

LESSONS LEARNT

CONNECTING WITH THE ASIAN STARTUP ECOSYSTEMS

PREFACE

This report provides an extract of the **insights generated** by the **Innovation Lab Asia project**, and how these lessons will shape our future plans, projects and activities.

The purpose of Innovation Lab Asia (ILA) has been to strengthen collaboration between the Danish startup ecosystem and seven innovation hubs in Asia: India, Japan, Korea, Singapore, Malaysia, Taiwan and China Bay Area. During our three years of working with these ecosystems, ILA has gathered a vast amount of information that is relevant to all Danish and Nordic stakeholders who may be interested in connecting with peers in Asia.

We've experienced both failure and success, witnessed the complexity of Asia, and seen new trends emerge as we moved along. We have gathered specific insights on how, where and why to engage with Asian ecosystems. We've seen first-hand the limitations that hamper Danish internationalization towards Asia and identified measures that could streamline the process.

This report, and the ILA Project overall, have been created through a collaboration between TechBBQ and Asia House, along with help from our colleagues at Copenhagen Capacity, Nordic Innovation House Tokyo, and many other great Nordic partners we've connected with over the course of the project. We would like to extend a special thanks to The Danish Industry Foundation for supporting this project.

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GO EAST...

The purpose of ILA was to promote the internationalization of the Danish startup ecosystem towards Asia, and thus strengthen their access to Asian markets, funding, and talent.

The project was motivated by the publishing of the **Global Entrepreneurship Index (GEI)** in 2018, which found that the otherwise strong Danish startup ecosystem was struggling with internationalization, especially compared to our neighbors in Sweden, Finland, and Estonia. In fact, this was the main weakness of the Danish startup ecosystem, according to the GEI.

This lack of internationalization was – and is – reflected on many levels. Lack of network and connectivity between Danish and Asia stakeholders (community organizations, investors, founders etc.); limited or fragmented knowledge in Denmark of opportunities and access points in Asia and vice versa; few or no Danish tech startups looking to scale to Asia; and limited willingness by Danish investors to support activities in Asia all contribute to Denmark's relatively low level of

internationalization in Asia. In fact, during the project we would see the consequences of this abstract ranking manifest itself very concretely.

A second motivation of the ILA project was the fact that innovation ecosystems in Asia are growing rapidly. According to the authoritative **Global Startup Ecosystem (Genome) Report 2020**, 30% of the top 30 global ecosystems are now found in Asia, up from 20% in 2012. Tokyo and Seoul are specifically mentioned as the new entrants to the top 20 since 2019, while Shenzhen and Hong Kong (also known as the China Bay Area) have moved into the Top 30. Moreover, Asia is more relevant than ever to investors. In fact, the aggregate value of venture capital deals in Asia increased from USD 26 billion in 2014 to USD 129 billion in 2018 (Statista, 2021).

THE INNOVATION LAB ASIA PROJECT

Purpose:	To strengthen the collaboration between the Danish and Asian startup ecosystems.
Original project partners:	Asia House & TechBBQ
Associate partners:	Copenhagen Capacity & Nordic Innovation House Tokyo
Original funding:	DKK 4.3 million
Actual expenses:	DKK 4.0 million
Project duration:	2 years plus 1 year extension due to COVID-19
Website:	innovationlabasia.dk
Project manager:	Peter Johansen
Lead consultants:	Julian Nielsen, Lisa Mallner, Oliver Hall, Kenken Aoshima

LEARNING BY DOING

In October 2018, the ILA project set out to map the main Asian innovation ecosystems and identify local stakeholders with international focuses and mandates.

This mapping was based on a combination of desk research and field trips to each location, and the findings were condensed into seven reports. These were printed and presented at the TechBBQ Conference in September 2019, along with a series of Asia-related events.

In October 2019, ILA initiated its second phase, to establish more in-depth collaboration with select Asian hubs.

The first track focused on the **China Bay Area**. A special focus of the report was Shenzhen, which has become the world's strongest hub for prototyping and manufacturing, and has the fastest growing startup ecosystem in China. As it stands, there are no official Danish platforms in Shenzhen, and therefore the visibility of the Danish startup ecosystem remains limited. We therefore deemed it possible that ILA - with relatively few resources - could make a difference: create a stronger awareness and establish beneficial partnerships, especially for Danish hardware startups.

In November 2019, ILA organized a TechBBQ-branded event in Shenzhen together with our local partners: the Nordic-China Startup Forum and Troublemaker, a Dutch-Nordic Makerspace in the heart of the city.

Despite – and in keeping with pandemic-related restrictions, we were able to organize and carry out a second event in November 2020, which is a testament to the value of good partners on the ground. We are confident a third event will take place in 2021. In fact, launching TechBBQ-branded pop-up events with trusted partners in Asia has proved to be an efficient and low-cost method for raising the Danish and Nordic flags in foreign ecosystems.

The second major track focused on attracting VC funding from **Japan**. In November 2019, ILA launched the report Japanese Investments to the Nordics at SLUSH in Finland. The report was produced in collaboration with the inbound investment agency, Copenhagen Capacity, and the Finnish-Japanese fund Nordic Ninja VC.

The report was written to create awareness in the Nordic startup community that there has been an exponential rise in

Japanese VC funding activities towards the Nordics, especially Finland and Estonia. A secondary purpose was to promote this narrative in the Japanese investor community, hopefully contributing to a band-wagon effect.

One of the main takeaways from SLUSH 2019 was that Japanese stakeholders desired information on the Nordic startup ecosystem, but lacked easy access to this information. Especially in print, and in Japanese language. Thus, in January 2020, ILA published its first report directly targeting the Japanese audience: Nordic Innovation – Europe’s unicorn factory. This report was printed and disseminated to Japanese stakeholders across five cities during ILA’s first (and only) business trip to Japan in February, just before the COVID-19 pandemic caused global travel and business shutdowns.

During the ensuing lock-downs, ILA sought to develop new models of engagement with Japanese stakeholders. The initial strategy was to continue promoting the Nordic ecosystem in Japan via direct meetings, Japanese language newsletters, and virtual conferences. However, these engagements only led to still more inquiries about potential Nordic startups that would be relevant for Japanese investors.

To satisfy these inquiries, in October 2020 ILA initiated an ambitious program for showcasing Nordic startups to Japanese stakeholders through a series of sector-specific reports. Leveraging on experience, the reports were available in both English and Japanese, and were followed up with Japanese-language events with trusted partners in Japan. These initiatives turned out to be highly successful and generated real investment leads for many of the participating startups.

From the very start the ILA project has been highly exploratory, not just in relation to the initial mapping of the seven ecosystems, but also in figuring out how best to engage with Asian stakeholders. The exploratory nature was hindered somewhat by the ongoing pandemic, which cancelled business trips and tech events and nullified the preferred way of interacting with Japanese stakeholders, who usually place much importance in physical meetings and trust building activities before taking the relationship to the next level.

Over the following pages, we will share our lessons learned from our many activities, hoping they may be of relevance for others following us on a journey to Asia.

ENGAGING WITH CHINA

The extent to which ILA should engage with China was a matter of debate from the very start. The pros were obvious: China is Denmark’s largest market in Asia, and has the world’s strongest investor ecosystem outside the USA. But China is also huge and quite well covered by several specialized Danish organizations. Could ILA make a real difference?

We decided to narrow our scope to China’s startup hub Shenzhen, which is located in a special economic zone especially suited to startup businesses, and focused on identifying partners for prototyping. In fact, Danish hardware startups were already interacting with Shenzhen, regardless of available resources, so it seemed logical to try to help understand best practices for startups that come to Shenzhen in the future.

Our focus on China generated – for the first time ever – pushback and uneasiness from Danish stakeholders. We also encountered some apprehension about accessing Chinese funding, due to the nebulous role of the Chinese state involvement, and the reputed assertive nature of Chinese investors.

We recommend, therefore, that concerns be kept in mind and handled head-on when startups look to China.

EXPLORING ASIA

ILA originally decided to focus on the previously-mentioned seven Asian tech hubs of India, Japan, Korea, Singapore, Malaysia, Taiwan and China Bay Area based on a general assumption that these locations provided the greatest opportunity for Danish startups in terms of market opportunities, investments, and/or talent.

The selection also reflected the very exploratory nature of the project, and the fragmented knowledge about Asian ecosystems in Denmark. Hubs in Indonesia, Vietnam, Thailand, The Philippines, Pakistan, Bangladesh, Sri Lanka, Northern India, and others could also be interesting for Danish stakeholders, and merit further investigation.

The outcome of the investigation was distilled into an ecosystem report for each of the selected hubs, except Malaysia, which we found was too nascent to merit a separate report.

The format and scope of the reports was subject to much internal debate. The key question was: what would have the greatest impact in terms of shifting the Danish startup ecosystem's focus towards Asia? A comprehensive report on the Asian ecosystems, providing in-depth analysis of trends and tendencies, and a heavy reliance on facts, figures, and academic methodology? Or a series of quick reads with a more promotional focus? Each of the two strategies had their merits and catered to different audiences.

ILA eventually decided on the latter, more promotional strategy targeting startups, founders, and investors, publishing six ecosystem reports that set out to describe the “personality” of the selected innovation hubs in terms of maturity, strengths, weaknesses, and level of internationalization.

All the reports introduced main stakeholders with international focuses, including insights on their mandates, track records, and areas of interest. All the reports were catered to a Nordic audience, with a particular focus on strongholds and stakeholders that are relevant to the Nordics. The reports were launched at the TechBBQ Summit in 2019 along with a series of side events focusing on Korea, Japan, and the China Bay Area.

The following pages will provide a brief summary of the “ecosystem personalities” of each of the selected hubs. For more detailed information, please refer to the original reports, which are available on [**Innovation Lab Asia's website**](#).

INNOVATION LAB ASIA PUBLICATIONS

- Startup ecosystem guides to India, Japan, Korea, Singapore, Taiwan, and China Bay Area.
- Estonia: A case story
- Japanese Investments: Expanding to the Nordics - updated 2021
- Nordic Innovation: Europe's unicorn factory (in English and Japanese) - updated 2021
- Nordic Healthtech: Showcasing the ecosystem and 24 startups (in English and Japanese) - updated 2021
- Nordic Fintech: Showcasing the ecosystem and 24 startups (in English and Japanese)
- Nordic Urbantech: Showcasing the ecosystem and 30 startups (in English and Japanese)
- Newsletters on the Nordic startup ecosystem (in English, Chinese and Japanese)
- Surveys, blogs and numerous articles in the media...

INDIA

BANGALORE

The innovation ecosystem of Bangalore is the most vibrant in India. It is highly internationalized, has a strong contingent of foreign and Nordic corporations, and boasts the greatest density of incubators and accelerators in India. Danish startups looking to scale to India should consider Bangalore their first point of entry.

India is the world's largest emerging market, with a huge demand for smart and cost-efficient solutions within water, waste, energy, health, food, agriculture, and more. However, very few Danish startups are present in Bangalore or India, for which there are several reasons.

Danish products are rarely "plug-and-play" in an Indian context. They need to be adapted to the Indian market, and this usually takes time and costs money. The startups often lack

the financing and resources required to address an emerging market, and the scalability to satisfy the massive Indian market.

Also, Danish startups may have difficulty accessing funding in India, as local investors tend to fund mainly within the Indian and South Asian region.

Nonetheless, India shouldn't be ignored by the Danish startup community. Not only are the direct market opportunities immense, especially within B2B, but India is also a suitable testbed for co-creation and product adaptation within emerging markets.





JAPAN

TOKYO

Japan is Denmark's second largest export market in Asia and the world's third largest economy. By all accounts, Japan will remain a key market for Denmark in the years to come. In addition, Japanese consumer patterns match Danish and Nordic strengths. The Nordics carry a strong brand value in Japan, not just in terms of a common affinity for quality craftsmanship and elegant minimalism. Japan is one of Asia's wealthiest countries, with a high demand for premium products.

However, the primary reason for Danish startups to consider Japan is probably access to potential funding. The Japanese innovation ecosystem is presently experiencing a boost in investments, especially from Corporate VCs. As the Japanese innovation ecosystem is still relatively underdeveloped (though growing), there is a growing interest amongst Japanese

investors for opportunities in the Nordics. Some are already LPs in Nordic VC funds (mainly in Finland and Estonia), while others are accessible in Tokyo. From our experience, Danish startups should absolutely consider Japan when looking for funding opportunities.

Tokyo is the undisputed center of the Japanese innovation ecosystem; it has the highest number of startups and attracts the greatest amount of funding. In 2018, 77% of all Japanese VC investments went to Tokyo-based enterprises.

KOREA

SEOUL

The 2020 Startup Genome report dedicated an entire chapter to the “The Meteoric Rise of Seoul’s Startup Ecosystem,” adding that the Seoul Metropolitan Government has made some of the most “impressive investments in its startup ecosystem worldwide... [by committing to spend] USD 1.6 billion to develop its ecosystem over the next three years along with the national government and private investors”. As a result, “Seoul scored 9 out of 10 on our investor activity index this year”.

This growth in Seoul’s startup ecosystem has sparked new opportunities for international startups, especially in fields where Korea already has a stronghold thanks to local talent, resources, and infrastructure.

For international startups looking to scale into the Korean ecosystem, connecting with local partners is critical. Though

the market is large and advanced, there is limited foreign presence and many Koreans feel more comfortable working with people they know, as is often also the case in Scandinavia. There are few soft-landing programs for foreign companies, and the large Chaebols (Korean conglomerates like Samsung and LG) dominate the innovation space.

Nonetheless, Korea holds attractive prospects for Danish startups, especially where Denmark has strong capabilities on a global scale and/or where Korea is a leading actor in technology development, such as in Audio, Blockchain, Fintech, Maritime technologies, Greentech and IoT. Given the dominant position of the large Korean conglomerates, startups should consider engaging with these to gain access to local partners and clients.





SINGAPORE

Singapore is one of the world's most dynamic innovation ecosystems, benefitting from solid governance, pragmatic policy, and a strong VC environment.

Unlike many other countries, Singapore allows foreigners to own 100% of their companies, meaning you don't need local partners to establish a company. In most cases, you can also operate your business from your home country, avoiding the high cost of living in Singapore.

Another main attraction of the Singaporean ecosystem is the prospect of funding. Recent unicorns like Grab (originally from Malaysia), and Trax (Israeli founded), have established themselves in Singapore due to the access to VCs and the close regional markets in East and Southeast Asia. In addition,

Singapore has several popular crowdfunding platforms, such as MoolahSense and FundedHere.

However, these advantages have also created a distorted picture of Singapore as a startup center. While many entrepreneurs choose to have their HQ in Singapore in order to raise venture capital and enjoy the benefits of good Singaporean governance, it is common to find the bulk of their teams and most of the actual innovation taking place in the market where they are launching, such as Malaysia, Indonesia, or Vietnam.

TAIWAN

TAIPEI

Taiwan's startup ecosystem is not as well-known and developed as neighboring Shanghai, Singapore, and Hong Kong, but the island has some unique advantages for early-stage startups looking to scale into Asia.

The ecosystem in Taiwan is characterized by heavy investment from the public sector and a relatively conservative VC landscape. And while Taiwan's startup ecosystem lags behind some other parts of Asia due to an absence of adventurism and a uniform pool of talent, it has been exceptionally active in recruiting foreigners to help grow the burgeoning startup ecosystem, mostly from the ASEAN region. This means that government startup programs are significantly more open to internationals compared to elsewhere in the region.

From a Danish perspective, it is worth noting that the public sector in Taiwan has a strong focus on establishing smart cities and adopting more sustainable energy sources. The smart city strategy opens possibilities for Danish startups in a range of sectors including IoT, Fintech, Edtech, Transportation and many others. Secondly, the focus on transforming the energy sector to a greener and more sustainable model paves the way for startups within Energy and Cleantech, where Denmark has a strong reputation.

The business environment of Taiwan is generally stable, and the costs are lower than in Korea and Japan. Additionally, Taiwan presents fewer risks in terms of intellectual property rights compared to mainland China and other parts of Asia.





CHINA BAY AREA

SHENZHEN

The startup ecosystem in Shenzhen is characterized by a “maker culture”, with a multitude of small, agile makerspaces for rapid prototyping and product optimization. In Europe it may cost EUR 20 and take 1-2 days to assemble a basic PCB (printed circuit board); by contrast, the same device can be made in Shenzhen in 20 minutes for less than EUR 1.

Add to this, the famous Huaqiangbei electronic mega-market, an enormous electronics market spanning over 1 kilometer, where you can find any component needed for your build, be it for VR, AR, IoT-devices, robotics, drones, or any other exotic sub-components. Shenzhen is undoubtedly the best place to go for early-stage Nordic hardware startups looking to speed up their prototyping.

But Shenzhen is more than a global factory space. Right now, it is rapidly becoming one of China’s fastest growing innovation hubs. It has the youngest population of any major Chinese city, an international mindset, and very startup-friendly regulations.

Naturally, the startup scene in Shenzhen is rather hardware-focused. Most of the successful local startups revolve around “remixing:” adding to or altering features of existing products. Shenzhen is also characterized by strong funding opportunities. It is part of a special free trade zone that provides extra support for foreign businesses and gives startups access to venture capital from government funding schemes and private investors. In fact, the city is home to 30% of all Chinese VCs.

STRUGGLING WITH ASIA

Perhaps the most poignant insight gained from our exploratory phase was how few Danish tech startups are actively engaged in Asia. Of course, there are vibrant Danish expat communities in parts of East and Southeast Asia, but the business landscape is dominated by corporates and larger SMEs.

Below the surface, and in some surprising locations there is a plethora of smaller Danish-owned non-tech enterprises and tech nomads working freelance from exotic surroundings in Asia— but these do not qualify as tech startups.

The fact is, very few Nordic — let alone Danish — startups have a physical presence in Asia, with a real office and local employees. Some of the SaaS-based companies may be selling their solutions at a distance. Others may have a local sales rep. But only a handful of the larger scale-ups actually make it to Asia. Why?

Most Danish startups are too early-stage to access remote markets. They have limited funding, few employees, and almost no time to spare, so they prefer to focus on more familiar and less risky markets. As a result, the sourcing of Danish startups (and even SMEs) for Asia-bound activities is perhaps the greatest challenge to any internationalization initiative.

Even impact startups, who provide solutions with particular relevance for emerging markets in South and Southeast Asia, struggle to make the leap. They lack the funding and tailored support mechanisms to identify and implement their POC and access the market.

Yet, launching new initiatives may not always be the solution. ILA experienced a widespread fatigue or saturation in the startup community in terms of engaging in new accelerators, programs, or initiatives – and not just in relation to Asia. Simply put, the most consistent motivator seems to be the prospect of accessing new funding. Therefore, any initiative that seeks to motivate Danish and Nordic startups to scale towards Asia will definitely benefit from a close collaboration with both Asian and Nordic investors.

DEALING WITH STARTUPS

- Sourcing companies is challenging. You will need to collaborate with investors or dedicated cluster organizations with access to the startup community. Also, expanding the scope to include Nordic or European startups will greatly increase the pipeline and reduce the effort of scaling.
- Startups are not motivated by abstract notions of growth rates and market value. You need to provide real operational opportunities and networks in the target country.
- Startups often lack resources and only respond to the most necessary enquiries. You will need to minimize any effort on behalf of the startups, so they can focus on their core activities.



FOLLOW THE MONEY

Of the first batch of reports published by ILA, one stands out: **Estonia - a case story**. Witty people have suggested that Estonia hardly qualifies as an Asian innovation hub, and indeed, this report was conceived from unexpected insights. It also defined the second phase of ILA.

During our initial investigation of Japan, we had a continuous “Kilroy was Here”-feeling. Wherever we went, the Finns and Estonians had already been, talking to the right people and closing deals. It turned out that Estonia, operating under a “New Nordic” brand, and with a population of just 1.3 million, had landed more Japanese investments from 2013-18 than Denmark, Sweden and Norway— combined.

We drew two conclusions: Firstly, Japanese funding was flowing towards the Nordics; it just wasn’t flowing to Denmark. Secondly, we had much to learn from our New Nordic neighbors, not just on who to talk to, but also how to do it. ILA’s report on Estonia paved the way for our Japanese investor focus, and the importance of Nordic collaboration.

Since October 2019, we have carefully monitored Japanese VC investments and acquisitions to the Nordics (see our website) from 2013-21. The growth has been impressive, for several reasons:

- **The Nordic brand is strong in Japan:** The Japanese are generally impressed by the Nordics, not just in terms of a common affinity for quality craftsmanship and elegant minimalism, but also the efficient and highly digitized Nordic public sector that provides its citizens with free education, healthcare, and social security. They are also aware of the consistently high rankings that Nordic countries enjoy in global indexes for innovation, digitization, competitiveness, entrepreneurship, transparency, governance, and happiness. In general, many perceive the Nordics as model societies.
- **The Nordics are a perfect base for European expansion:** The Japanese perceive the Nordic countries as politically stable, economically strong, and highly internationalized; therefore, the Nordics appear to be an ideal base for a European foothold in Japan. In addition, some investors believe Silicon Valley has become oversaturated with VCs, and are looking for better deals in the European startup ecosystem. It is not only the Nordics, but Europe as a whole, that is interesting for Japanese stakeholders.
- **Nordic solutions cater to Japanese needs:** The Nordics face many of the same societal challenges as Japan in terms of an aging population and dwindling workforce. Also, many of the solutions provided by Nordic startups within Healthtech, Fintech, Robotics, Smart cities, AI and digitization match the Japanese vision of Society 5.0. Nordic solutions are very relevant for Japanese investors looking to bring new tech to their home market.
- **Japanese capital has a strong international mandate:** In recent years, the level of Japanese VC and CVC capital has grown rapidly. However, the Japanese startup ecosystem is relatively immature, and investors therefore need to look to foreign markets for good deals. Additionally, Nordic startups generally feel more safe dealing with Japanese investors rather than e.g., Chinese, whose funding source may be more nebulous (see fact box The Pros and Cons of China).

JAPANESE INVESTMENTS TO THE NORDICS 2013-2021

NORWAY

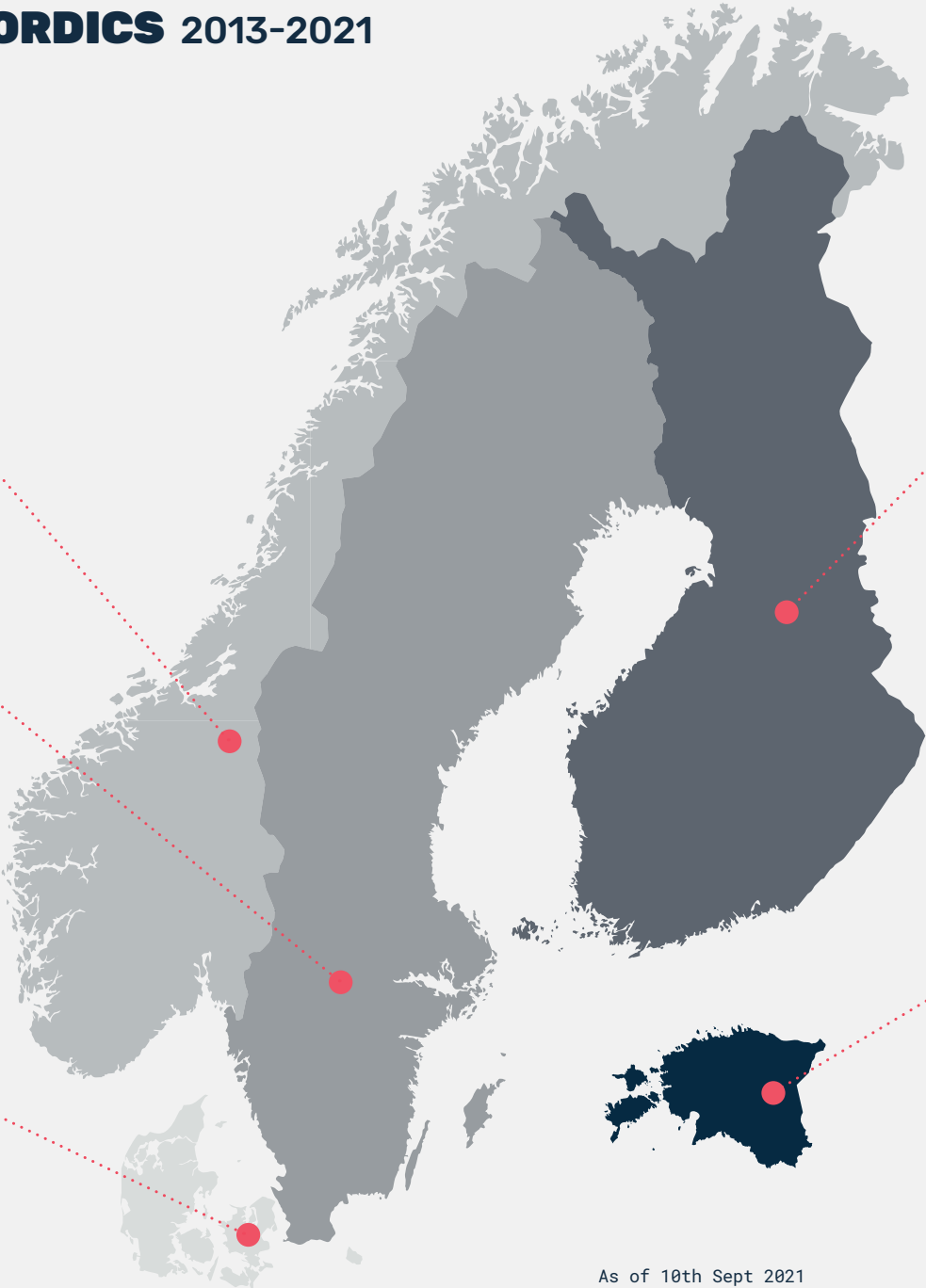
AutoStore Softbank
Brandpad Thorgate Ventures III
Exabel Sanden
Girff Aviation Dronefund VC
Kahoot Softbank
Nevion Sony Corporation
Oda Softbank
Oncolmmunity NEC (Acquisition)

SWEDEN

Crosser NTT Docomo
Einride NordicNinja VC
EINS Consulting NTT Data (Acquisition)
Exeger Softbank
FishBrain Recruit Holdings
Fishbrain Softbank
Inkonova Terra Drone
Klarna Softbank
Outfox Intelligence Dentsu (Acquisition)
Sinch Softbank
Sturdy NEXTBLUE
Symfoni Software Fujitsu (Acquisition)
Tracklib Sony Innovation Fund
VEAT NEXTBLUE
Voi NordicNinja VC

DENMARK

AddiFab Mitsubishi Chemical
ByFounders Digital Garage (Limited Partner)
Chainalysis Mitsubishi UFJ
DigiShares Toko Kondo
Grazper Yokogawa (Acquisition)
Magnetix Dentsu (Acquisition)
Nodes Monstar Lab (Acquisition)
Pie System DG Incubation
Unibio Mitsubishi Corporation
WARM Sony Innovation Fund



FINLAND

3rd Eye Studios Oy Ltd Colopl Next
Attractive.ai Keisuke Honda, Tatsuro Shimada
Broadbit Yaskawa Electric
Canatu Oy Denso
Combinostics NordicNinja VC
Flexound NordicNinja VC
Hatch Entertainment Docomo
IndoorAtlas Yahoo! Japan
Inkron Nagase Group (Acquisition)
KIDE Clinical Systems Topcon (Acquisition)
Logmore NordicNinja VC
MaaS Global NordicNinja VC, Denso and others
Medfiles WDB Holdings (Acquisition)
Meru Health IT-Farm Corporation
Nightingale Health Kirin, Mitsui
Oura One Capital
Sensible 4 NordicNinja VC
Sensire Yokogawa
Supercell Softbank, GungHo (Acquisition)
Teraloop Yaskawa Electric (Acquisition)
Varjo NordicNinja VC

ESTONIA

Bolt NordicNinja VC
Clanbeat Mistletoe
Cleveron ITOCHU (MoU for R&D)
Fits Me Rakuten (Acquisition)
Funderbeam Mistletoe
Jobbatical Mistletoe
Lift99 Mistletoe
Lingvist Rakuten
Planetway Mistletoe, Tokusui, Sakura Internet
Realeyes Docomo
Skeleton Technologies Marubeni
Startship Technologies TDK ventures, Recruit
Tera Ventures ITOCHU, Mistletoe (Limited Partner)
Thorgate Ventures III Alesco ventures (Limited Partner)
Transferwise Mitsui, World Innovation Lab
Veriff NordicNinja VC
Xolo Mistletoe

As of 10th Sept 2021

SIZE MATTERS

It may seem banal to suggest that Nordic collaboration is paramount in an Asian context. The entire population of Denmark (6 million) would fit easily into a suburb of the Greater Tokyo Area (38 million), Shanghai Metro Area (28 million), or Seoul Capital Area (25 million). Only by joining forces can all the Nordic countries hope to compete with large hubs in London, Boston, New York, Tel Aviv, etc.

The good news is that the Nordic brand is already well-established in East Asia. Most stakeholders generally perceive the Nordics as one coherent region, and are rarely knowledgeable about (or interested in) the minor differences that form our national narratives. More importantly, most East Asian stakeholders tend to focus on larger regional areas when they internationalize, e.g., the United Kingdom and Ireland, Latin America, Germany, and so on. Denmark or Sweden on their own are simply too small to justify an exclusive initiative. Nordic collaboration matters on many other levels too:

- **Nordic success:** By promoting the collective achievements of the overall Nordic startup ecosystem, we outshine most other tech hubs. When we launched our Nordic Innovation report, Japanese stakeholders were surprised and captivated by the fact that we have the highest number of unicorns per capita outside of Silicon Valley. This is the kind of narrative that attracts East Asian investors.
- **Nordic networks:** Across the Nordics there are individuals with strong personal networks in Asia. These are supremely important when doing business in Asia, and represent the best shortcut to doing business in Asia. The Nordics need to combine their knowhow and networks to successfully access Japan and other Asian hubs. Simply put, Asia is not a zero-sum game.
- **Nordic sourcing:** Presently, only a few Nordic startups are willing to focus actively on Asia, and therefore achieving a critical mass for Asia-bound activities can be challenging when sourcing on a single country level. Only by widening the scope to the entire Nordic region is it possible to make this effort sustainable. In the same vein, startups tend to seek inspiration from their peers, and one of the strongest motivators for scaling internationally is real success stories. Since few Nordic startups have an Asian track record, we need to widen the scope here as well.

In spite of its potential benefits, promoting cross-Nordic collaboration is complicated. Most Nordic people feel very Nordic when travelling abroad, and the further away, the stronger the feeling. Any differences that may emerge, are cherished as cute little quirks to an otherwise great common heritage. However, once back in our respective countries, that Nordic feeling is quickly replaced by the usual national focus, the Danes feeling Danish, the Swedes Swedish, and so on.

This paradox also impacted ILA. On the operational level, we found a great eagerness to work as a united Nordic Region when engaging with Asia and Japan. Individuals across the Nordics happily shared information and connections for the common good. However, on the political level, things got more complicated, as mandates and funding opportunities are most often earmarked for national initiatives.

Thankfully, things are changing. In recent years, Nordic Innovation Houses have opened in Hong Kong, Singapore, and Tokyo. Naturally, the Tokyo-house has been a key partner for ILA from the very start of our Japan-focused activities. Our next step is to build on this spirit in our own hemisphere.

BRIDGING THE GAP

In this final chapter, we touch on how to engage with Japanese stakeholders on an operational level. Many of the findings will also be relevant in other parts of East Asia. Some of the points might be considered high-level cultural generalizations, while others are more specific.

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- **Take the long-term perspective:** It takes a long time to create a presence in Japan; stakeholders require many mails, meetings, and physical encounters to establish the level of trust required to develop a partnership. Public organizations are usually even more cautious.
 - **Engage with local partners:** Having others vouch for you goes a long way in Japan, so try and establish a working relationship with one or two partners of good repute like large and/or well-connected organizations, or organizations with a badge of officialdom. In doing so, you leverage the trust and respect accumulated by these organizations and provide a face-saving loophole for new Japanese partners. The more trusted partners you have in your corner, the more new partners will be willing to work with you. We are grateful to work closely with Nordic Innovation House Tokyo and Trusted Corporation, which

allowed us to expand our network to JETRO and the Tokyo Metropolitan Government.

- **Communicate in Japanese:** Though English has become more common in Japan, being able to communicate in Japanese is a definite advantage. From a cultural perspective, it is a simple way of showing respect as a foreigner in that you have put in the additional effort to establish yourself in Japan. On a more practical level, information may be lost in translation without you realizing it. Japanese often find it shameful to admit to not understanding what is being said, and impolite to ask their guests to repeat their point. Also, many of the decision makers are more senior, and therefore likely to be less proficient in English. For this reason alone, it is a definite advantage to communicate in Japanese at meetings and events; in a similar vein, we strongly advise providing Japanese-language sales materials.

- **Choose your words carefully:** Japanese find the spoken word much harder than the written. Therefore, speak very slowly at meetings and avoid difficult words and expressions, even if you find their English to be good. Your Japanese counterparts will not ask you to slow down, rephrase, or admit to not understanding, but will feign comprehension and interest. Also, do not be unfazed by sudden periods of silence from the Japanese. This is simply regarded as a sign of respect, that they are contemplating your words.

One may venture a guess that this is a reason why the Finns and Estonians get along so well with Japanese—they have also mastered this art of silent breaks, which Danes find so hard. Finally, keep your ego in check. If you want to earn the respect of Japanese, do not ramble off about your own merits and exploits; instead, be modest and soft spoken.

- **Paper is great:** We experienced that Japanese stakeholders were very pleased with the printed version of our reports, especially if they were also written in Japanese. Never underestimate the power of paper in Japan!

- **Reconsider your SoMe strategy:** We did not have resources to hire an external Japanese PR-expert and struggled to find the right channels for digital communication. LinkedIn is not widely used in Japan, and therefore shouldn't be used to target Japanese stakeholders. Twitter is popular, but is more suitable for companies targeting young people.

However, gaining a social media following is often very resource-intensive, and takes a long time to gain traction. The Japanese platform Line has the highest number of users, but is not commonly used for business purposes. We eventually fielded a page on Note.com and promoted content via Facebook, which is quite popular for business purposes in Japan. For more information on Japanese SoMe, check out this article on edamamejapan.com.



THE METHOD

In December 2020, ILA launched the first of a series of sector reports, introducing the Nordic Healthtech ecosystem to a Japanese audience and showcasing 24 up-and-coming healthtech startups. Over the next couple of months another two reports were launched, one covering Fintech and the other covering Urbantech, showcasing a total of 78 New Nordic startups.

All the reports were published in both English and Japanese, and included links to video pitch material with Japanese subtitles. Each report launch was followed up with an event where all communication was in Japanese, and organized with local Japanese partners: Nordic Innovation House Tokyo, JETRO, Trusted Corporation, and others.

This methodology proved very effective in connecting with Japanese investors and stakeholders, even in the grip of global COVID-lockdowns: we generated a total of 24 investment leads, which we define as specific Japanese investors requesting introductions to specific startups that were showcased in the reports and at the events.

The reason for this high success rate was perhaps that the methodology built on 10 key learnings of ILA:



1. Japanese (C)VCs are actively looking for global opportunities



2. Japanese stakeholders generally have a positive impression of the Nordics



3. Japanese investors are actively seeking access to Nordic startups looking to Asia



4. Presenting startups in a uniform and comprehensible manner, and wrapped in a beautiful Nordic design, increases interest



5. Communicating in Japanese is key to gaining traction with Japanese stakeholders



6. Spending time on identifying and maintaining good relationships with local partners are key to strengthening outreach in Japan



7. Presenting a united Nordic front raises the collective brand and relevance of all the individual Nordic countries



8. Sourcing startups at a pan-Nordic level provides the necessary volume for Japanese stakeholders



9. Leveraging on the network of sector-specific cluster organizations is key to engaging with the startups



10. Minimizing the work effort required from the startups for producing the showcasing material is key to securing their active and positive collaboration

TURNING THE PAGE

Though project funding for ILA ends in September, the activities will continue. We have achieved a level of economic sustainability and will continue our promotional activities, producing newsletters, events, and reports, and connecting stakeholders from the Nordic and Japanese ecosystems. In addition, we are open for new partnerships and Nordic-based projects.

We are also expanding our investor focused activities with a new project: the **Nordic Asian Venture Alliance**, funded by the Danish Industry Foundation.

The Nordic Asian Venture Alliance (NAVA) seeks to connect the Danish, Nordic, and East Asian investor communities and increase the flow of Asian capital to the Nordic ecosystem. In doing so, NAVA aims to strengthen the ability of Danish and Nordic startups in raising larger (series A+) rounds without having to relocate abroad.

The project will build on the insights, network, and methodologies of ILA, and include many from the original core team, plus some new hands on the deck. The project will also be expanding its scope beyond Japan to include Chinese and Korean investors, who also have a mandate to invest internationally.

The main activities of NAVA will include:

- A digital platform showcasing at least 160 Nordic startups for an East Asian audience in the Japanese, Korean and Chinese languages. The showcasing will follow the format and methodology of the ILA sector reports.
- Outreach and matchmaking between the Nordic and East Asian investor ecosystems.
- Identifying investors and potential Limited Partners, their strategic focus areas, and international mandates.
- Investigating the relevance of different models of engagement, i.e., direct investments, limited partnerships, and joint funds.
- Organizing events, delegations, and networking sessions to further NAVA's aims.
- Promotional activities in tandem with ILA.

THE SECTOR REPORTS

- 3 reports: Healthtech, Fintech, Urbantech
- 2 languages: English and Japanese
- 78 startups showcased
- 18 video pitches with Japanese subtitles
- 4 all-Japanese events
- 13 startups pitching to a Japanese audience
- 24 investment leads

FEEL FREE TO CONTACT US
IF YOU ARE ...

- A startup looking for showcasing and exposure in Asia, free of charge
- A Nordic investor looking to connect with other Nordic peers with a business interest in Asia
- A Nordic investor looking to connect with East Asian investors or Limited Partners
- An East Asian investor or Limited Partner looking to connect with Nordic startups, investors, or other stakeholders
- A Nordic cluster or community organization looking to help your members connect with Asia



NORDIC ASIAN VENTURE ALLIANCE

Purpose:	To increase the flow of venture capital from Japan, Korea, and China to the Danish and Nordic startup ecosystems, especially for Series A+ rounds.
Formal project partners:	Asia House, TechBBQ, Copenhagen Capacity, Innovation Centre Denmark (Shanghai & Seoul)
Funding:	DKK 5.6 million
Project duration:	2 years, starting October 2021
Project manager:	Peter Johansen
Website:	nordic-asian.vc

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