



# VISION FOR STARTUP

*Breakthrough*

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Keidanren

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# I

# Introduction

## Why Startup?

One of the best schemes to produce solutions to social issues and to promote innovation

### current situation

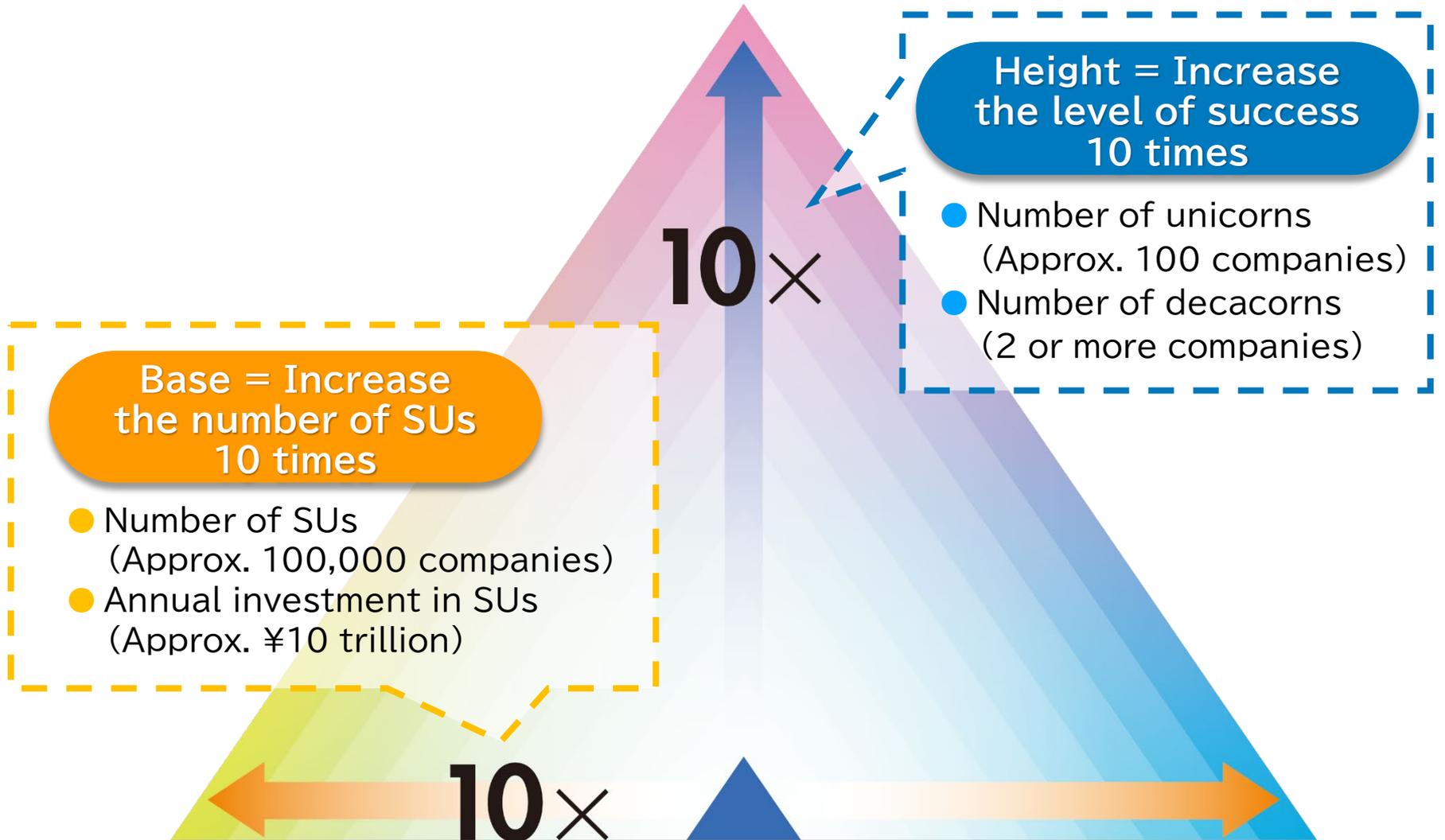
- In Japan, compared to 10 years ago, both the number of startups and the total amount of investment have greatly increased. The system and environment are gradually improving.
- In the meantime, the leading startup (SU) countries have put in place further startup promotion measures. (**Faster**-moving target)

**Keidanren proposes a radical enhancement of the startup ecosystem** as the most important issue to boost the Japanese economy as a whole and to regain its competitiveness.

Regardless of economic fluctuations, the public and private sector should **promote the necessary measures simultaneously, quickly and forcefully.**

# II

## Goal in 5 years: To the world of 10 x 10 x



# III

## Seven Changes to be made in 5 years

→ 2027

# 1

### Provide World's Best Startup-Friendly System

Institutionally, there is now almost nothing inferior to Silicon Valley. Japan has achieved the world's highest level in terms of ease of starting a business, management of SUs, and investment in SUs. Therefore, entrepreneurs are able to maximize the time they can dedicate to their product and market.

### Develop Multiple Globally Competitive Startups

Government funds and major institutional investors both in Japan and abroad have invested abundant funds in SUs. With a structure in place to support against even a deeper valley of death, investors are now encouraged to play a bigger game than for just an early listing. Some SUs are beginning to dominate the global market and have a market capitalisation of more than ¥1 trillion.

# 2

# 3

### Make Japan One of the World's Leading Startup Hubs

Due to the success of an active promotion drive, Tokyo has now become a nexus between Asian entrepreneurs and Western VC and institutional investors. An increasing number of global companies have set up bases for Asian expansion and R&D, and Tokyo has also become a source of talent for SUs. The city has become as bustling as Silicon Valley, opening up the perspectives of the many Japanese entrepreneurs to the global market.

# 4

## Create a University-based Startup Ecosystem

Universities with world-class research fields attract researchers and funds from overseas. Tech cities, where domestic and overseas companies are concentrated, have emerged around those universities including rural areas. They are also attracting capitalists who can evaluate Deep Tech, and researchers and students are also actively starting up their own businesses.

## Enhance Human Resources Mobility and Promote Movement of Talent into Startup Ecosystem

Entrepreneurship and participation in SUs upon graduation have become commonplace, and it is no longer unusual for people to start a company or move to a SU after working at a large company. Large companies are also making much more mid-career executive recruitments. They are particularly eager to hire people with SU experience and providing opportunities for them within the company.

# 5

# 6

## Create Society in which Entrepreneurship is Enjoyable and Familiar

Opportunities to have contact with entrepreneurs have increased, and it is widely recognized that entrepreneurship does not mean putting your life at risk and that it is a very attractive choice. Entrepreneurship and SU participation have become a "normal option" for both young people and middle-aged people, one that seems achievable and interesting.

## Undertake Promotion of Startups as National Priority

With a clear commitment from top levels of government, a strong command structure has been established and measures are now implemented in a unified way. It is said that Japan has changed significantly in the last five years as a result of concerted efforts by the public and private sectors.

# 7

## 1. Provide World's Best Startup-Friendly System

### No.1

#### Development of a system that enables flexible use of equity

- Improving the usability of Stock Option Pool
- System reform for smooth acceptance of foreign investors
- Establishing guidelines for flexible use of class shares
- Increasing awareness of existing initiatives and systems

### No.2

#### Simplification and cost reduction of administrative procedures

- Simplifying incorporation procedures
- Reducing administrative and cost burdens including registration tax

### No.3

#### Enhancement and publication of regulatory reform-related systems, and establishment of support structures

- Centralizing contact points, standardizing application forms, etc.
- Establishing experts support system (lawyers, etc.)
- Accelerating the regulatory reform process
- Information coordination among ministries and agencies
- Strengthening information dissemination

No.4

## Further use of SUs in public procurement

- Review of KPIs (increase target share of SUs from 3% to 10%) and follow-up on progress
- Further preferential treatment for SUs to participate in bidding
- Digitalizing bidding procedures and standardizing forms
- Enabling flexible procurement processes
- Integration of SBIR contact points and seamless support through public procurement

No.5

## Development of comprehensive common knowledge library

- Developing SU-specific libraries regarding information on entrepreneurship, fundraising, etc.

No.7

## Improvement of environment encouraging the entry of individual investors

- Easing measures to encourage angel investment
- Further utilizing equity investment crowdfunding

No.6

## Optimization of contracts with SUs

- Complying with “Guidelines on Business Collaboration with and Investment in Startups”
- Dispatching legal experts to newly founded SUs lacking resources

No.8

## Development and promotion of the venture debt industry

- Introducing business growth security interest system (tentative)
- Strengthening quantitative and qualitative support by Government to promote lending by financial institutions (e.g. debt guarantees, subordinated guarantees)

## 2. Develop Multiple Globally Competitive Startups

No.9

**Promotion of SU investment by diverse players (Government funds, institutional investors, etc.)**

- Encouraging entry of new entities such as pension funds and other institutional investors
- Increasing inflows of growth funds from Government funds

No.10

**Vitalization of SU M&A by large companies**

- Diversifying SU exits

No.11

**Acceleration of business carve-outs / spin-offs**

- Creating SUs from large companies
- Expanding spin-off tax system
- Relaxing eligibility requirements in the reorganization tax system

No.12

**Development of a secondary market for unlisted shares**

- Diversifying investors' means of recovering funds
- Improving environment to support further growth of SUs

## No.13

### Improvement of environment supporting global expansion

- Fostering a Global Mindset
- Supporting SUs for overseas expansion with JETRO, etc.
- Developing a system that can accommodate overseas investors (e.g. translating documents into English)

## No.14

### Further use of the global acceleration program

- Active participation in online programs
- Attracting global acceleration programs in a Post-COVID19 world

## No.15

### Enhancement of English Proficiency at the National Level

- Implementing video materials and online learning by native speakers through the use of devices
- Increasing the number of foreign language teaching assistants (ALTs)

## No.16

### Promotion of study abroad

- Implementating the successor project to the “Japan Public-Private Partnership Student Study Abroad Program”
- Diversifying university entry and graduation dates
- Expanding overseas study and internship programs with credits approval
- Incorporating future entrepreneurial ambition as a criteria in the selection of international students entering Japan

## 3. Make Japan One of the World's Leading Startup Hubs

No.17

### Attract the world's leading venture capitalists

- Attracting world-class VC talent, including establishing a base in Japan
- Establishing a specialized public fund for LP investment in overseas VCs.
- Improving assessment abilities regarding Deep Tech

No.18

### Attract entrepreneurs and engineers from Asia

- Attracting talent strategically and intensively through preferential measures
- Expanding initiatives in the National Strategic Special Zones nationwide

No.19

### Attract Asian headquarters of top global companies

- Attracting R&D bases and Asian HQs of top global companies to achieve the concentration of talent, technology, capital and business opportunities from around the world.
- Maintaining and expanding the R&D tax system

No.20

### Development of living infrastructure for SU foreign talent, including language, education and medical care

- Support for all aspects of life with hospitality
- Comprehensive assistance including for families (e.g. university entrance examinations, etc.)
- Making administrative procedures and hospital reception multilingual

No.21

### Establishment of an intellectual property system that attracts outstanding researchers

- Intellectual property support for SUs expanding into third countries
- Accepting patent applications in English to attract foreign researchers

## 4. Create a University-based Startup Ecosystem

No.22

### Identification and further enhancement of the strengths of each university

- Selecting and concentrating strengths of each university (utilization of one-corporation multi-university system, etc.)
- Utilizing university funds and world-class research center programs, etc.

No.23

### Formation of world-class industrial hubs in accordance with the strengths of each region

- Attracting domestic and international researchers, students, companies in related fields and research centres according to their areas of strength

No.24

### Support for SU entrepreneurship for researchers and students by universities

- Ensuring that students have access to entrepreneurs, and building an entrepreneurial community
- Expanding gap funds
- Matching researchers and business owners

No.25

### Funding for Deep Tech SUs

- Actively utilizing SUs for R&D projects
- Supporting SUs through Government funds and programs

No.26

### Active support from regional banks

- Expanding support through investments, loans, etc.
- Assisting regional banks' support for human resources development including "REVICareer" system

## 5. Enhance Human Resources Mobility and Promote Movement of Talent into Startup Ecosystem

No.27

**Diversification of all layers of large companies, from recruitment to senior management**

- Introducing alumni recruitment
- Diversifying recruitment
- Assessing diversity in graduate recruitment
- Utilizing “Acqui-hire”

No.28

**Encouraging Side-Jobs and Concurrent Employment, and prevention of excessive restrictions on changing jobs and starting businesses within the same industry**

- Promoting of side work, e.g. based on the Keidanren Report “Encouraging Side-Jobs and Concurrent Employment”

No.29

**Promotion of personnel dispatching and exchange with SUs**

- Continuation and expansion of new learning and career path promotion systems
- Promoting “Temporary-Secondment Start-ups”

No.30

**Development of tax and legal systems to support seamless labor mobility**

- Extending the exercise period for tax-qualified stock options and increasing the exercise price in the stock option taxation system
- Realizing tax and social security systems that are neutral regarding working style and career development

## 6. Create Society in which Entrepreneurship is Enjoyable and Familiar

No.31

### Systematic entrepreneurship education

- Introducing entrepreneurship education curriculum
- Creating “Super-Entrepreneurship High Schools” program
- Providing opportunities to learn from entrepreneurs in Japan and overseas
- Expanding financial education
- Ensuring teacher diversity

No.32

### Education system and university entrance examinations to foster diverse careers and talents

- Ensuring exposure to entrepreneurship and SUs (e.g. internships)
- Support for entrepreneurs by universities through the provision of space, investment through funds, etc.
- Realizing diversity-oriented self-directed learning
- Diversifying university entrance examinations

No.33

### Fostering of a culture that makes entrepreneurship accessible

- Nurturing a culture and climate that respects entrepreneurs and supports them across society
- Dispatching founders to educational sites

## 7. Undertake Promotion of Startups as National Priority

No.34

### Clear commitment from the top levels of government

- Formulating and implementing the 5-year Startup Development Plan
- Disseminating information nationally and internationally (Declaration to establish Japan as a SU-oriented nation)

No.36

### Promotion of digital deregulation

- Deregulating the digital sector through Digital Extraordinary Administrative Advisory Committee
- Promoting EBPM (Evidence Based Policy Making)

No.37

### Transformation into innovation-friendly companies

- Ensuring organizational diversity
- Reviewing investment stance towards SUs
- Promoting acquisition of new businesses through M&A

No.35

### Command structure for SU promotion policy (e.g. Startup Agency)

- Implementing SU-related measures centrally and monitoring its implementation
- Centralizing national contact points for SUs

No.38

### Support for corporate transformation

- Supporting innovation friendliness through evaluation and feedback
- Considering further improvements towards a SU-friendly system
- Providing information to and collecting views from SUs



# Conclusion

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The 'Faster-moving target' countries with developed startup ecosystems are taking new measures to further strengthen their ecosystems even as we discuss the measures to be taken.

**We have no time to stop and think.**

**Implement every single one of the measures set out in this Policy Proposal in close coordination, without being bound by the different positions among industry, academia and government, and without any delay, or we will never have another chance to recover.**

Keidanren will regularly monitor the progress on KPIs and specific actions set out in this Policy Proposal, and if progress is not satisfactory, will consider further necessary measures and encourage the relevant actors.

**As the private sector leader for the promotion of startups, we hereby declare that we will make every effort to realize all of these measures.**