

Interview with Satoshi Fukushima, Principal at Globis Capital Partners & Co.

# Youth in Japan Keen on Entrepreneurship

By Japan SPOTLIGHT

Japan is a country where you cannot find many entrepreneurs because the majority of young people choose to work for large companies or the public sector, exactly as their parents would expect them to do. Also in Japanese schools, teachers want students to think and behave in a uniform manner and do not tell them that they should not be afraid of failure. Young people in Japan would mostly consider a failure as shameful later in life and not an invaluable experience.

This has been a stereotyped view about Japanese youth and is believed to be a reason why the majority of young people in Japan are not interested in startup businesses. However, Globis Capital Partners & Co. (GCP), a pioneering venture capital firm in Japan, has a different story about young people in Japan today. We interviewed Satoshi Fukushima, principal of GCP, a young venture capitalist knowledgeable about current Japanese entrepreneurship.

(Interviewed on Feb. 13, 2019)

## Introduction

**JS: First of all, could you kindly introduce yourself and tell us what you have been working on?**

**Fukushima:** GCP is a venture capital company founded in 1996, so we have now entered our 23rd year of doing business. We are one of the pioneers as an independent venture capital firm in Japan. I have about 10 colleagues and we work as a team, not only investing capital in ventures but getting involved in a company's business and working with its management on their business plans. I joined GCP in April 2014, and since then I have noticed a big change in the views of Japanese youth on entrepreneurship. Today, I would like to talk about it.

I believe that our strength and clear distinction from other venture capital firms is what we call our hands-on method in which we not only provide capital but also support management. Entrepreneurs will need an advisor on management in pursuing a life different from working for a big organization. I believe that the most important part of our job as a venture capital is to work as the best partner for these entrepreneurs in understanding what they are thinking and responding to their concerns about business, while maintaining close human relations. We should be the first people they turn to when any serious trouble or difficulty comes up.



Satoshi Fukushima

The recent success story for us is Mercari Inc., which was founded in 2013 and listed on the Tokyo Stock Exchange's Mothers section in June 2018, operating an online flea-market application. Globis invested in this company at the earliest opportunity and our invested capital was larger than any other institutional investor's. This is our first case of a unicorn enterprise, a startup company not listed on a stock exchange. Its estimated market value exceeds 100 billion yen (\$1 billion). I think the birth of such a unicorn enterprise in Japan is starting to change young people's views on entrepreneurship as well as the corporate culture surrounding startup companies.

**JS: GCP is an independent venture capital from Globis Corporation, but it is part of the Globis group. So could you briefly tell us about the**

**management education school run by Globis Corporation, and how GCP interacts with it?**

**Fukushima:** Globis Corporation has a long-term vision for achieving a virtuous cycle among people, capital, and knowledge. We opened the Graduate School of Management, Globis University in 2006, and we changed the incorporating entity of this school to an educational corporation in 2008. It has been raising management leaders,

entrepreneurs and leaders of social sectors. You can get an MBA through a two-year management course at our school. We have also been working on creating new business through venture capital investment by GCP. Our students at the graduate business school are all people who have working experience and mostly come to the school while still doing a daytime job. In terms of age, 70% of them are in their 20s and 30s, and the largest number of them are around 35 years old. In terms of gender, 76% of them were males and 24% were females in 2018. The number of our graduates now exceeds 3,000 and entrants exceeded 800 in 2018 after steady annual increases. Among these graduates, some got to be business leaders responsible for reform of their companies, while others quit their companies and started up new businesses. *(This answer includes supplementary remarks by Ryusuke Tanaka, a senior associate of Globis Corporation.)*

## Increasing Interest in Entrepreneurship in Japan

### JS: What do you think about young entrepreneurs in Japan today?

**Fukushima:** I think the psychological barrier for young Japanese to start up a business on their own is getting lower and I also see a big difference in the personal backgrounds of entrepreneurs from 10 years ago. I guess that while the majority of entrepreneurs 10 years ago were so ambitious that they were not happy with the seniority promotion system in Japanese companies in general and could not pursue a career path in them, a large number of the entrepreneurs we see in our meetings on investment are graduates of prestigious Japanese universities and have worked for well-known Japanese companies such as trading companies or consulting firms or investment banks. Having had a good working experience and established human networks, they now want to start up new businesses, and that is the significant distinction from the situation 10 years ago.

### JS: What are the successful cases among these entrepreneurs today?

**Fukushima:** Around 10 years have passed since the startup of IT companies became popular. There was also a startup boom from the second half of the 1990s until the first half of the 2000s when the Shibuya area in Tokyo was called “Bit Valley” after Silicon Valley as the locations for many IT ventures. Around then, ventures like Livedoor, GMO Internet, Mixi, and Gree were founded. The founders of those ventures have now set a benchmark for the new entrepreneurs today and they can learn from those pioneers. This is a sort of economic system that could accommodate an entrepreneurship-friendly business environment and thus there are now a larger number of entrepreneurs born in Japan. The psychological barrier has been lowered and young people will find it

easier to start up a business. When they hear about their friends starting a venture, they do not think it runs counter to common sense but think it would be cool. They may also think they should try it as well.

### JS: Nonetheless, I think the idea that the best career path is working permanently for a large company and getting promoted in the seniority system still prevails in Japan. Would this prevent competent Japanese youth from starting up ventures?

**Fukushima:** I think this preoccupation is facing a great change. There are now increasing numbers of people with working experience being recruited among large Japanese bluechip companies. Until now, large Japanese companies have recruited employees right after their graduation from schools or universities. But now, having increasingly noticed that employees recruited in mid-career are performing their jobs well, the managements of large companies are changing their minds and would not necessarily stick to the idea that the best career path is to work for the same company permanently. So even if a young entrepreneur with a colorful working experience fails in starting up a venture, he or she could come back to the company for which they used to work or they could be employed in another company in the same industry with a better salary or working conditions. So we can now see a kind of safety net for entrepreneurs. This new wave of thinking about mid-career recruitment will need to spread among local companies in Japan to expand entrepreneurship, since it seems to prevail now only among the large cities like Tokyo.

### JS: There seem to be some people quitting not only large companies but also government positions who are eager to start up an NGO specializing in socio-economic issues.

**Fukushima:** There are now some entrepreneurs interested in solving the social challenges in Japan, since they are today so clear, and I think they are not so concerned about earning profits as those in the past. These entrepreneurs are mostly rational and seem to have a good academic background. For example, there have been about five cases of medical care ventures started by former consultants of McKinsey & Co. who graduated from the medical school of the University of Tokyo. It is very interesting to see that an entrepreneur's motivation has changed from his or her own business success to finding solutions to social issues in this country where we have so many social challenges. This is why what makes an entrepreneur is so different from 10 years ago.

### JS: Motivation seems to be very important for an entrepreneur, and personal motivation is perhaps stronger than the desire to earn lots of money. For example, you would have a strong incentive to start a

**medical care venture to save human lives based on your own sad experience of losing a person whom you loved due to cancer.**

**Fukushima:** Yes, that is true. We call such people “entrepreneurs with a story”. A strong motivation to start up a venture and pursue the business is key to success, and the stronger the motivation, the more people an entrepreneur could attract to cooperate with the business. We would like to support such people with a story.

### Types of Venture Increasing in Japan

**JS: There seems to be an increase in ventures related to natural sciences, such as medical ventures or space ventures.**

**Fukushima:** There used to be more ventures founded by entrepreneurs with social science degrees, but it is true that technology-related ventures are increasing today. There must be an increasing number of entrepreneurs with natural science degrees. However, on our venture capital side, we have never cared about whether the ventures are founded by either social science majors or natural science majors. We would examine how well a founder understands technology or how keen he or she is on technological projects if their business is closely related to IT or other technologies. But we think it would be much more important for them to have a strong motivation based on a “personal story” or episode enabling others to be involved in the business. You would not have to be a good engineer yourself but be able to influence a good engineer to get involved in your business.

**JS: Such entrepreneurs are also increasing, as you mentioned.**

**Fukushima:** Yes. There are some ventures emerging that aim to solve social challenges in the form of sustainable businesses. For example, as Japan is moving rapidly towards an aging society, how to achieve sustainable welfare and social security for the elderly is a crucial issue of interest for young entrepreneurs. So ventures keen on providing solutions for this challenge are increasing, and these entrepreneurs are not only from spin-offs of large enterprises but also from among professionals such as medical doctors, pharmacists, accountants and lawyers.

**JS: What about the ventures in areas like AI or Big Data?**

**Fukushima:** I think the industrial sector and technology are in a matrix relationship. There will be an increasing number of such entrepreneurs trying to solve social issues by using advanced technology like AI from now on. One recent venture that has emerged has a care plan created by a manager that is actually made

by AI. In the agricultural sector as well, a venture is trying to use the Internet of Things (IoT) to revitalize Japanese farming. I think it will be crucial to a venture’s success in any sector from now on to find solutions using new technology.

**JS: Do you think global ventures involved in a wide range of activities that started in Japan are increasing as well?**

**Fukushima:** Yes. Mercari succeeded in Japan first and then established an office in the US. Smart News, a venture developing a news application, also succeeded in Japan first and then set up an office overseas. If the market in Japan is large enough, it would contribute to their growth and eventually encourage them to set up subsidiaries overseas and expand, but it could also work to keep them in Japan if they are satisfied simply with domestic success and reluctant to risk developing a new market overseas. But there are some, such as a venture providing solutions for space debris and other technology-oriented ventures, which have tried to be involved in international business activities from the beginning. In the healthcare sector, assuming racial differences and characteristics, a Japanese venture in this sector would move towards Asia first.

### Supporters of a Venture

**JS: What we call the Silicon Valley model, where academics, public organizations and professionals like venture capitalists or lawyers are in alliance to support ventures, seems to work very well. Do you think such a system works well in Japan too?**

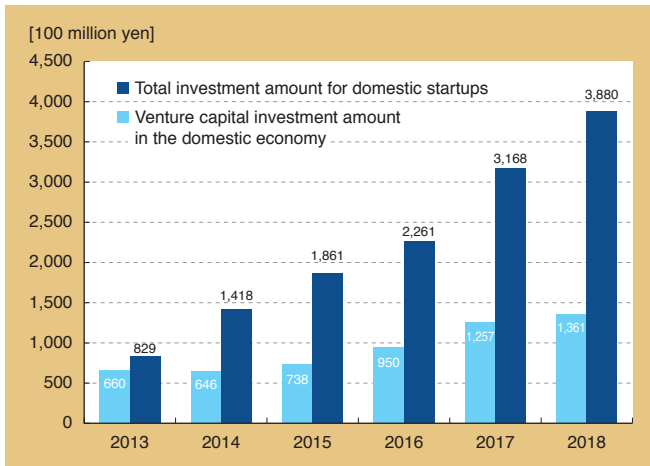
**Fukushima:** Yes, this trilateral alliance for supporting a venture plays a key role in promoting entrepreneurship. In Japan as well, this system seems to have started working. In business culture, in particular in the IT field, it has become customary for a pioneering entrepreneur to tell followers about his or her experience of startups and to give them advice. Most Japanese universities today also have their own venture capital and can raise the seeds of innovation to a business which can be supported by another venture capital at the next stage. There are also an increasing number of ventures run by large companies in Japan and large Japanese companies are now mostly committed to open innovation. Whether these ventures would provide their innovative technology to the parent company or not, the companies would continue to support them. So the support system, a so-called “venture ecosystem”, for Japanese ventures has been greatly strengthened.

**JS: Large Japanese companies are now more positive and open about collaboration with ventures than before.**

**Fukushima:** Yes, that is true. If young and competent employees

CHART

## Trends of startups & venture capital investment in the Japanese domestic economy



Source: Venture capital investment amount in the domestic economy: Venture Enterprise Center  
Total investment amount for domestic startups: *entrepedia* (as of Feb. 21, 2019)

increasingly quit large companies, the companies must think about how to maintain a close alliance with new ventures in order to involve those talented young people in their own business. They may also want to keep their own valuable human resources inside their company by stimulating their incentive to remain in the process of their collaboration with new ventures. So I think large companies' collaboration with ventures will increase in Japan from now on. According to research organized by the Japan Venture Capital Association (JVCA), a large company's venture capital in Japan has increased around 10 times over the past three years.

**JS: In the 1990s there were almost no venture capital firms in Japan, but now they are increasing.**

**Fukushima:** Yes, though still fewer than in the US or Europe. Total investment for startups and venture capital investment in the whole economy are now significantly increasing (*Chart*). I believe that venture capital is increasing more rapidly than ventures themselves. I think Japanese entrepreneurs will find it easier to get capital for a startup business than before. In the past, venture capital would have to choose a venture to invest in, but now the ventures will be able to choose the venture capital in Japan. So venture capital is now required to provide other value-added services besides capital investment.

**JS: In Silicon Valley, the concept of mentors prevails and they play a key role in raising entrepreneurs. How about Japan?**

**Fukushima:** As ventures in a variety of sectors using IT are increasing, a team of business people with rich and long working

experience and a young entrepreneur with IT expertise would attract growing attention here in Japan. A good example is Lifenet Insurance Inc. that was born in the insurance industry, one of the most conservative sectors in Japan. This is a venture for direct distribution of life insurance policies through the Internet co-represented by a young MBA who had worked for a consultant company and an expert on life insurance with long work experience with Nihon Life Insurance Company. We think people in their 60s can still make invaluable contributions to business and hope such a successful partnership of youth and experienced experts as their mentors will continue to emerge.

**JS: If ventures promote only radical and advanced ideas, and are hostile to senior or conservative people, they will not achieve a good performance, so they should collaborate with people in the older generation.**

**Fukushima:** That is right. In particular, it would be up to the executives in a large company who would be over 50 or 60 years old whether a service or product provided by a venture should be introduced into their business or not. Young people in these ventures would need to convince their seniors of the utility of their product or service. They would need to wear a formal suit and talk as politely as possible in order to be well accepted by more conservative people. I think the number of such entrepreneurs is increasing in Japan.

## Encouraging Creation of Ventures

**JS: What is the key to promoting further entrepreneurship in Japan?**

**Fukushima:** I believe that it is to have more successful cases of open innovation. So far, successful cases of Japanese ventures have been concentrated on Initial Public Offerings (IPOs), which makes a big difference from Silicon Valley, where successful ventures are usually closely integrated into a large enterprise by M&As. But in Japan, I think only four or five companies are active in acquiring ventures. Whereas in the case of IPOs, a venture would need to not only focus on business operations but also take care of issues like organizational structure, personnel affairs and compliance, in the case of M&As, a venture merged with a large company could focus more on the business operations and leave the other corporate issues to the company that purchased the venture. So I believe it will be important from now on to create as many M&A success stories as possible.

JS

Written with the cooperation of Naoko Sakai who is a freelance writer.