in the microfinance sector.

Japanese Unicorns

Company	Sector	Business Description	Post-Money Valuation (JPY Billion)	Total Funding (JPY Billion)
SmartNews	Consumer	News app “SmartNews”	203.9	44.4
SmartHR	HRTech, SaaS	HR SaaS “SmartHR”	173.2	23.9
Spiber	Materials	Structural protein material “Brewed Protein”	161.8	63.4
GO	Consumer	Taxi hailing app “Go”	137.1	57.7
TBM	Materials	Paper and plastic alternative material “LIMEX”	134.6	24.1
Astroscale Holdings	Space	Orbital debris removal service	126.3	44.7
Mujin	Manufacturing	Automated solutions “MujinRobot” for intelligent industrial robots	115.9	15.0
Tier IV	AutoTech	Open-source autonomous driving software “Autoware”	93.5	30.6
STORES	Commerce	EC platform	92.2	28.3
LegalOn Technologies	LegalTech, SaaS	AI-powered contract review SaaS “LegalForce”	88.5	18.0
ANDPAD	ConTech, SaaS	Construction site management SaaS	85.4	18.1
Gojo & Company	FinTech	Microfinance for developing countries	81.1	29.0
Enito Group	Fashion/Lifestyle	Dating apps “Omiai” and “with”	80.5	5.2

Source: INITIAL (as of January 23, 2024)

Note 1: “Total Funding” refers to the aggregated value of funding raised in 2023 observed as of the stated date of calculation by INITIAL.

Note 2: Given the nature of the data, figures (including past figures) are subject to change following further surveys. Deals with smaller values and those that have taken place more recently are particularly likely to change.

Note 3: Preference is given to amounts indicated on official company registers and may not necessarily match the amounts announced by the companies themselves.

Japanese Listed Unicorns


Hidden Potential of Japanese Startup Ecosystem

Historically, Japanese startups have had a tendency to go public at relatively early stages, often around Series B or C funding rounds. This is partly because the Tokyo Stock Exchange Growth Section, previously known as the Mothers Section, is more accommodating for earlier-stage IPOs compared to other stock exchanges globally. This unique aspect of the Japanese market has provided a distinctive opportunity for early liquidity, which is a notable benefit. However, it has also contributed to a scarcity of unicorns and substantial private growth-stage funding rounds in Japan.

Once a company goes public, it inevitably faces increased pressure to monetize and improve profits. This pressure has often led to a stunting of growth for many businesses, as they shift focus to meet the immediate financial demands of the public market. In the midst of this, there are still several companies that continue to grow robustly even after going public. Those that have been listed within the last 10 years and have a market capitalization of over 100 billion JPY (approx. USD 711 billion) can be called "Listed Unicorns."

Looking to the future, there appears to be a significant potential shift on the horizon. With the growing ability of startups to raise large funds while remaining private, we can expect to see an increase in startups that are able to fully mature and take on greater business growth risks before making the leap to a major public offering. This trend could lead to a new wave of startups that are better equipped for long-term success and are capable of making more significant impacts when they decide to go public.

Japanese Listed Unicorns

 :GCP's past portfolio

Company	Founding Year	IPO Year	Market Cap (JPY Billion)
SHIFT	2005	2014	464
RAKUS	2000	2015	396
M&A Research Institute	2018	2022	392
Visional	2007	2021	358
Mercari	2013	2018	341
Money Forward	2012	2017	301
JMDC	2002	2019	234
PeptiDream	2006	2013	199
ANYCOLOR	2017	2022	192
Sansan	2007	2019	192
PKSHA Technology	2012	2017	189
Appier Group	2012	2021	182
MEDLEY	2009	2019	157
freee	2012	2019	151
COVER	2016	2023	150
GENDA	2018	2023	122

Source: Yahoo Finance (as of Feb 22, 2024)

Note 1: Companies that have IPO'd since 2013 and have a current market cap exceeding JPY 100 billion, as selected by GCP

Iconic IPO and M&A

Japan's Evolving Exit Ecosystem

The exit market in Japan is evolving, both on IPO and M&A fronts. IPOs over JPY 100 billion (approx. USD 711 million) and M&As in excess of JPY 10 billion (approx. USD 71 million) are becoming more common. Consumer-to-consumer marketplace platform Mercari went public in 2018 at JPY 676 billion (approx. USD 4.8 billion), marking an important turning point in the ecosystem. Since then, there have been 12 companies with IPOs of over JPY 100 billion (approx. USD 720 million), including Anycolor and Cover, during the so-called tech downturn in 2022-23. The latter are both V-Tuber agencies that are leveraging Japan's strength in anime and entertainment.

On the M&A front, deals in the tens of billions of yen (tens of millions of USD) are occurring with some regularity. That includes homerun deals such as FinTech startup Paidy, which was acquired for JPY 300 billion (then approx. USD 2.1 billion) by PayPal in 2021. Large Japanese internet companies, such as DeNA, KDDI, LY Corporation (LINE - Yahoo), and GMO are known acquirers, and increasingly non-Japanese companies such as Moderna, Alphabet, and the aforementioned PayPal have started to make acquisitions. Traditional, well established companies, such as MUFG Bank, are also becoming more active in the startup M&A space. To accelerate this trend, in 2023 the Japanese government enacted a tax incentive for corporations to acquire startups.

The growing size of IPOs at the Tokyo Stock Exchange as well as the growing number and size of M&A are both exciting trends which will create depth in the startup ecosystem and encourage more talented people to become founders.

Major IPOs Since 2018

 :GCP's portfolio

IPO Year	Company	Business Description	Initial Market Cap (JPY Billion)
2023	COVER	VTuber production agency "Hololive Production"	107.0
2022	ANYCOLOR	VTuber production agency "Nijisanji"	144.3
2021	Visional	Recruitment platform "BizReach"	254.5
	Appier Group	AI-powered platforms and products	202.7
	Safie	Cloud-based security platform "Safie"	164.6
	Net Protections Holdings	Buy-now-pay-later and other fintech services	132.9
2020	PLAID	Customer experience SaaS "KARTE"	117.8
2019	Sansan	Business card-based contact management software	142.5
	freee	Cloud-based accounting software "freee"	116.6
2018	Mercari	Consumer-to-consumer marketplace app "Mercari"	676.7
	MTG	Health, beauty, and hygiene products and services	272.4
	HEROZ	AI services based on machine learning and deep learning	163.4

Source: INITIAL (as of January 23, 2024)

Note 1: Does not include technical listings and stock exchange section switches.

Note 2: "Initial Market Cap" refers to the market capitalization at the initial price of a stock.

Note 3: Limited to startups having undergone an IPO with an initial market cap of at least JPY 100 billion since 2018.

Major M&A Deals Since 2018

M&A Year	Company	Business Description	Acquiring Company	Enterprise Value at M&A (JPY Billion)
2023	SODA	Specialised C2C marketplace for sneakers	KREAM Corporation	53.0
	Kanmu	App-based prepaid card "Vandle Card"	MUFG Bank	25.0
	OriCiro Genomics	Services using cell-free DNA synthesis and amplification technologies	Moderna	11.1
2022	Allm	Mobile ICT solutions for medical and welfare professionals	DeNA	47.3
	Ierae Security	Multiple services related to cybersecurity, AI, and encryption	GMO Internet	18.4
2021	Paidy	Buy-now-pay-later service "Paidy"	PayPal Holdings	300.0
	IRIAM	Virtual live streaming app "IRIAM"	DeNA	12.0
	pring	Free money transfer and remittance app "pring"	Google International	10.9
2018	dely	Recipe video service "Kurashiru"	LY Corporation	31.7

Source: INITIAL (as of January 23, 2024)

Note 1: Figures for "Value" include estimates and indicate amount for 100% acquisitions.

Note 2: Value of Moderna's acquisition of OriCiro Genomics is calculated at 129.47 JPY = 1 USD.

Note 3: Limited to deals of at least JPY 10 billion in value, based on the announced details of M&As and known acquisition prices since 2018.

Column - The Rise of Deep Tech in Japan

Global Market Dynamics

Deep tech has become a mainstream theme and established asset class for investment over the past 10 years, increasing its share from 10% to 20% of all venture capital funding. The global amount of venture funding in this space hit an all-time high in 2021 at USD 160B, rapidly growing from USD 15B in 2016. Sectors within deep tech that have attracted more investments include AI & ML, biotech, crypto & blockchain, and climate tech. While this number has dropped to USD 105B in 2022 as the entire venture funding landscape has shrunk, we are still bullish about the growth of this market.

Rise of Japanese Deep Tech and University Spin-out Startups

Many investors have started to realize that deep tech is an attractive investment opportunity due to its potential to tackle problems with tremendous societal, technological, or economic impacts in large markets. Governments across the world are supporting deep tech initiatives, with Israel and Sweden being two countries that have invested the largest percentage of their GDP into this market. Excitement for deep tech at a national level is also the case in Japan.

Japan's deep tech ecosystem is slowly but surely growing. Total funds raised have increased from JPY 170B (approx. USD 1.2 billion) in 2018 to JPY 300B (approx. USD 2.1 billion) in 2022, almost doubling within 5 years. The number of university spin-out startups has increased from 131 in 2014 to 1,335 in 2022, growing 10 times over the past decade. Some of the largest venture funding rounds of 2023 were also in the deep tech sector. For example, Kyoto Fusionering, a leading fusion power plant engineering company, raised JPY 10.5B (approx. USD 74 million) for their Series C; Astroscale, an orbital debris removal company raised JPY 10.1B (approx. USD 72 million) for their Series E round; and Telexistence, a company developing AI-powered robotic arms for the retail and logistics industry, raised JPY 9.7B (approx. USD 69 million) for their Series B.

The Japanese government has been empowering this space as an opportunity to build science-based startups that can expand into the global market and create a new world-class industry for the nation. Both the government and deep tech focused VCs have been supporting university spin-out startups in particular. Government subsidies such as NEDO's (New Energy and Industrial Technology Development Organization's) JPY 100B (approx. USD 711 million) scale program have been a great financial resource for some of these startups to jump off the ground. We are also seeing deep tech focused VCs affiliated to universities emerge across Japan as well. UTokyo IPC, Kyoto University Innovation Capital, Osaka University Venture Capital, Keio Innovation Initiative, and Waseda University Ventures are some examples of these types of funds, aiming to unleash the potential of world-class research and spin-outs at these institutions.

Highlighted Startups Leveraging

Japan's Strengths

Japan's deep tech ecosystem has been seeing some exciting startups emerge in various sectors. Below are a few examples of interesting startups that are bringing the strengths of Japanese deep tech to the global market.

Japan has traditionally been strong in the power semiconductor space. One interesting example in the industry is Ookuma Diamond Device, a startup that manufactures diamond semiconductors. Okuma's unique technology has the ability to utilize large amounts of electrical power efficiently over other materials used in conventional semiconductors. This allows for application in devices that operate in harsh environments such as high-temperature and radioactive conditions. The company is on its way to become a crucial infrastructure enabler for high-speed and high-capacity data transmission beyond 5G networks, which would be key for the development of various next-gen technologies such as autonomous driving, drones and blockchain.

Another area of strength for Japan is synthetic biology, with the country's history with fermented foods being just one example where innovation is emerging. Logomix, for instance, is a synthetic biology platform leveraging their own, unique large-scale genome editing technology based on research conducted at the Tokyo Institute of Technology. Their technology is able to perform genome modification at scales that are 100x larger than other, previous, technologies, such as CRISPR-Cas9. This technology would enable deeper understanding of the human genome at scale, and the creation of cells with functions we were not able to accomplish before. With application ranging from carbon-free, next-gen bioindustrial manufacturing to innovative drug development, Logomix is opening doors to a new era of genome editing.

The last example is from Japan's world-famous manufacturing industry. Sun Metalon is an engineering startup founded by top engineers from Japan's largest steel manufacturer. The metal industry, responsible for about 10% of CO₂ emissions across all industries, is one of the most challenging sectors to decarbonize. Sun Metalon offers solutions to accelerate decarbonization, while keeping cost increases in check, through its proprietary process for recycling waste metal and refining process.

Opportunities for Growth

With funds flowing and exciting startups emerging, what's next in an exciting era for Japanese deep tech? We are optimistic about seeing more later stage funds, management talent, and successful exits emerge over the next decade, a period when deep tech is primed to be one of Japan's largest industries.

Source: An Investor's Guide to Deep Tech from BCG, 2023 Japan Startup Finance by INITIAL

2023 Update

Overview

A Testament to the Japan Ecosystem's Robustness

The state of investment activity in Japan in 2023 has been testament to the robustness of the country's startup finance and innovation ecosystem. That includes the quality and diversity of IPOs, M&As and funds. The emergence of a global-first generation of entrepreneurs is also noteworthy.

Although faced with global uncertainty, the state of the ecosystem is strong, showing signs of recovery akin to that of the pre-pandemic period. As noted earlier, the anticipated final investment amount in 2023 was JPY 850 billion (approx. USD approx. 6 billion), maintaining the 2021 level and showing robustness.

Seed and Series A funding, for instance, performed robustly in 2023. Seed investments exceeded the 2021 level in terms of investment amount, indicating that healthy seeding activities are underway.

And while the dark clouds surrounding later-stage funding in Japan reflected global trends in 2023, a silver lining can be found at Series B and adjacent financing stages. In that year, there were 32 deals where the funding exceeded JPY 3 billion (approx. USD 21 million), and 8 deals where it surpassed JPY 10 billion (approx. USD 71 million), hinting at a real recovery.

Additionally, the diversity of investment themes is accelerating, especially in areas where Japan is traditionally strong, such as manufacturing, healthcare and robotics. Content creation, CleanTech and space technologies are also part of the mix.

And that's not to mention another silver lining in the Japan ecosystem—that is, companies led by born-global founders: Josys, an enterprise IT devices and SaaS management services provider, Gojo & Company, a startup that provides micro financing in emerging economies, and Sakana AI, a maker of generative AI platforms, are all companies with international teams and global-first mindsets, a clear indication that Japan-based founders are increasingly competitive internationally.

Exits were also robust in 2023. That year, the IPO market experienced a rapid rebound, with 49 startups going public, and some of them making strong debuts in the public market. Cover, for example, a next-generation media and metaverse company, realized an initial market capitalization in excess of JPY 100 billion (approx. USD 711 million). Meanwhile, ispace, a space technology company, and GENDA, a global entertainment venture with a portfolio that includes arcades, movies and food and beverages, continued to see robust stock price growth after going public.

M&As, on the other hand, maintained its 2021-2022 level and exceeded 100 companies, showing that M&A exits are increasingly an established option in Japan. In this sector, iconic cases such as SODA, a marketplace business centered on sneakers and apparel, Kanmu, a prepaid card and deferred payment service, and OriCillo Genomics, a synthetic biology company, realized transactions worth several hundred billion yen (several hundred million dollars).

The main takeaway is that, despite recent challenges, investment and innovation trends in Japan are returning gradually to an upward trajectory, and domestic and international investors are taking notice.

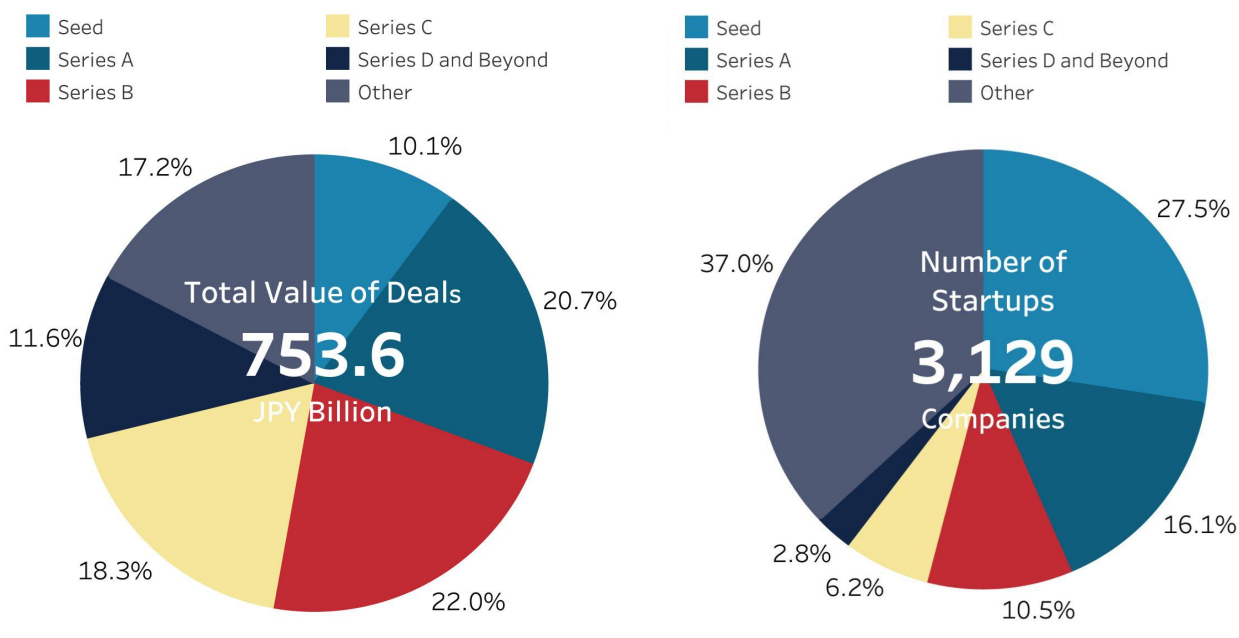
Investments

Winter Harvest: Resilient Investment Trends and Robust Seeding

As noted earlier, the Japanese startup ecosystem is experiencing a rebound in investments that is comparable to levels seen in the period before and during the early days of the Covid-19 pandemic—or around 2019-20. The data already gathered indicates a total investment of JPY 753 billion (approx. USD 377 million) for 2023. Considering the full-year data, the expected investment amount is anticipated to reach around JPY 850 billion (approx. USD 6 billion).

In terms of the total value of deals made, seed and Series A investments were 10.1% and 20.7%, respectively, in 2023. Additionally, the total number of seed and Series A stage startups stood at 27.5% and 16.1%, respectively, in the same year. The data signify not only a solid foundation in both the amount and number of investments but also indicates that, despite the economic downturn in 2023, founders willing to take risks and venture into new businesses are emerging. It highlights a dynamic where, even in the wake of challenging economic conditions, there is a continuous birth of startups focused on future opportunities and innovations.

Investment by Overall Volume, Stage (Left: Investment, Right: Number of Investment)



Source: INITIAL (as of January 23, 2024)

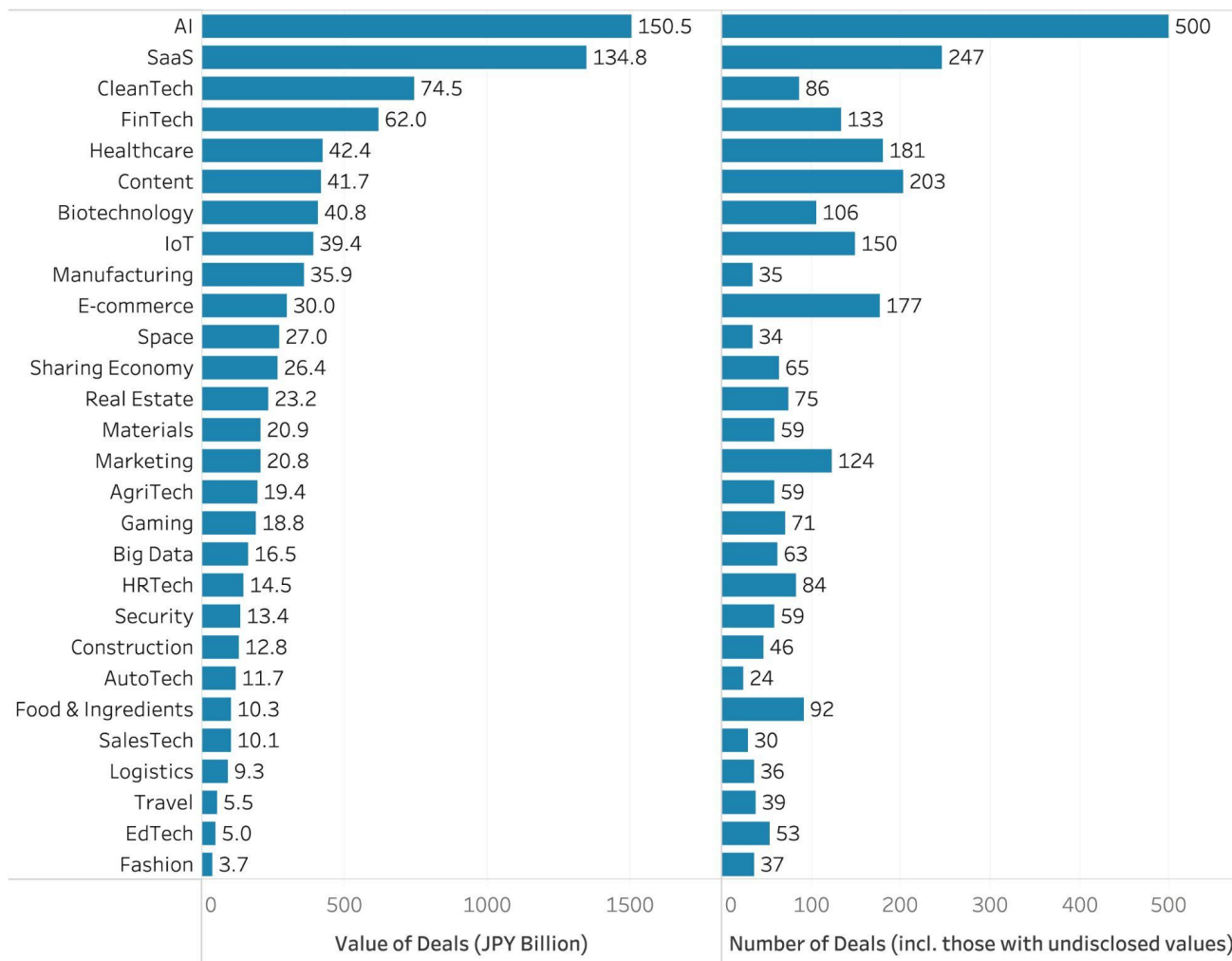
Note 1: Figures for each year correspond to data observed as of the stated date of calculation by INITIAL.

Note 2: Given the nature of the data, figures (including past figures) are subject to change following further surveys. Deals with smaller values and those that have taken place more recently are particularly likely to change.

Note 3: The definitions for each funding round are as per INITIAL Series definitions.

Note 4: Numbers of Startups do not equal the overall number of Deals, as they are counted separately if they are from different series, even if they are from the same company and in the same year.

Total Investment by Sector (Left: Value of Deals; Right: Number of Deals)



Source: INITIAL (as of January 23, 2024)

Note 1: Figures for each year correspond to data observed as of the stated date of calculation by INITIAL.

Note 2: Given the nature of the data, figures (including past figures) are subject to change following further surveys.

Note 3: Some deals have been counted under multiple sectors.

Note 4: Numbers of Startups do not equal the overall number of Deals, as they are counted separately if they are from different series, even if they are from the same company and in the same year.

Deals

Four Themes in Japan

After the global tech downturn in 2022, the Japanese startup ecosystem experienced a modest recovery in 2023. In that year, 32 startups raised funds exceeding JPY 3 billion (approx. USD 21 million)—while 8 others raised over JPY 10 billion (approx. USD 71 million).

Notably, startups in Japan that are raising large amounts have several themes in common: A number of them are venturing in areas where Japan has strong competitive advantages in both soft and hard assets. These areas include manufacturing, healthcare, robotics and contents. CADDi, for example, an online procurement platform for manufacturing parts, is leading where IT technology meets manufacturing. Mujin is a trailblazer in industrial robots, as is Telexistence, a maker of semi-autonomous, remotely controlled robots and AI tools. In the content creation sector, Cluster, a developer of metaverse platforms, is leading the way. Innovation in the healthcare sector, meanwhile, is being enabled by Micin, CureApp, and Frontier Field.

But there's more. Located in the world's fourth-largest economy, startups in Japan are able to scale their services in industries where SaaS intersects with FinTech and the sharing economy. Taxi hailing app GO and FinTech and SaaS provider LayerX, which develops business spend management systems and other automated back-office services, are examples of leading startups in these fields. Knowledgework, a horizontal SaaS player in sales domain, is also a trailblazer among companies that are scaling their products and services.

Deep tech, including CleanTech and space technology, is yet another area where Japanese startups are emerging as global players. Space tech companies Astroscale, a developer of space debris removal services, and Axelspace, a developer of microsatellites and satellite image distribution services, are examples of ambitious startups with advanced technologies. Meanwhile, in the CleanTech sector, Kyoto Fusioneering, a fusion reactor builder, Ellie Power, a developer of large lithium-ion batteries and power storage systems, and PowerX, which makes large storage batteries, are leading the way.

Lastly, there are startups in Japan with a born-global mindset that seek to tackle challenges in markets outside Japan. One example is Gojo & Company, a startup that provides micro financing in emerging economies; the company has a foreign managing partner and a global investment team. In addition, Josys, an enterprise IT devices and SaaS management services provider, and Sakana AI, a maker of generative AI platforms, are trailblazing firms with globally-minded founders. Both companies have had global executives and teams from their founding.

Major Deals in 2023

Company	Sector	Business Description	Recent Round Amount (JPY Billion)
ELIYY Power	CleanTech	Large lithium-ion batteries and energy storage systems	25.0
Mujin	Robot	Automated solutions "MujinRobot" for intelligent industrial robots	14.3
Josys	SaaS	IT device & SaaS management platform that automates and simplifies IT operations for clients globally	13.5
CADDi	Manufacturing; SaaS	B2B manufacturing parts procurement platform; Drawing data management SaaS	11.8
Astroscale Holdings	Space	Orbital debris removal service	11.1

Source: INITIAL (as of January 23, 2024)

Note 1: Figures for each year correspond to data observed as of the stated date of calculation by INITIAL.

Note 2: Given the nature of the data, figures (including past figures) are subject to change following further surveys. Deals with smaller values are particularly likely to change.

Note 3: Preference is given to amounts indicated on official company registers and may not necessarily match the amounts announced by the companies themselves.

Major Deals in 2023

Company	Sector	Business Description	Recent Round Amount (JPY Billion)
GO	Consumer	Taxi hailing app "Go"	10.6
Kyoto Fusioneering	CleanTech	Advanced technologies for commercial fusion reactors	10.5
LayerX	FinTech, SaaS	Business spend management service "Bakuraku"	10.2
Telexistence	Robot	AI enabled remote-controlled robots	9.7
FRD Japan	FoodTech	Land-based aquaculture systems	9.7
Gojo & Company	FinTech	Microfinance for developing countries	7.2
Axelspace Holdings	Space	Microsatellite developer and provider of the "AxelGlobe" platform for satellite imaging	7.2
menu	Consumer	Food delivery and take-out application	5.8
T2	AutoTech	Autonomous driving systems	5.4
PowerX	CleanTech	Manufacturer and distributor of grid batteries for large-scale energy storage	5.4
cluster	Game/Entertainment, VR	Metaverse platform "cluster"	5.3
Enito Group	Fashion/Lifestyle	Developer of dating apps "Omiai" and "with"	4.7
Knowledge Work	SaaS	Cloud-based sales enablement platform, "Knowledge Work"	4.5
WOTA	CleanTech	Small-scale, decentralized water recycling systems	4.4
Sakana AI	Artificial Intelligence	Nature-inspired AI	4.3
Kyulux	Materials	Materials for OLED displays and lighting	4.3
MICIN	HealthTech	Online services for connecting patients with medical professionals	3.8
TEG	Gaming	Esports and other entertainment content	3.7
Micoworks	SaaS	Cloud-based marketing platform "MicoCloud"	3.5
Frontier Field	HealthTech	Smartphone service for medical institutions, "Nichibyō Mobile"	3.5
CureApp	HealthTech	App-based solution for prescription digital therapeutics	3.5
Clean Energy Connect	CleanTech	Renewable energy introduction and procurement solutions	3.4
Brave group	Content	Metaverse operator and development of its own metaverse engine "Brave Engine"	3.4
Spiber	Materials	Structural protein material "Brewed Protein"	3.1
CHITOSE BIO EVOLUTION	Biotechnology	Operator of a family of biotech companies	3.1
iGrid Solutions	CleanTech	AI-powered energy management platform designed to reduce power costs	3.0
Allganize Holdings	Artificial Intelligence	All-in-one LLM enabler for enterprises	3.0

Source: INITIAL (as of January 23, 2024)

Note 1: Figures for each year correspond to data observed as of the stated date of calculation by INITIAL.

Note 2: Given the nature of the data, figures (including past figures) are subject to change following further surveys. Deals with smaller values are particularly likely to change.

Note 3: Preference is given to amounts indicated on official company registers and may not necessarily match the amounts announced by the companies themselves.

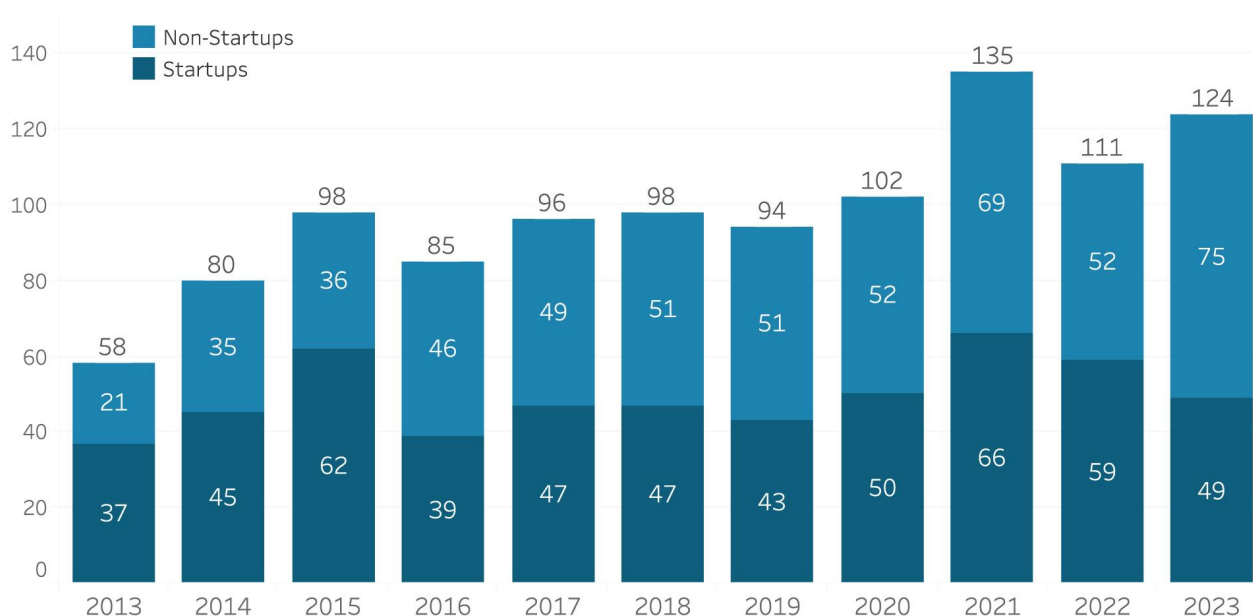
IPOs

Resilience of Japan's IPO Market

A notable characteristic of Japan's IPO market has been its overall resilience. Indeed, despite a slowdown in startups listed on the Tokyo Stock Exchange (TSE) in 2023 compared to 2022, the total number of companies that realized their IPO increased in 2023. Thus, 49 startups listed on the TSE in 2023, which is comparable to the number of listings for the period before the pandemic (50 startups listed in 2020, by comparison).

In 2023, COVER realized a JPY 107B (approx. USD 761 million) IPO while ispace and GENDA saw an increase in their stock prices following their IPO and reached to JPY 100B (approx. USD 711 million) market capitalization. This, among other indicators, is testament to the robustness of the IPO market in Japan.

Number of IPOs in Japan



Source: INITIAL (as of January 23, 2024)

Note 1 Limited to listings on domestic markets and does not include technical listings and stock exchange section switches.

Top 5 IPOs in 2023

Company	Sector	Business Description	Initial Market Cap (JPY Billion)
COVER	Content	VTuber production agency "Hololive Production"	107.0
ispace	Space	Lunar landing robot and lunar payload delivery	80.4
AnyMind Group	E-Commerce	Digital ad agency; a one-stop solution for production, e-commerce, marketing and logistics	57.0
GENDA	Gaming	Operator of amusement arcades	55.6
ABEJA	SaaS	AI platform "ABEJA Platform"	41.9

Source: INITIAL (as of January 23, 2024)

Note 1 Limited to listings on domestic markets and does not include technical listings and stock exchange section switches.

Note 2: Initial Market Cap is the market capitalisation of the initial price of a stock.

M&As

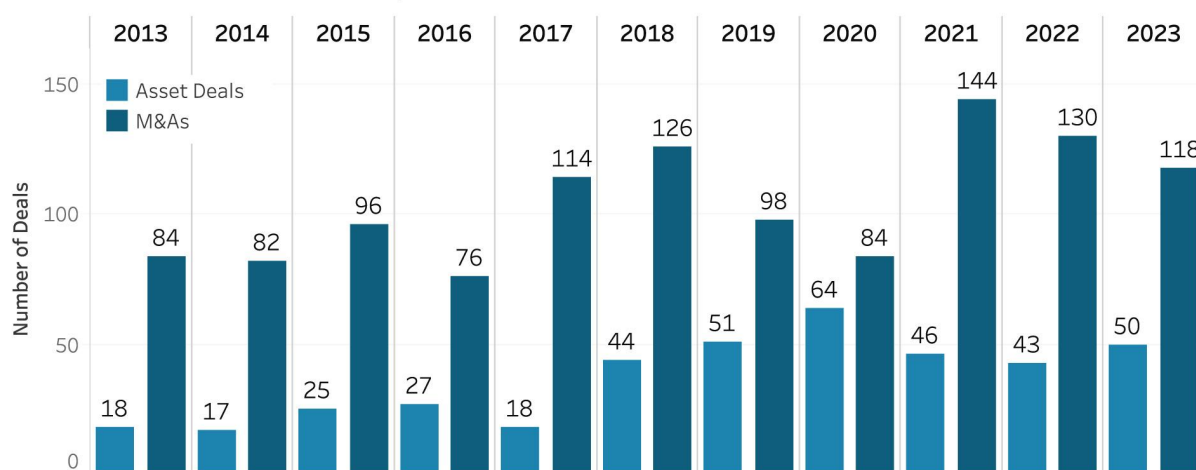
Continued Momentum in the M&A Market

Japan's M&A count in 2023 was 118 deals. And though the total number of M&As decreased slightly in 2023 compared to 2021-2022 levels, they have subsequently stabilized. While the M&A market in Japan has historically been considered to be small in scale, especially when compared to US markets, Japan saw three deals—Kanmu, OriCiro Genomics and SODA—that each had more than a JPY 10 billion (approx. USD 71 million) valuation.

Kanmu, a startup providing consumer payments, was acquired by MUFG Financial Group, Japan's largest financial institution. OriCiro Genomics, which makes synthetic biology products, was acquired by US pharmaceutical giant Moderna. Meanwhile, SODA, a Japanese maker of sneaker marketplace SNKRDUNK, entered a strategic partnership with Korean company KREAM at a valuation of JPY 53 billion (approx. USD 377 million).

The upshot of these deals is that M&A is increasingly becoming entrenched as one of the exit strategies for startups in Japan.

M&As and Asset Deals in Japan



Source: INITIAL (as of January 23, 2024)

Note 1: Figures (including past figures) are subject to change following further surveys. Deals with smaller values and those that have taken place more recently are particularly likely to change.

Note 2: Figures for "Asset Deals" are limited to deals in which the asset deal has been verified to no longer be operating as a corporate entity, has been dissolved, or has otherwise ceased operations.

Note 3: "M&As" refer to the acquisition of a company, while "Asset Deals" refer to the transfer of part of a company (such as a business segment) from one company to another.

Major Startup M&A in 2023

Company	Sector	Business Description	Acquirer	Enterprise Value at M&A (JPY Billion)
SODA	Commerce	Specialised C2C marketplace for sneakers	KREAM Corporation	53.0
Kanmu	FinTech	App-based prepaid card "Vandle Card"	MUFG Bank	25.0
OriCiro Genomics	Biotechnology	Services using cell-free DNA synthesis and amplification technologies	Moderna	11.1

Source: INITIAL (as of January 23, 2024)

Note 1: Figures for "Value" includes estimates and indicate amount for 100% acquisitions.

Note 2: Value of Moderna's acquisition of OriCiro Genomics is calculated at 129.47 JPY = 1 USD.

Note 3: Enterprise value at M&A is calculated by converting the announced share acquisition ratio to 100%.

Note 4: Startups with an enterprise value of at least JPY 10 Billion, based on details of M&As and known acquisition prices

Authors



Emre Yuasa | General Partner
Kosuke Fukagawa | Principal (Investor)
Ryusuke Horie | Principal (Value-Up)
Anna Nakayasu | Associate (Investor)
Sayaka Hashimoto | Investor Relations

Contact:
GLOBIS CAPITAL PARTNERS Co., Ltd.
<https://www.globiscapital.co.jp/en/gcp-ir@gg.globis.co.jp>
9F Sumitomo Fudosan Kojimachi Bldg.,
5-1 Niban-cho, Chiyoda-ku, Tokyo 102-0084, Japan



5 GPs of Globis Capital Partners

From bottom left: Minoru Imano, Yoshito Hori, Shinichi Takamiya;
From top left: Satoshi Fukushima, Emre Hidekazu Yuasa

Contributors

INITIAL

Atsuko Mori | Senior Analyst
Takeshi Fukui | Data Researcher
Nanami Kawasaki | Designer
Cody Branscum | Translator
Suguru Urakawa | Marketer

Contact:
Uzabase, Inc.
<https://initial.inc/initial.support@uzabase.com>
Mitsubishi Building, 2-5-2 Marunouchi,
Chiyoda-ku Tokyo, 100-0005, Japan



Japan Startup Ecosystem Report 2023

Published on March 14, 2024