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FINANCING OPPORTUNITIES FOR EU SMEs INTERNATIONALISATION IN JAPAN

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ABBREVIATIONS AND ACRONYMS

AECM	European Association of Guarantee Institutions
APAC	Asia-Pacific Region
ASEAN	Association of Southeast Asian Nations
ADB	Asian Development Bank
BDN	Blue Dot Network
BRI	Belt and Road Initiative
CF	Cohesion Funds
COSME	Competitiveness of Enterprises and Small Medium Enterprises
CVC	Corporate Venture Capital
DBJ	Japan Development Bank
DIT	UK Department of International Trade
DG DEVCO	Directorate-General for International Cooperation and Development
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG FISMA	Directorate-General for Financial Stability
DG GROW	Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
EASME	Executive Agency for Small Medium Enterprises (SMEs)
EBOWWN	European Business Organisations Worldwide Network
EBC	European Business Council in Japan
EC	European Commission
ECCP	European Collaboration Clusters Platform
EEN	Enterprise Europe Network
EFG	Equity Facility for Growth (COSME)
EFSI	European Fund for Strategic Investments
EIAH	European Investment Advisory Hub
EIC	European Innovation Council
ESIF	European Structural and Investment Funds
ERDF	European Regional Development Fund
ETPOA	European Trade Promotion Organisations' Association
EIB	European Investment Bank
EIF	European Investment Fund



ELTI	European Association of Long-Term Investors
EPA	Economic Partnership Agreement
ESIF	European Structural Investment Funds
EU	European Union
ETPOA	European Trade Promotion Organisations Association
FDI	Foreign Direct Investment
FIIs	Financial Instruments
FTA	Free Trade Agreement
INCJ	Innovation Network Corporation of Japan
IoT	Internet of Things
JBIC	Japan Bank for International Cooperation
JETRO	Japan External Trade Organisation
JFC	Japan Finance Corporation
JIC	Japan Investment Corporation
JICA	Japan International Cooperation Agency
JOIN	Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development
LGF	Loan Guarantee Facility (COSME)
METI	Japanese Ministry of Economy, Trade and Industry
MFF	Multiannual Financial Framework
MOFA	Ministry of Foreign Affairs of Japan
MOU	Memorandum of Understanding
NEDO	New Energy and Industrial Technology Development Organization
NEFI	Network of European Financial Institutions for Small and Medium Sized Enterprises
NEXI	Nippon Export Investment Insurance
NPBIs	National Promotional Banks and Institutions
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PFI	Private Finance Initiative
PPP	Public-Private Partnership
P2P	Peer-to-Peer Lending
RPBIs	Regional Promotional Banks and Institutions



R&D	Research and Innovation
SDGs	United Nations Sustainable Development Goals
SMEs	Small Medium Enterprises
TPOs	Trade Promotion Organisations
UNCTAD	United Nations Conference on Trade and Development
VC	Venture Capital

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EXECUTIVE SUMMARY

Difficulties in accessing external financing and attracting investment can prevent EU SMEs from benefiting from the opportunities triggered by the EU-Japan Economic Partnership Agreement (EPA) and the signature of the EU-Japan Partnership on Sustainable Connectivity and Quality Infrastructure. If on the one hand, finance remains one of the biggest obstacles to SMEs internationalisation beyond the EU; on the other hand, EU SMEs are highly unaware of available financing support schemes. Striving to fill this gap, the current report draws on desk review and participatory interviews to nearly 60 stakeholders in view of providing an overview on the availability of financing opportunities for EU SMEs internationalisation in Japan.

As for financing opportunities within the EU, as a rule of thumb, the EIB Group doesn't provide direct debt and equity to businesses. Their business model is based on the provision of financial instruments to national and local financial intermediaries who then look for final beneficiaries for the EU-backed products. Thus, most opportunities will be available at home, via national and regional promotional banks, commercial banks and equity funds in each EU MS. This report thus provides a list of national and regional promotional banks and institutions, as well as other public entities providing financial support to SMEs and relevant associations, networks, initiatives and tools across the origin market (EU), as well as the destination market (Japan).

As for financing opportunities within Japan, financing to EU SMEs occurs only upon existence of strategic interest over determined priority sectors and/or if there is a Japanese company involved. This study observes that such investments often take the form of joint acquisitions between a Japanese institution and a Japanese acquirer. Thus, partnering up with a Japanese company seems to be key, with Japanese general trading houses standing out as valuable partners. An interesting observation by this report is the particular interest from Japanese institutions in transferring know-how from the EU in offshore wind and learning from the EU's latest investments in renewable energy, not disregarding the importance of others such as high-tech, new-drugs and hydrogen technology.

Delving into available private capital in Japan, some other trends with relevance for EU SMEs highlighted in this report are the expressivity of corporate venture capital, the relevance of R&D expenditures by the private sector and the reversal of the VC investment composition towards early-stage investments. As for the latter, this study also observes a growing interest in European startups. In an attempt to access the interests of Japanese VCs, some triggers of this growing interest, as well as the main challenges from the perspective of the Japanese investor are identified.

On a final remark, although some financing opportunities are indeed available, the multiplicity of stakeholders involved in the management, provision and promotion of financial instruments makes it hard for EU SMEs to find and process the existing information. Thus, in view of overcoming this fragmentation of information, recommendations discussed include: the potential implementation of an EU SME Finance Helpdesk at the EU-Japan Centre; the engagement of active partnerships in view of increasing information-sharing with the EU and Japanese institutions; the outreach of the EU-Japan Centre's services to EU SMEs through multipliers, notably governmental and non-governmental business support organisations present in Japan.

Whereas the main audience of this research are EU SMEs and, ultimately, the EU-Japan Centre, the information here contained can also be of relevance to EU policymakers, as well as to European business organisations in their goal of improving the capacity of their services for SMEs internationalisation beyond the EU.

INTRODUCTION

Context and relevance

The internationalisation of EU Small Medium Enterprises (SMEs) beyond the internal market is crucial for EU competitiveness¹ and plays an important role in *increasing job growth* (please see Figure 1).² However, entering new overseas markets is particularly challenging for them. Besides the non-financial challenges related to internationalisation, such as regulatory issues, cultural nuances and language barriers, entering new markets is often costly.

If on the one hand, start-ups and SMEs often lack own capital to finance what is needed to enter distant markets, such as the adaptation of products, increased working capital to finance exports and market research³; on the other hand, they face greater obstacles than bigger companies in accessing external financing⁴. Such difficulties occur for many reasons, including higher transaction, lack of proven financial track record, lack of financing skills, lack of collateral and difficulties in accessing the commercial part of the banks. As a result, limited access to finance remains one of the biggest obstacles to SMEs international growth. A survey conducted last year by the European Investment Bank reports that **one in four EU SMEs face difficulties in accessing finance**, with Greece, Italy and Portugal having the highest percentage of SMEs ranking access to finance as a highly important issue (Figure 2). Following this and other

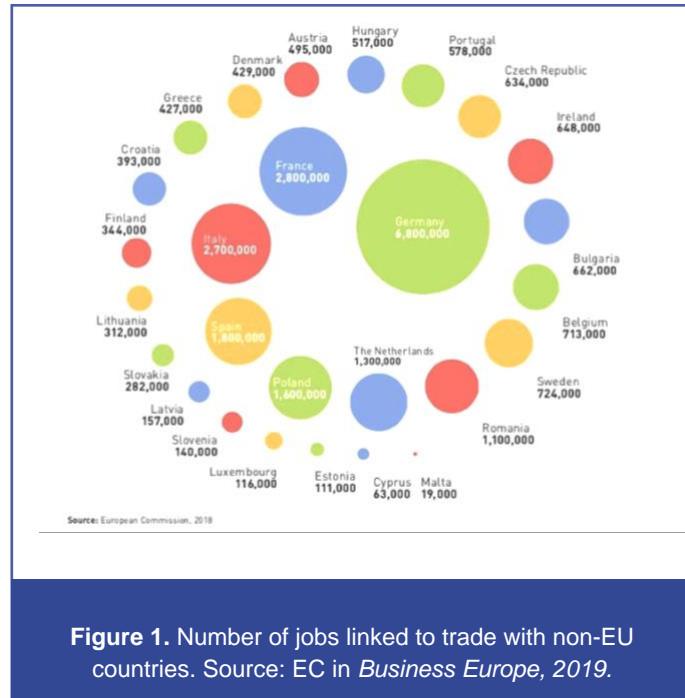


Figure 1. Number of jobs linked to trade with non-EU countries. Source: EC in *Business Europe*, 2019.

¹ European Commission, 2011. *Small Business, Big World – a new partnership to help SMEs seize global opportunities*. Brussels, 9.11. COM(2011) 702 final. Source: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0702:FIN:EN:PDF>

² European Commission, 2018 via Business Europe, 2019. *Prosperity, People, Planet – Three Pillars for the European Union Agenda in 2019-2024*, Brussels, November. Source: http://eu.yourbusiness.eu/content/uploads/2019/11/2019-11-13-Prosperity-People-Planet_interactive.pdf

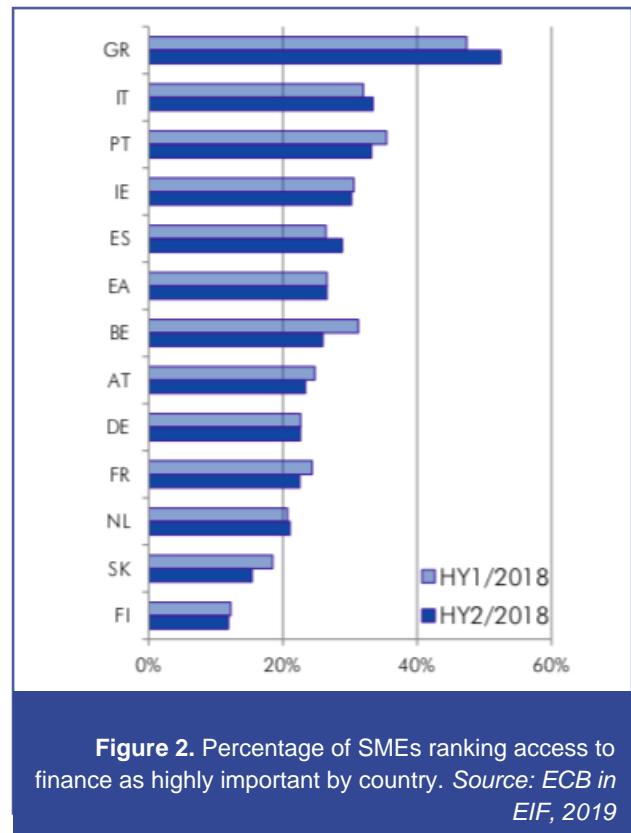
³ European Commission, 2014, p. 10. *An Investment Plan for Europe*. Brussels, 26 November. COM(2014) 903 final. Available in: <https://ec.europa.eu/transparency/regdoc/rep/1/2014/EN/1-2014-903-FN-F1-1-Pdf>

⁴ World Bank. 2017. "Addressing the SME Finance Problem". Facundo Abraham and Sergio Schmukler. *Research and Policy Briefs*. World Bank Malaysia Hub. Source: <http://documents.worldbank.org/curated/en/809191507620842321/pdf/Addressing-the-SME-finance-problem.pdf>

evidences, **improving access to finance** has been defined as one of the three main pillar priorities to enhance SMEs growth in the recently launched **2020 SME Strategy** by the Commission.

Although the European Commission and the EIB promote a wide range of support programs and risk sharing mechanisms to facilitate SMEs access to finance, the multiplicity of stakeholders involved in the management and delivery of financial instruments, as well as the **fragmentation of information on financing support schemes across several sources**, makes it unclear for EU SMEs how to access them. Thus, finding suitable support schemes that can cover internationalisation-related costs in markets outside of the EU becomes very challenging.

A comprehensive study by the European Commission in 2011, based on a survey conducted to EU SMEs with business activities outside of the EU, draws some relevant conclusions in this regard. As for Japan, three highlights can be made: the Japanese market is perceived as a growth market with increased importance for EU businesses (1), lack of financing is one of the main barriers to EU SMEs internationalisation beyond the EU (2), the percentage of surveyed businesses that used public support measures develop their activities in Japan is as low as 1% (3). With regard to the latter, easing access to finance is the service with lowest offer among a total of 26 public support services, such as advice on IPR or information on rules and regulations. On the one hand, this study **confirms the importance of access to finance for EU SMEs willing to internationalise beyond the EU, notably in Japan**; on the other hand, it **suggests a service gap in terms of supporting EU SMEs finding the right financing sources to enter the Japanese market**. This being said, the implementation of services focused on providing support to easing access to financing is deemed to be a crucial support mechanism to facilitate EU SMEs entry in Japan. We thus hope this study can provide useful insights and recommendations in this regard.



Purpose, scope and methodology

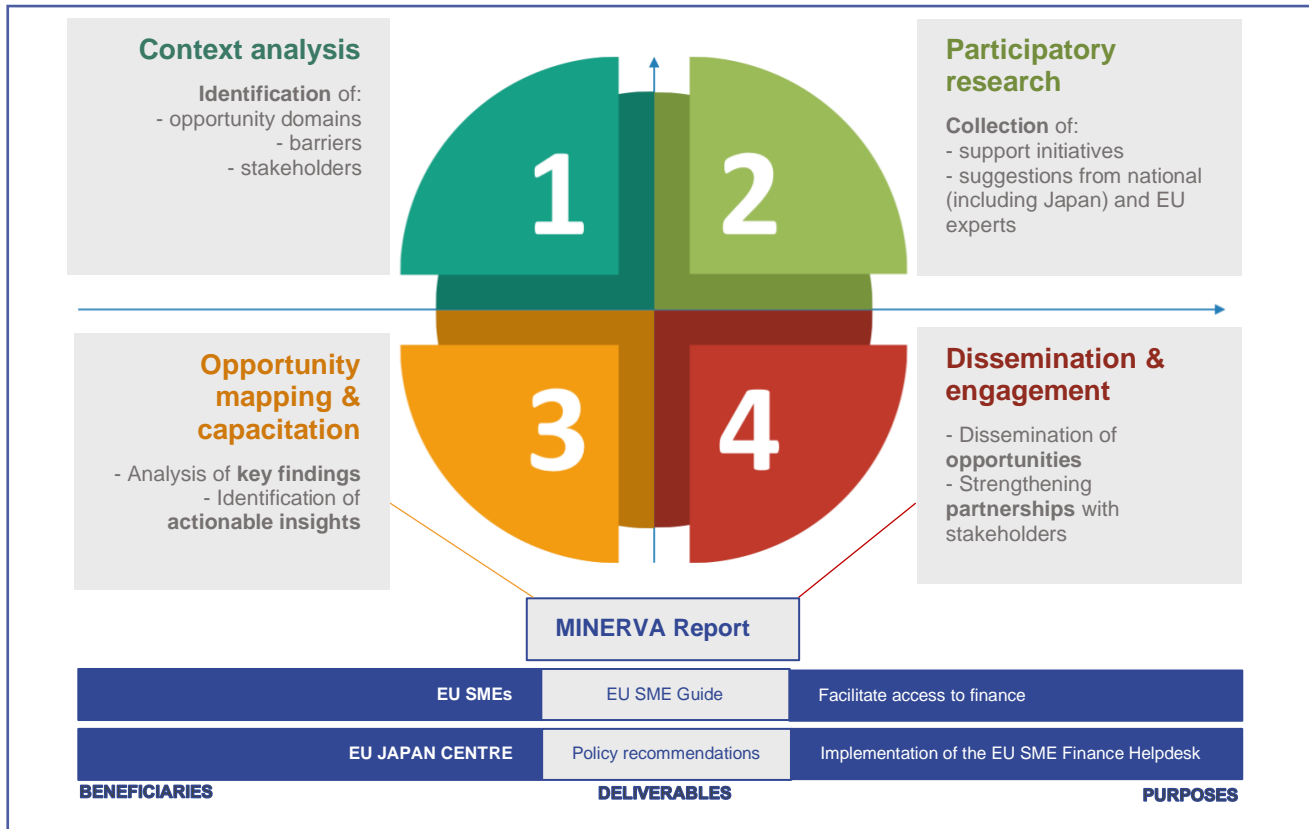


Figure 3. Relation between the aims, objectives and methodology. *Source: Own elaboration*

Purpose

From a financing point of view, there are two questions that come to the mind of an SME willing to internationalise to Japan: *what are the financing opportunities available and how can these be accessed?* However, neither questions have immediate answers. The identification of relevant stakeholders and available public and private financing support opportunities requires an understanding about *how* and *through whom* financial instruments are *de facto* implemented. Gaining expertise in financial matters, as well as understanding the processes of implementation of public support measures both at the EU and national level either has significant costs or requires a prohibitive amount of time that SMEs usually don't have.

The main purpose of this report is to **provide an overview on the availability of funding and financing opportunities for EU SMEs internationalisation in Japan**, in view of supporting the EU-Japan Centre for Industrial Cooperation in its own goal of improving the capacity of its services to EU SMEs. In order to accomplish this objective, the current report strives to:

1. **Provide a comprehensive analysis on the availability of financing instruments** that comprises an explanation on the implementation of financial instruments, as well as the identification of opportunity domains, barriers and relevant stakeholders.
2. **Map relevant stakeholders and funding/financing support initiatives** that would otherwise be scattered across several sources.
3. **Identify actionable insights for the EU-Japan Centre** based on the key findings of the research and on suggestions from EU and Japan experts
4. **Strengthen collaboration with relevant stakeholders** through the dissemination of the results of the report.

The main beneficiaries of this report are, therefore, **the EU-Japan Centre for Industrial Cooperation and EU SMEs**.

Scope of the study

This study focuses exclusively on the opportunities that are suitable for **Small Medium Enterprises (SMEs) and startups headquartered in the European Union**, on the one hand, and can cover the **internationalisation-related costs of their operations in the Japanese market**, on the other. Thus, the components of the conceptual framework used in this study are defined below:

Funding is defined as a sum of non-repayable capital given by governments, local authorities, organisations, universities, companies or charities in order to provide financial support for the accomplishment of determined non-financial interests/ needs in a particular thematic/ policy area. Some EU initiatives, as well as support agencies might offer funding to support SMEs international growth, such as funding to attend international trade events for example.

Financing is defined as the process of supplying or acquiring repayable capital for business activities that would otherwise be out of reach. Financial instruments can take many forms, yet all of them will be debt-based, equity-based or a combination of the two. Debt is often paid back with interest, while equity involves ownership and therefore the return depends on the success of the company. In any case, the capital provided by both debt-based and equity-based instruments is expected to be paid back with a return. In the case of debt, it will be interest and in the case of equity it will be profit. Financing support for internationalisation includes, among others, loans, credit guarantees, pre and post-shipment financing, insurance solutions and risk management, financing for short-term exports, as well as equity financing.

Internationalisation is defined as the range of operations carried on by a company to develop internationally. The current report does not define internationalisation as a merely export-led phenomenon, it also includes the use of foreign subcontractors and subcontracting for a Japanese partner, foreign direct investment, technological cooperation with a Japanese partner and other forms of partnership and alliances, such as joint ventures and MOUs. As for internationalisation-related operations, it includes a non-exclusive list of activities conducted in view of further growing the business into a new market, such as working capital to finance exports or increase production capacity, product development and/or adaptation of products to new markets, market research, costs associated with special distance (e.g. transportation) and installing facilities.

Methodology

The current research takes a multilevel approach, considering sources of financing and stakeholders in several levels of governance (intergovernmental, governmental, non-governmental) across two geographies: the origin market (European Union) and the destination market (Japan). The two levels of analysis will result in the two chapters of the report.

The **first chapter** begins with an analysis of the implementation of financial instruments at the EU level and proceeds with the results of the mapping exercise on relevant stakeholders and available financing opportunities. The EU institutions offer several funding and financing opportunities for small businesses, however the multiplicity of support programs, instruments and stakeholders involved makes the financing landscape very complex. As many opportunities are available through financial intermediaries, this chapter aims to answer: *Who are the implementing entities? Which instruments will suit internationalization in Asia/Japan? How can these instruments be accessed by SMEs?*

The **second chapter** explores financing opportunities for EU SMEs available in Japan. The assessment includes opportunities offered by Japanese institutions by means of EU-Japan collaboration and by private resources. In the first place, it will focus on financial instruments promoted by Japanese institutions, including potential opportunities triggered by means of bilateral cooperation with the EU, with reference to the EU-Japan Economic Partnership Agreement (EPA), the Connectivity Agreement and the Memorandums of Understanding (MoUs) between the European Investment Bank (EIB), the Nippon Export and Investment Insurance (NEXI), the Japan Bank for International Cooperation (JBIC) and the Japan International Cooperation Agency (JICA). Proceeding from here, it will drill down into the private level, in an effort to map other financing opportunities offered by private entities, such as business angels and venture capitalists. That said, this chapter aims to respond: *To what public financial instruments are EU SMEs eligible to apply? What is the eligibility criteria and priority sectors? Is there any available capital offered by private stakeholders in Japan*

This study lays down on existing literature on the topic, official EU documents and in-depth interviews conducted to EU and national experts. It begins with a **context analysis** based on desk

review which aims at identifying opportunity domains/ sectors, potential barriers and relevant stakeholders, and proceeds with a **participatory research**, based on in-depth interviews to national experts, potential financial providers and EU businesses. The participatory research aims at collecting relevant insights from the practical experience and technical knowledge of stakeholders and practitioners, on the one hand, and bring comprehensive information on the available financing support programs, on the other.

Conduction of interviews

Questions: The in-depth interviews will comprise generic questions about the functioning of the institutional bodies and the implementation of financial instruments, but also specific questions related to potential opportunities. The last part will be dedicated to open suggestions/ recommendations focused on the implementation of the EU SME Finance Helpdesk.

Target-group: The target-group of the interviews is composed by several stakeholders, including **intergovernmental bodies**, such as financial institutions (multilateral banks), **governmental institutions**, **business associations** and **EU-Japan business partnerships**. These stakeholders will be divided into four main groups. The comprehensive list of stakeholders for each one of the four groups can be found in **Annex VIII**

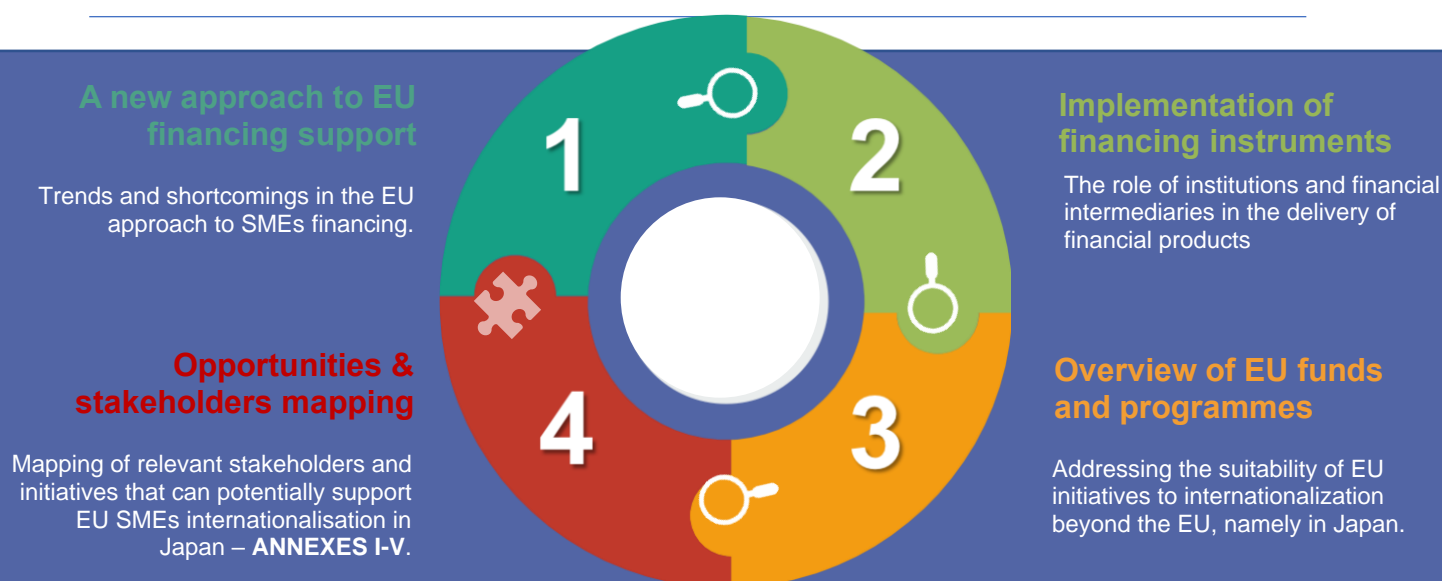
Limitations

The conduction of interviews will face significant timing and confidentiality-related limitations. On the one hand, the Multi-Annual Financial Framework (MFF) is still being negotiated and even though negotiations about the new umbrella program InvestEU have been initiated is not yet clear whether old instruments will cease to exist or be integrated in the form of new instruments. On the other hand, the lack of operational outcomes of the MoUs, as well as the diplomatic sensitivity and confidentiality of some information might pose barriers to obtaining relevant information with regards to the current status of discussions.

Additionally, the broad range of stakeholders involved in the management and provision of financial instruments, as well as the fragmentation of information on financing support initiatives and instruments across multiple sources in several policy areas/ sectors constitute relevant challenges to this research. Whilst utmost care will be taken in accessing the largest number of financing sources within a six months' timeframe, the fact that this report was not tailored to any specific financing needs or industrial sectors might result into unintentional omissions on relevant financing opportunities in particular sector/ policy specific areas.

Notwithstanding, rather than being exhaustive and/or conclusive, this report aims at providing a preliminary assessment of available financing opportunities that can be a useful starting point for EU SMEs looking for financial support for their internationalisation operations in the Japanese market. As sources of financing are very dynamic, the information here contained should be constantly updated in view of including new sources and stakeholders.

CHAPTER 1 Financing opportunities in the EU



Chapter overview

There is a significant number of support measures to enhance SMEs competitiveness in the EU. This support includes non-financial assistance, delivered in the form of services, but also financial assistance, including both funding and financing schemes. The EU supports companies of any sizes and sector through several instruments, such as business loans, microfinance, guarantees and venture capital.

The current chapter intends to **explore financing opportunities for EU SMEs internationalization in Japan, available within the EU**. It begins with a comprehensive exercise on the implementation of EU-backed instruments, which includes: shortcomings and new trends, the roles played by several stakeholders at the EU level and an assessment of the current EU funds and programmes.

Information on financial products is often fragmented. Overlapping policies and programmes, and the diversity of stakeholders involved, such as the EU institutions, national promotional banks and institutions (NPBIs), regional promotional banks and institutions (RPBIs) and other financial intermediaries makes it very complex for SMEs to look for adequate funding and/or financing. In fact, according to a study carried on by the European Commission in 2014, the awareness of EU SMEs about these opportunities *“ranges from 15% for micro-enterprises to 27% for medium-sized enterprises, and from only 10% for enterprises that are not internationally active to 22% of SMEs with international*

⁵ This includes entrepreneurs, start-ups, micro-companies, small medium sized enterprises (SMEs), mid-caps and larger businesses

activities.”⁶ Thereby, awareness of how financial instruments are managed at the EU level seems to be the starting point for EU SMEs looking for financing within the EU in view of supporting their international operations beyond the European Union.

Focusing specifically on opportunities for internationalisation in the Japanese market, the current study tentatively aims at:

- **Identifying the most recent trends in the EU approach to EU SMEs financing support.** [Subchapter 1](#) explores the latest Commission’s statements and official documents in view of identifying relevant trends and policy priorities with regard to SMEs financing.
- **Providing a clarification on the implementation of financing instruments at the EU level.** [Subchapter 2](#) explains the role of institutions and financial intermediaries, notably the EIF, the EIB, as well as national and regional promotional banks in the delivery of EU-backed financial instruments.
- **Providing an overview on the available EU funds and programmes.** [Subchapter 3](#) distinguishes selected EU funds and programmes in terms of scope and target priorities, while addressing the suitability for internationalisation beyond the EU.
- **Map relevant stakeholders and initiatives** that can potentially support EU SMEs internationalisation in Japan: [Annex I-IV](#).

The key findings, as well as relevant takeaways from the analysis at the EU level are provided at the end of the chapter.

1. New approaches to SMEs financing support in the EU

From the analysis of several financing-related documents by the European Commission, two main trends could be identified: firstly, **the encouragement of a more extensive use of blended finance**; and secondly, **the need for diversifying finance sources**.

Funding programmes have been the core of EU assistance to SMEs. However, with economical sustainability at stake, and namely after the recent withdrawal of the UK from the European Union⁷, the involvement of private capital in public investment became crucial, notably for development projects that are not so profitable. As noted by Romana Vlahutin, the EEAS Special Coordinator for Connectivity, on the occasion of Conference on the EU-Japan Connectivity Agreement held at Waseda University on the 14th January 2020, “*the the problem of lack of finance does not lie in bankable, profitable projects as those get financed anyway; the problem lies in needed projects that are not so profitable.*” However, public money can’t cover it all, what raises the importance of the engagement of available investment capital through blended finance.⁸

⁶ European Commission and EIM Business & Policy Research, 2010, p. 7. *Internationalisation of European SMEs*. Brussels. Ref. Ares(2015)1816861

⁷ The UK was a major contributor to the European Investment Bank (EIB).

⁸ Vlahutin, Romana (2020). *Sustainable connectivity and quality infrastructure – New level of EU-Japan Partnership*, Lecture, Waseda University, Tokyo, 14 January.

Standing for the combination of grants and financial instruments (guarantees/ loans and equity), blended finance enables the mobilization of private capital while reducing the risk for investors. The use of blended finance has been broadly promoted by the European Commission and its representatives in view of maximizing the sustainability of EU funds and providing more long-term finance for Small Medium Enterprises (SMEs). This shift from traditional grant funding towards a greater use of financial instruments became evident in the period of 2014-2020, following the launching of the *Investment Plan for Europe* by the Juncker administration, and is likely to expand even more in the next MFF⁹.

As for the diversification of finance sources, a communication by the European Commission published this year observes that the existing finance sources available in the EU do not suit the finance needs of EU SMEs, particularly the needs of more innovative and fast-growing businesses. The background studies conclude the **EU lacks diversified sources of finance**, provided that only 10% of the EU SMEs used capital market finance their operations and that venture capital investments in the EU are eight times smaller than in the US.¹⁰

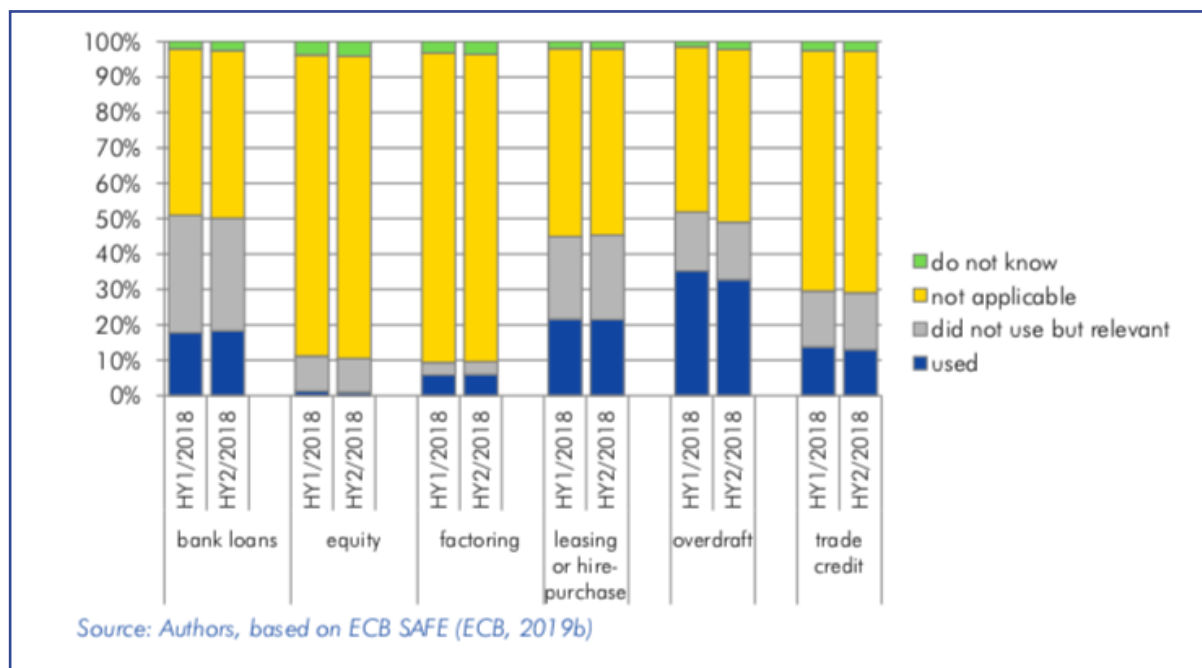


Figure 4. Relative use and importance of external financing sources for EU SMEs. Source: European Central Bank in EIF, 2019.

⁹ RUBIO, Eulalia, 2018. *Making better use of public funding: The role of national promotional banks and institutions in the next EU budget*. Jacques Delors Institute. Study No. 115. July. Available in: http://www.astrid-online.it/static/upload/the_the_role_of_npbis_in_the_eu_budget.pdf

¹⁰ Afme Capital Markets Union Performance Indicators Report. 2019. via European Commission. 2020. *An SME Strategy for a sustainable and digital Europe*. Brussels. 10.3.2020. COM (2020) 103 final. Source: https://ec.europa.eu/info/sites/info/files/communication-sme-strategy-march-2020_en.pdf

In an interview conducted in the course of this research to a fast-scaling high-tech SME in the Internet of Underwater Things (IoUT), the unsuitability of existing financing sources has also been highlighted as one of the biggest constraints faced. According to the SME, one of the most important resources for SMEs in general is the access to loans¹¹.

Based on a survey conducted by the European Central Bank, the EIF also observes that whereas loans are not the most used financial instrument, they are the financial instrument with highest relative relevance for EU SMEs (Figure 5). The study also observes that small loans (less than EUR 0.25m) are significantly important for countries like Spain, Portugal, Italy and France. In the cases of Portugal and Spain, tsmall loans rank respectively 35% and 40% of the total amount of new loans granted.¹²

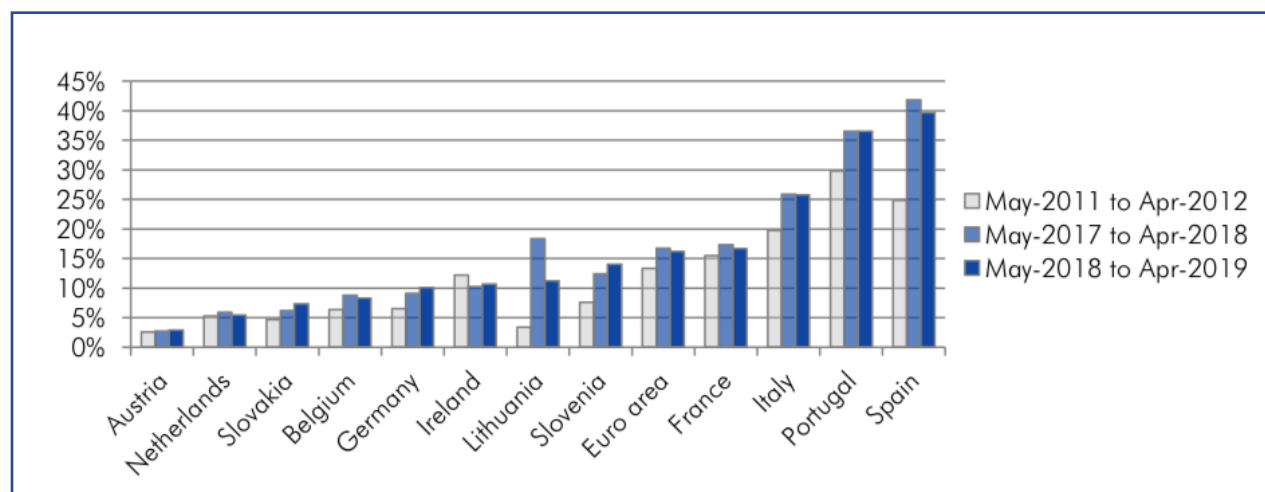


Figure 5. Percentage of small loans by country. Source: European Central Bank in EIF, 2019.

Even when there is already a business opportunity, they usually have to advance cash. Whereas equity could be a possibility, the experience of the SME shows that access to equity is often time demanding, what might make them miss the opportunity. The process of obtaining equity becomes slow when VCs lack a proper network of contacts and experience in the sector in which the company operates.¹³

¹¹ WSENSE. 2020. *Personal communication*.

¹² European Investment Fund, 2019, p. 18. *European Small Business Finance Outlook*, EIF & Market Analysis, Working Paper 2019/57. Source: https://www.eif.org/news_centre/publications/EIF_Working_Paper_2019_57.pdf

¹³ WSENSE. 2020. *Personal communication*.

Many SMEs face challenges in accessing the commercial part within local banks, which is where guaranteed loans can be accessed. As such, the awareness of the SME about EU-backed instruments can help them reaching out to the right people within commercial banks.¹⁴

To address this issue, the EU plans to boost the creation of new tools to support SMEs engaging with investors based on blockchain technology. Integrated in the new **Commission’s SME Strategy**, this blockchain-based initiative is expected to enable issuance and trading of SME bonds in the EU. The **Digital Finance Strategy**, to be launched in the close future, should clarify in further detail how the use of crypto assets will be facilitated by the European Commission¹⁵. Following-up on further developments is recommended.

2. Management and implementation of financial instruments

The management of the EU budget can be done via direct, shared or indirect management. With exception for most of the programs under the European Structural Investment Funds (ESIF), whose management is shared with the managing authorities of the EU Member States, the majority of the financial instruments are managed **indirectly** by the EIB Group.



In financial instruments under indirect management, usually the European Commission assumes the role of supervisor, monitoring the application of the budget, while the EIB Group is responsible for the day-to-day implementation management through **financial intermediaries**. Financial intermediaries, such as guarantee institutions, local commercial banks and equity funds, are then responsible to deliver the EU-backed instruments to the final beneficiaries (SMEs and midcaps). As a rule of thumb, the European Commission and the EIB Group do not provide direct financial support to individuals or enterprises. Thus, EU SMEs should not expect to apply directly to the EIB/EIF products; they should rather consult with the financial intermediaries in their home country.

¹⁴ WSENSE. 2020. *Personal communication*.

¹⁵ Afme Capital Markets Union Performance Indicators Report. 2019. via European Commission. 2020. *An SME Strategy for a sustainable and digital Europe*. Brussels. 10.3.2020. COM (2020) 103 final. Source: https://ec.europa.eu/info/sites/info/files/communication-sme-strategy-march-2020_en.pdf

As the largest multilateral lender among other existing International Financial Institutions (IFIs) and having the EU Member States as its main shareholders¹⁶ the EIB Group assumes a major role in the delivery of EU-backed instruments to EU SMEs and midcaps. The Group is composed by the European Investment Fund (EIF) and the European Investment Bank (EIB).

2.1. European Investment Fund (EIF)

The European Investment Fund (EIF) has been established to provide finance to small and medium-sized enterprises (SMEs) and mid-caps that are not yet bankable. It does so both through risk finance (loan/guarantees) and venture capital instruments. Owning 59.2% of the bank, the EIB is the main shareholder of the EIF, followed by the European Commission (29.7%) and private financial institutions around Europe (11.1%) joint collaboration with entities from the EU member states (national and regional governments and private strategic investors). The EIF has several guarantee and equity initiatives to support SMEs. Some of these initiatives are country and sector-specific, and others are centralised. Centralised initiatives are conducted at the EU level, whereas country and sector-specific initiatives refer to specific initiatives conducted in

In view of understanding how financial instruments are delivered by the EIF, the first aspect to take into account is that the **EIF's business model relies on financial intermediaries**¹⁷. The aim is to increase access to finance by supporting commercial banks, guarantee institutions and equity funds in lending/investing into EU SMEs. Thus, **the EIF never invests the full amount and does not provide financial instruments directly to companies**. According to a Senior Policy Advisor in the EIF, the bank operates as a “*catalyser, more like a machine to select financial intermediaries*”¹⁸. In broad terms, the EIF selects financial intermediaries (usually a call for proposals is launched), provides them financial instruments and then financial intermediaries look for the final beneficiaries for these instruments.



The EIF's financial instruments can only be delivered within the EU, candidate and potential candidate countries to the EU. Nonetheless, the bank has been active in fundraising overseas, looking for investors willing to invest within the EU. Thus far, attempts to gather investment in Japan were not successful

EIF, 2020, by personal communication

As for the geographical scope of the EIF's operations, it seems relevant to point out that the **bank's mandate is limited to the European Union** and, even though to a lesser extent, to the close

¹⁶ The EU Member States' shares in the EIB's capital is based on their economic weight in the EU. The UK, Germany, France and Italy together hold more than 50% of the total shares. With the exit of the UK from the EU, the EIB lost one of its biggest shareholders.

¹⁷ The list of the EIF financial intermediaries in each one of the EU Member States can be found in the following link: https://www.eif.org/what_we_do/where/index.htm

¹⁸ EIF, 2020. *Information provided by personal communication.*

neighborhood, **within candidate and potential candidate countries to the EU**. Notwithstanding, equity investors under EIF-backed instruments can also invest into businesses outside of the EU. The bank has also been active in fundraising overseas, proactively looking for investors willing to invest into the EU. As these investors are usually big insurance firms, the EIF has been quite active in Asia, namely in China. However, despite the attempts to gather investment from Japan into the EU, such efforts have not been successful thus far¹⁹.

However, *what's in for internationalisation beyond the EU?* Even though the EIF instruments can only be delivered into businesses registered within the geographical scope of the bank's mandate, **it doesn't mean that these instruments provide any distinction if the final products or services are exported to third countries or not**.²⁰ In fact, financial intermediaries (e.g. fund managers) who can support SMEs internationalisation beyond the EU get a better evaluation in the selection process under some programmes.²¹

With regard to programmes, **the EIF manages the Single EU Debt Financial Instrument and the Single Equity Financial Instrument on behalf of the Commission**. The EU Debt Financial Instrument is composed by the COSME's Loan Guarantee Facility (LGF) and the Horizon2020 InnovFin SME Guarantee Facility. In turn, the Single Equity Financial Instrument is composed by the COSME's Equity Facility for Growth (EFG) and the Horizon2020 InnovFin Equity, which is more suited for early-stage businesses. Under COSME, the EIF typically invests 25% of the total commitments (with a limit of EUR 30m) in fund managers who can commit to invest at least 50% of the total investment amounts into EU SMEs at the growth and expansion stage.²² Under Horizon2020, the most common investment is also 25% of the total investment amounts, however, in certain cases it goes up to 50% of the fund's total commitments (with a limit of EUR 50m)²³. The four financial instruments will be integrated into the InvestEU Fund, under the umbrella program of InvestEU that is currently being negotiated by the EU institutions.

2.2. European Investment Bank (EIB)

Like the EIF and the European Investment Bank (EIB) also relies on financial intermediaries for the delivery of its financial instruments. However, the scope and business models of both banks have slight differences.

Firstly, **the EIB has a broad mandate** which allows for the signature of MOUs with other multilateral banks and co-investment in projects, as well as for the provision of direct loans/equity to SMEs and midcaps through programmes like InnovFin, for example. Nonetheless, direct financing to SMEs

¹⁹ EIF, 2020. *Information provided by personal communication*.

²⁰ EC, 2020. *Information provided by personal communication*.

²¹ EIF, 2020. *Information provided by personal communication*.

²² EIF. "COSME Financial Instruments". Source: https://www.eif.org/news_centre/publications/eif_flyer_cosme_en.pdf

²³ EIF. "InnovFin Equity". Source: https://www.eif.org/news_centre/publications/eif_innovfin_equity_en.pdf

only occurs in very specific cases of big infrastructure projects, such as roads or bridges, for example.

Secondly, **the EIB has worldwide operations - although not yet in Japan**. Whereas the EIF's is mandated to operate in Europe, the EIB has worldwide operations and offices all over the world, providing financial instruments through financial intermediaries in a broad sectoral range of projects. The EIB's basis for operating outside the European Union can be found in the *Decision on granting an EU guarantee to the European Investment Bank against operations supporting investment projects outside the Union*.²⁴ This list is mostly composed by low income countries. As a high-income country, Japan is not included, neither in the *eligible* regions and countries, nor in the *potentially eligible* regions and countries. The list of eligible and potentially eligible regions can be found in the Annexes II and III of the document²⁵. The outcomes of the MOUS signed with Japanese institutions, as well as the identified priority sectors for potential co-financing between the EIB and JBIC, JICA and NEXI are further explored in this report, under section 1, Chapter 2.

Lastly, with regard to the sectors that can be financed by the EIB, this report draws EU SMEs attention to the bank's strategy towards climate action and environmental sustainability which goes in line with the goals of the Paris Agreement. Under its new **Energy Lending Policy**, the EIB will not only increase its share of financing up to 50%, helping to unlock 1 trillion euros for investments in related sectors, but it will also **stop financing fuel energy projects** by the end of 2021.²⁶

2.3. Financial intermediaries and the role of Promotional Banks

The implementation of financial instruments (FIs) and budgetary guarantees is to be increasingly entrusted to the National Promotional Banks and Institutions (NPBIs) and Regional Promotional Banks and Institutions (RPBIs). These banks are, in very broad terms, national public financial institutions in the EU Member States. Their role is to **provide financing in sectors that are not served by commercial banks**.²⁷

Namely as of 2016, following the *Investment Plan for Europe*, NPBIs and RPBIs were given a more central role in the implementation of EU funds. It seems, however, that even though the importance and recognition of their role is growing, there is still a lack of understanding about them. This sector aims at providing a better understanding on how these banks operate across the EU. It thus focuses

²⁴ European Parliament and European Council. 2014. *Decision on granting an EU guarantee to the European Investment Bank against operations supporting investment projects outside the Union*. Official Journal of the European Union, 466/2014/ EU. Available in: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32014D0466>

²⁵ The document can be accessed in <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32014D0466>

²⁶ EIB, 2019. Source: <https://www.eib.org/en/press/all/2019-313-eu-bank-launches-ambitious-new-climate-strategy-and-energy-lending-policy>.

²⁷ Directorate-General for Internal Polices (2016). *Financial Instruments and the Role of National Promotional Banks*, Policy Department D: Budgetary Affairs. Available in: <http://www.europarl.europa.eu/supporting-analyses>

on the current **landscape of NPBIs and RPBIs in the EU**, as well as on **their role in the delivery of EU-backed instruments to EU SMEs**.

A. The landscape of NPBIs and RPBIs in the European Union

The **landscape of promotional banks in the EU is rather heterogenous** due to different national political systems, regulations and mandates. For instance, some countries have more than one public bank or institution at the national level and sometimes regional promotional banks play a more active role in providing support to SMEs than the national promotional banks themselves²⁸. The **mandates, scope, business models and products offered by these institutions also differs among Member States**. For example, while the Croatian Bank for Development and Reconstruction (HBOR) and BPI France offer export credit to SMEs, Belgium has a national agency focused specifically on providing export credit to SMEs²⁹, which is called Credendo.³⁰ Depending on their scope of activity, some of these institutions are members European Association of Long-Term Investors (ELTI)³¹, others are members of the European Association of Guarantee Institutions (AECM) and others are members of both. The ones that are specialized in supporting SMEs might also be members of the Network of European Financial Institutions for Small and Medium Sized Enterprises (NEFI)³².

Eulalia Rubio, Senior Research Fellow at the Jacques Delors Institute, conducted one of the very few studies on the experiences of NPBIs in implementing EU-backed instruments. Through a survey conducted to NPBIs between 2017 and 2018, the study provides an overview of the main differences between NPBIs in terms of size, business models and mandate. With regard to the scope of their mandate, Rubio observes that these promotional banks often provide finance in a broad range of sectors, such as infrastructure and innovation, however, **a number of them is specialized in providing financing support to SMEs and mid-caps** in areas where commercial banks are not able to do so. With regard to size, the author also observes that **most of NPBIs are medium-sized banks, but some of them are big** and can even co-finance projects together with the EIB. According to the author,

Some NPBIs are sizable, both by global standards and relative to the size of national GDP. Four of them have total assets superior to 100bn: the German

²⁸ KfW. 2020. *Information provided by personal communication.*

²⁹ HBOR. 2020. *Information provided by personal communication.*

³⁰ FIT. 2019. *Information provided by personal communication.*

³¹ The following institutions are members of ELTI: Austria (OEKB), Belgium (SFPI-FPIM), Bulgaria (BDB), Croatia (HBOR), Czech Republic (CMZRB), France (Bpi France), France (Caisse des Dépôts), Germany (KfW), Greece (National Bank of Greece), Hungary (MFB), Ireland (SBCI), Italy (CDP), Latvia (Altum), Netherlands (InvestNL), Lithuania (VIPA), Luxembourg (SNCI), Malta (MDB), Malta (Bank of Valletta), Poland (BGK), Portugal (IFD), Slovenia (SID Banka), Spain (ICO)

³² The following institutions are members of NEFI: Austria, Bulgaria (BDB), Croatia (HBOR), Czech Republic (CMZRB), Estonia (Fund KredEx), Finland (Finnvera), France (Bpi France), Germany (KfW), Hungary (MFB), Ireland (SBCI), Italy (CDP), Latvia (Altum), Luxembourg (SNCI), Malta (MDB), Poland (BGK), Portugal (IFD), Slovakia (SZRB), Slovenia (SID Bank), Spain (ICO), Sweden (ALMI), United Kingdom (BBB).

KfW (the biggest one by far), the Italian CDP, the French CDC and the Dutch BNG Bank.³³

A recent example of a co-financed project is the *ASEAN's Catalytic Green Finance Facility (ACGF)*, created to attract more private investment the development of green infrastructure in ASEAN member countries. Among other financial providers, such as the Agence Française de Développement and the Government of South Korea, the ACGF counts with the financial contribution of the KfW, the German national promotional bank³⁴.

In fact, the co-financing between the EIB and sizable EU development banks, such as the *Agence Française de Développement* and the KfW is very common. Another example that can be given is the recently launched Ruzizi III as of February 2020. Ruzizi III is a regional hydropower project which will generate electricity to be shared by the Democratic Republic of Congo, Burundi and Rwanda and results from the contribution of these partners together with the EIB³⁵.

As for **delivery methods**, some NPBIs and RPBIs might be involved in providing equity instruments directly to SMEs; however, a common way of delivering financial instruments to SMEs is actually through loan guarantees provided to commercial banks. Both types of financing are important, depending on the specific needs of the SME and specially on how fast the SME needs the money. However, the conducted interviews suggest that factors such as discussions over ownership percentages, the value of the business and the legal work involved make equity more time consuming. As such, access to loans assumes an important role for EU SMEs, namely when there is a need to receive the money quickly.

When acting as guarantee providers, NPBIs and RPBIs play an important role in supporting SMEs accessing debt-based financing. According to the European Association of Guarantee Institutions (AECM). *“if an entrepreneur would like to have a loan and the commercial bank states that there is lack of collateral, our members could be asked to provide a guarantee of on average 80%. Like this the bank remains only with an own risk of 20% and grants the loan.”*³⁶

The process can be triggered by the bank (indirect support) or by the entrepreneur (direct support). When a guarantee is provided indirectly by the financial intermediary, the communication is conducted between the commercial bank and the guarantee institution and the entrepreneur only communicates with the commercial bank (Figure 6).

³³ RUBIO, Eulalia, 2018, p. 17. *Making better use of public funding; The role of national promotional banks and institutions in the next EU budget*. Jacques Delors Institute. Study No. 115. July. Available in: http://www.astrid-online.it/static/upload/the_the_role_of_npbis_in_the_eu_budget.pdf

³⁴ For more information, please see: <https://www.eib.org/en/press/all/2020-057-eib-to-support-green-infrastructure-development-and-climate-resilience-in-asean-countries-with-eur-150-million>

³⁵ For more information, please see: <https://www.eib.org/en/press/all/2019-338-hydrogen-council-and-eib-sign-advisory-agreement-to-address-climate-change-with-increased-investment-in-hydrogen>

³⁶ AECM. 2020. Information provided by personal communication.

In turn, when direct application of the guarantee takes place, the first communication is established between the entrepreneur and the guarantee institution and, upon confirmation of the guarantee commitment by the guarantee institution, the process continues with the commercial bank (Figure 7).

As the process can be triggered by the entrepreneur himself via direct communication with the guarantee institutions, a mapping of relevant stakeholders might be a useful for SMEs. Annexes I and II of this report combines the results of a mapping exercise which includes, among others, information on guarantee and equity providers at the Member States level.

B. Role in the delivery of EU-backed instruments

Due to their knowledge and close contact to the local markets, NPBIs and RPBIs are in a better position to channel the guarantee and equity mandates of the EIB Group to local authorities and businesses. They are capable of providing a better use of EU funds by tailoring instruments in order to suit the local reality, needs and regulations. These institutions are well aware of the financial instruments and financing policies at the national and regional level, what helps to avoid duplication and ensure complementarity.

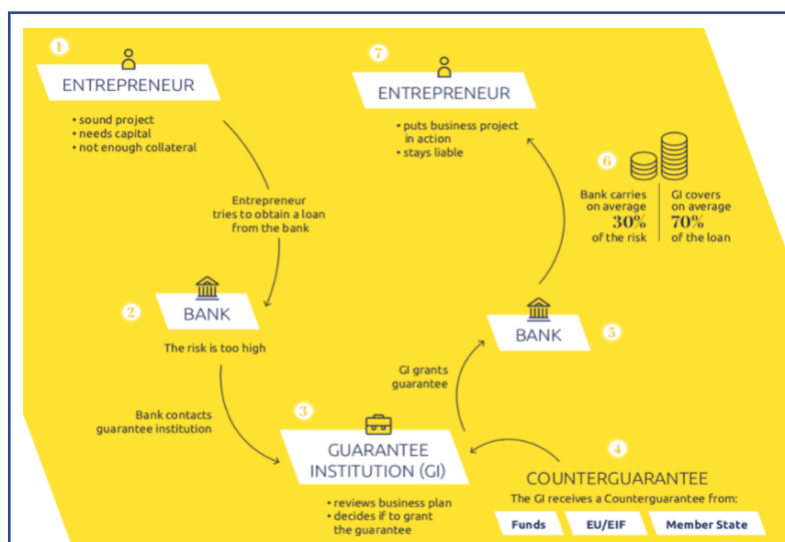


Figure 6. Indirect application of guarantees by financial intermediaries. Source: AECM, 2019, by personal communication

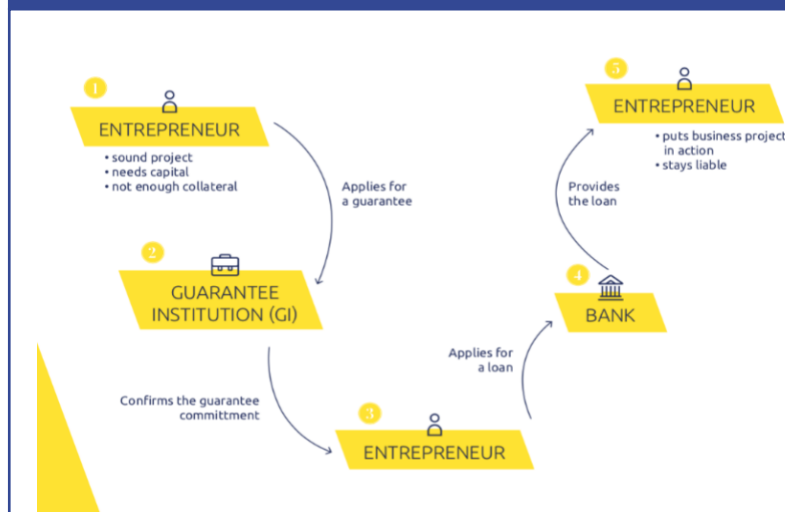
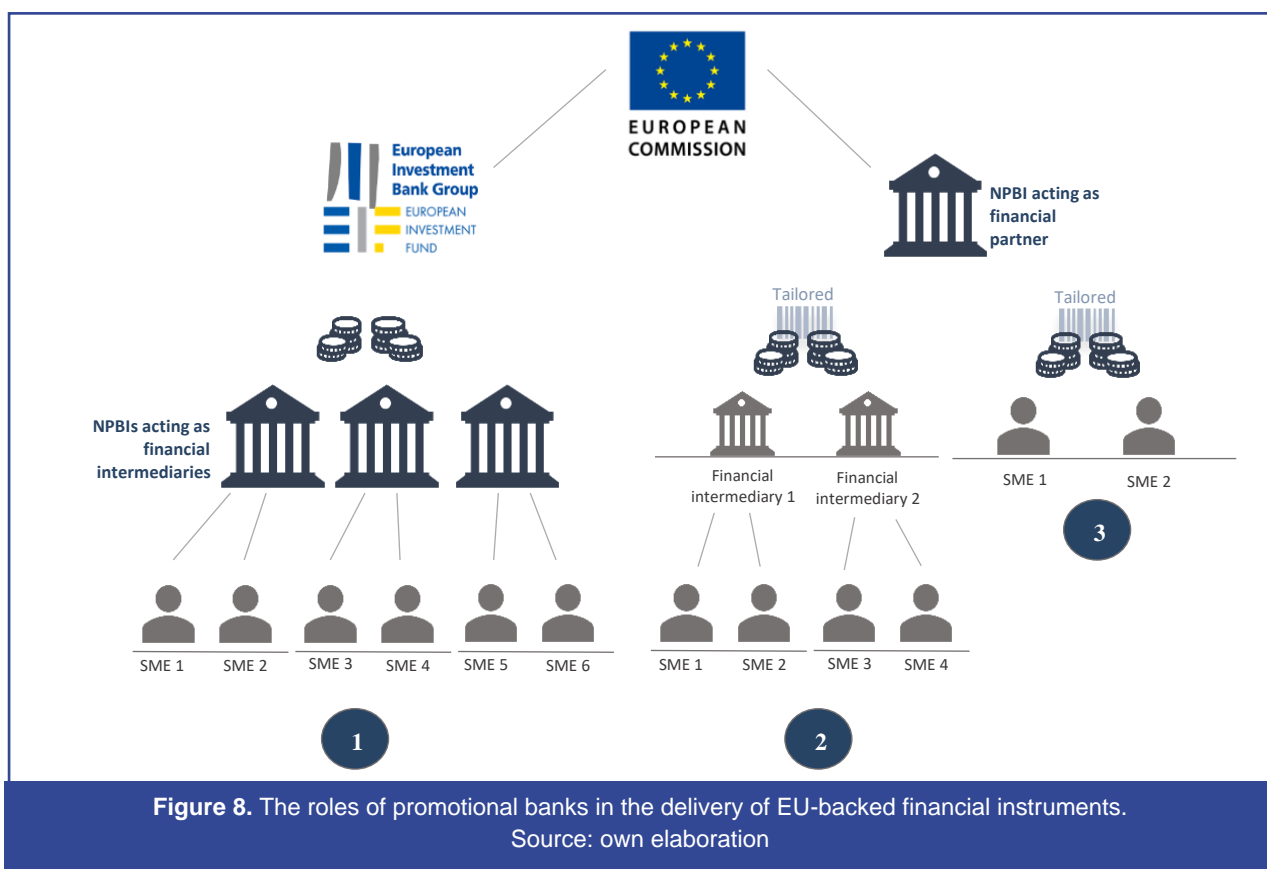


Figure 7. Direct application of guarantees by financial intermediaries. Source: AECM, 2019, by personal communication

The question is, however, *how exactly do they intervene in the delivery of EU-backed financial instruments?* In some cases, NPBIs can provide financial products directly to businesses but generally they channel EU instruments to other financial intermediaries they choose to appoint, such as commercial banks, credit institutions and credit funds at the national level.



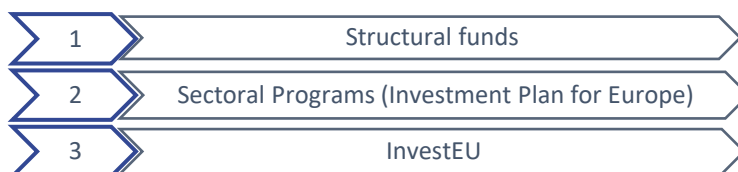
As shown in [figure 8](#), NPBIs can benefit from EU guarantees directly from the European Commission, or through the EIB Group, depending if they are acting as financial intermediaries or financial partners for a particular instrument. Thus, broadly speaking, NPBIs can assume the role of **financial partners** or **financial intermediaries** in the delivery of EU-backed instruments. When acting as financial intermediaries, NPBIs benefit from EU guarantees through the EIB Group; when acting as financial partners, they benefit from EU guarantees directly from the European Commission. The role of financial partner allows them to turn EU-backed instruments into tailored instruments, adapted to the local needs. It is relevant to note, however, that all NPBIs can act as financial intermediaries of the EIB Group, but not all of them can currently operate as entrusted implementing financial partners.

In order to act as eligible financial partners and implement financial instruments directly on behalf of the Commission, NPBIs and RPBIs also have to be ***pillar accessed***. This pillar assessment is

an entrustment procedure for an entity that requests to be an implementing partner of the EU budget under indirect management. The terms of reference can be found in the *Commission Decision of 17 April 2019*³⁷ and the process can take up to 1-3 years. The most recently established NPBIs, as well as others whose structure/mandate either went through changes and/or began the assessment process later on, are still being pillar assessed. However, it doesn't mean they do not provide financial instruments to SMEs, it just means that they are either operating as financial intermediaries of the EIB Group, or that such instruments are not backed by EU funds.

3. Assessment of EU funds and programmes

Information about sources of finance available throughout the EU, including national sources at the Member States level, can be found at the *Access2Finance* platform³⁸. In turn, information about calls for tenders, for instance, can be accessed on the *tenders opportunities section* of the European Commission website.³⁹ Notwithstanding the existence of other relevant initiatives, the current section provides a brief overview on selected EU funds and programs, based on their suitability for EU SMEs internationalisation in Japan. The overview is thus provided within three categories:



3.1. Structural funds (Cohesion Policy)

On a background note, the Cohesion Policy was created with the aim of reducing the disparities between the various regions of the European Union. It is the policy behind the several projects funded under the European Structural and Investment Funds (ESIF), widely referred to just as 'Structural Funds'. The ESIF are composed by 5 funds: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

³⁷ European Commission. 2019. *Commission Decision on establishing new terms of reference for the pillar assessment methodology to be used under Regulation (EU, Euratom) 2018/ 1046 of the European Parliament and the Council*. Official Journal of the European Union, 2019C 191/02. Source: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019D0606\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019D0606(01)&from=EN)

³⁸ Please see the direct link to the Access2Finance platform: www.access2finance.eu

³⁹ Please see the direct link to the tenders opportunities section available at the EU Commission website: <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/home>

- *What are the priorities for investment?*

The below table shows how each one of the five ESIF funds supports 11 priority objectives (please see [table 5](#)). Each one of the funds matches with specific objectives which are considered the priorities for investments under that particular fund.

Table 1. Priorities for investment in each one of the ESI Funds.

	Objectives:	Main Funds	Other eligible
1	Research, technological development and innovation	ERDF	ESF, ERDF
2	Access to information and communication technologies	ERDF	ESF, ERDF
3	Support for small and medium sized enterprises	ERDF	ESF, CF
4	Environment, supporting the achievement of a low-carbon economy	ERDF, CF	CF, ERDF
5	Climate change – adaptation, management and prevention	CF	ERDF
6	Efficiency of resources	CF	ERDF
7	Transport – promoting sustainability and improving network structures	CF	ERDF
8	Employment - sustainability, quality and supporting labor mobility	ESF	ERDF
9	Social inclusion and combating poverty and discrimination	ESF	ERDF
10	Education and training	ESF	ERDF
11	Improving the efficiency of public administration	ESF, CF	ERDF

Source: Own elaboration from European Commission⁴⁰

Whereas the ERDF can support investments in all the 11 priority objectives, it is the fund that suits SMEs internationalisation the most. ERDF co-finances activities in a broad range of areas, such as entrepreneurship, innovation, competitiveness, access to capital and business cooperation for SMEs in the growth and start-up phase. To a lesser extent, the European Social Fund and the Cohesion Fund can also back investments to support SMEs. However, under the current framework (2014-2020), the CF is only suitable for Member States with a GDP lower than the EU average, excluding Croatia.

- *How are the funds managed?*

The Commission and the Parliament jointly define the budget and the rules for the Cohesion Policy; however, none of them is involved in selecting projects (except for a small number of large-scale projects). The European Commission only discusses the contents of the Partnership Agreements presented by the countries' national authorities, where they outline priorities and operation programs to be implemented⁴¹. The selection, monitorization and evaluation of projects is organized by the managing authorities of the country, which are nominated and appointed by the

⁴⁰ Information can be accessed on https://ec.europa.eu/regional_policy/en/policy/how/priorities

⁴¹ The list of Operational Programmes (OPs) to be financed under the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) can be accessed on the following link: https://ec.europa.eu/regional_policy/en/atlas/programmes/. In turn, the list of OPs to be financed by the European Social Fund can be found here: <https://ec.europa.eu/esf/main.jsp?catId=576&langId=en>



government of each Member State. Each nominated managing authority⁴² will then be responsible for the management and implementation of an operational programme. It is important to note, however, that the managing authorities might delegate to intermediate entities, specialized in the areas covered by a particular program, and select implementing authorities which are closer to the financial beneficiaries. Bottom line, it is the managing authorities of the member states who decide where and how the European Structural and Investment Funds are invested.

As **for SMEs' support** specifically, the managing authorities are mandated to design specific support measures for SMEs, what means that the Structural Funds can be used for to support internationalization operations beyond the EU. An example of a programme that used ERDF funds (ESIF) for internationalisation beyond the EU is the *Exporting for Growth Funding Programme*, developed by the Department of International Trade (DIT) Yorkshire. The programme supports SMEs located in the Seffield City Region, Leeds City Region or Humber LEP to develop internationally or get started in international trade⁴³. Among others, the programme supports the costs of overseas tradeshows, design and production of international marketing material, overall marketing strategy and international market research. Thus far, it has supported 14 companies looking to export their goods or services into Japan. They have conducted 14 missions that included Japan, 2 of these missions targeted Japan exclusively.

Nonetheless, the list of available programmes varies in each member state, depending on the individual operational programmes. Thus, **the best way to get information of and, consequently, access financing support backed by Structural Funds is reaching out to the managing authorities and/or implementing authorities at the national level.**

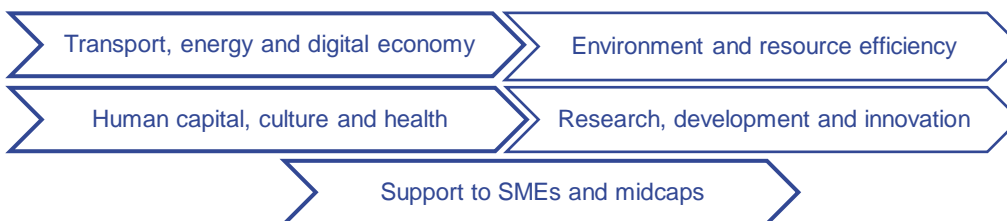
3.2. Sectoral Programs under the Investment Plan for Europe

3.2.1. European Fund for Strategic Investments

Initially established as part of the *Investment Plan for Europe*, widely known as Juncker Plan, the European Fund for Strategic Investments (EFSI) is currently integrated under the umbrella programme InvestEU. In broad terms, the EFSI is an EU guarantee, complemented by a capital contribution from the EIB, created to overcome market failures in strategic sectors, such as:

⁴² The list of the designated managing authorities for the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) in each member state can be accessed in https://ec.europa.eu/regional_policy/index.cfm/en/atlas/managing-authorities/. The list for the European Social Fund (ESF), can be accessed in <https://ec.europa.eu/esf/main.jsp?catId=45&langId=en>

⁴³ UK Department for International Trade. Source: https://www.brchamber.co.uk/wp-content/uploads/2018/06/Exporting-for-Growth-Flyer_edited-1.jpg



Market failures in these strategic sectors are addressed through two specific windows: a) an infrastructure and innovation window, which is deployed by the EIB; b) an SME window, which is deployed by the EIF.

The fund guarantee is used to support or invest in projects with a higher risk profile (but still bankable) than the usual EIB activities. Financial products which will result from the EFSI will be repayable instruments (loans, guarantees and equity); no grants or subsidies will be provided through the EFSI. For this reason, and as the financing under EFSI is demand-driven, there are no sector or country quotas. Through the EFSI, the EIB Group is able to support SMEs and mid-caps. For instance, the European Growth Finance Facility, backed by the EFSI, enables the EIB offering long-term venture debt financing through financial intermediaries. The facility covers up to 50% of the investment costs⁴⁴ to support EU SMEs and midcaps with their investments in research and development across several policy priorities⁴⁵. The EFSI funds can also be combined with other EU funds⁴⁶, for **as long as there is no double financing for the same part of the project**. Different funds should fund different parts of the project.

NOTE: The European Fund for Strategic Investments (EFSI) must not be confused with the European Structural and Investment Funds (ESIF). While the EFSI is under indirect management with the EIB, the ESIF funds are under shared management with the national authorities of the member states. Even though both funds can be combined for as long as there is no double financing for the same part of the project⁴⁷.

3.2.2. COSME – Competitiveness of Enterprises and SMEs

COSME is an EU initiative created to enhance the competitiveness of enterprises and SMEs. It is coordinated by DG GROW and managed by the Executive Agency for SMEs (EASME), with exception for the *access to finance* dimension of the program which is managed by the EIF. One of the main objectives of the program is improving SMEs access to finance, offering different funding opportunities (grants and tenders) and financing opportunities, both loan/guarantee

⁴⁴ For more information on criteria and eligibility please access <https://www.eib.org/en/products/equity/venture-debt.htm>

⁴⁵ For more information please access the following link: <https://www.eib.org/en/about/priorities/sme/index.htm>

⁴⁶ For more information about the combination between EFSI funds and other EU funds, please see: https://ec.europa.eu/commission/sites/beta-political/files/combining_efs_i_other_eu_funds_en.pdf

⁴⁷ For more information about the complementarity between the EFSI and the ESIF, please consult https://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/efs_i_esif_compl_en.pdf



instruments (COSME Loan Guarantee Facility) and equity instruments (COSME Equity Facility for Growth). The loan and equity facilities of the program will soon be integrated under the umbrella of InvestEU. As previously mentioned, the Loan Guarantee Facility (LGF) is one of the windows of the Single EU Debt Financial Instrument; whereas the Equity Facility for Growth (EFG) is one of the windows of the Single EU Equity Financial Instrument.

According to the latest EIF's implementation update of the Loan Guarantee Facility, 86.1% of total number of SMEs supported have less than 10 employees. Thus far, Italy is largely the country that most benefited from COSME, both in terms of the number of SMEs supported and amounts committed (33.7%), followed by Spain (14.9%) and France (14.7%). As for sectors, wholesale and retail trade, repair of motor vehicles and motorcycles (28.3%) and manufacturing (21%) have been the most supported sectors, as well as construction (10.4%)⁴⁸

In order to apply for a COSME-backed loan, SMEs should contact the COSME financial intermediaries and sub-intermediaries in their country. The full list of financial intermediaries and sub-intermediaries can be found at the EIF website⁴⁹. Some programmes promoted by these financial intermediaries can result from a combination between COSME Loan Guarantee Facility (LGF) financial instruments and EFSI funds. Examples of such programmes are the Start-up Loan-StartGeld programme by the German bank KfW and the recently launched specific COVID-19 support program⁵⁰, which provides additional guarantees with enhanced conditions to support SMEs with financing for working capital. Interested SMEs can consult with the LGF financial intermediaries in their home country to check whether they have applied to this program, or check with the EIF through the contacts page.

Thus far, Japan is not one of the non-EU participants in COSME⁵¹ and therefore not eligible to benefit from COSME-backed financial instruments. Nonetheless, equity agreements with investors allow for indirect investments into businesses in non-eligible countries. This means that an eligible equity investor can also invest into businesses in Japan or other non-eligible countries with financial instruments backed by COSME or Horizon 2020.

⁴⁸ EIF. 2019. COSME – Loan Guarantee Facility: Implementation Update. Source:

https://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/implementation_status.pdf

⁴⁹ Please access the full list of financial intermediaries in the following link:

https://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/cosme_lgf_signatures.pdf

The list of sub-intermediaries can be found in the following link:

https://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/Sub_Intermediaries.pdf

⁵⁰ The COVID-19 is the guarantee support program launched as response to the COVID-19 pandemic outbreak. The program is backed by the EFSI funds and the Single EU Debt Financial Instrument (COSME and Horizon2020). More information can be found in the following link: https://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/index.htm

⁵¹ The list of non-EU participants can be found on the following link: <https://ec.europa.eu/docsroom/documents/39579>

3.2.3. Horizon-Europe

Building on the success of Horizon2020, Horizon-Europe was launched on the 1st of January 2020. The program which counts with a *proposed* budget of 100 billion euros⁵², aims at participating in research and innovation funding programmes under two windows - the R&I Window and the SME Window – across three priority pillars (Figure 9). The main aim is to finance high-risk projects that are not yet bankable.



Figure 9. The three pillars of Horizon Europe. Source: European Commission, 2019

The program proposes flexible co-funding schemes, based in synergies with other programmes. Even though Horizon-Europe targets start-ups and SMEs, in exceptional cases non-bankable mid-caps can also be financed. 35% of the budgetary target is to be applied in tracking climate change, and 70% of the budget is to be applied in supporting SMEs that are too risky for private investors.

Beginning in 2021, if the EU member states reach an agreement for the EU's multiannual budget for 2021-2027 soon, the Horizon Europe framework programme will include several missions. Each mission will count with a board of 15 experts for each one of them, targeting specific societal challenges, such as cancer; adaptation to climate change; oceans, seas, coastal and inland waters; climate-neutral and smart-cities; soil health and food.⁵³

Horizon-Europe is open to international participation of third countries, such as Japan, which have good capacity in science, technology and innovation. Such participation is made available through intensified targeted actions, such as joint calls. Japanese organisations can participate in

⁵² The European Parliament has already endorsed the proposal. For more information, please see: https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_19_2163

⁵³ European Commission. 2019. *Horizon Europe – The next EU research & innovation investment programme (2021-2027)*. Research and Innovation. Available in: https://ec.europa.eu/info/sites/info/files/research_and_innovation/strategy_on_research_and_innovation/presentations/horizon_europe_en_investing_to_shape_our_future.pdf

collaborative research projects and Japanese researchers can participate in the mobility schemes for individual researchers, the Marie Skłodowska-Curie Actions (MSCA) and the European Research Council (ERC). However, without contributing to the budget, **international partners are not eligible for automatic funding in research projects, unless their participation is considered strictly essential.**⁵⁴ This is why several countries are currently considering joining Horizon Europe, including Japan⁵⁵. In November 2019, **the Japanese government announced its interest in becoming an associate member of Horizon Europe**, starting with an annual contribution of 10 million euros⁵⁶ and one of the biggest Japanese research institutes, Riken institute, opened an office in Brussels⁵⁷. Some initiatives, such as InnovFin, are still operating under Horizon2020. This is the case of the InnovFin SME Guarantee Facility⁵⁸ and the InnovFin Equity⁶⁰, which includes equity finance for technology transfer, business angels, venture capital and fund-of-funds.

3.2.4 EIC Pilot

The European Innovation Council (EIC) pilot is an EU accelerator managed by the Enterprise Europe Network (EEN) that offers funding (grants) and equity, as well as coaching and mentoring, to high-risk SMEs with high potential. The accelerator supports SMEs of any size (including start-ups) with no sector specification. The pilot works as an umbrella for four funding instruments: the *EIC Accelerator* (SME Instrument)⁶¹, the *Fast Track to Innovation* (FTI)⁶², the *EIC Pathfinder Pilot* (previous Future and Emerging Technologies)⁶³ and the *Open and Horizon Prizes*.⁶⁴ To understand the differences between the four funding instruments, please refer to [Table 6](#). Additionally, the pilot offers a tool to support SMEs finding the most suitable funding instrument called EIC wizard. The tool can be accessed [here](#).⁶⁵

⁵⁴ Parrone, Federico. 2019. *Open Science, Evolving Societies: New Horizons for EU-Japan Research*, Vrije Universiteit Brussel, 22 October. Available in: http://www.office.kobe-u.ac.jp/ipiep/materials/EuropeanCenterSymposium2019/2-3-6_Mr.FedericoPerrone.pdf

⁵⁵ Kelly and Hudson in Science Business. 2019. Source: <https://sciencebusiness.net/framework-programmes/news/conference-report-what-non-eu-countries-want-horizon-europe>

⁵⁶ Hudson, 2019. *Japan eyes possible €10M a year for Horizon Europe partnerships*. Science Business, 6 November. Available in: <https://sciencebusiness.net/framework-programmes/news/japan-eyes-possible-eu10m-year-horizon-europe-partnerships>

⁵⁷ Kelly and Hudson in Science Business. 2019. Source: <https://sciencebusiness.net/framework-programmes/news/conference-report-what-non-eu-countries-want-horizon-europe>

⁵⁸ More information about the InnovFin SME Guarantee Facility can be accessed in https://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/index.htm

⁵⁹ The COVID-19 guarantee support program is also common to Horizon2020.

⁶⁰ For more information about the Innovfin Equity please access https://www.eif.org/what_we_do/equity/single_eu_equity_instrument/innovfin-equity/index.htm

⁶¹ European Commission website. More information about the EIC Accelerator (SME Instrument) in: <https://ec.europa.eu/easme/en/section/sme-instrument/eic-accelerator-sme-instrument-funding-opportunities>

⁶² European Commission website. More information about the FTI in: <https://ec.europa.eu/programmes/horizon2020/en/h2020-section/fast-track-innovation-pilot>

⁶³ European Commission website. More information about FET in: <https://ec.europa.eu/programmes/horizon2020/en/h2020-section/future-and-emerging-technologies>

⁶⁴ European Commission website. More information about the Open and Horizon Prizes in <https://ec.europa.eu/research/eic/index.cfm?pg=prizes>

⁶⁵ European Commission website. Source: <https://ec.europa.eu/research/eic/index.cfm?pg=funding>

Table 2. Differences between the four EIC Pilot funding instruments.

Funding instrument	Size/ Growth stage	Eligible entities			Sector	Type of financial support
		Profit	Not-for-profit	Type		
EIC Accelerator (SME Instrument)	High risk SMEs of any size with ambitions to scale-up	Yes.	No	Single SME or consortia (with external partners that might bring added-value)	No specified sector but breakthrough innovation is required. Subject to open calls ⁶⁶ – some have thematic objectives	Grants, equity or blended (grants and equity combined)
Fast Track to Innovation (FTI)	Mature, close to the market	Yes (70%)	Yes (100%)	Industry-driven consortia only (3 to 5 entities in three different EU Member States)	No specified sector.	Grants
EIC Pathfinder Pilot (Pathfinder open and Pathfinder proactive)	Early-stage and innovation projects	Yes	Yes	Consortia only (3 to 5 entities in three different EU Member States)	Research & Innovation	Grants
Open and Horizon Prizes	Idea stage, proposal of solutions for societal challenges	Yes	Yes	Individual participants or groups of participants	Societal challenges, depends on the open calls ⁶⁷	Individual prizes

Eligibility for third country participants: Only businesses established in an EU Member State or in a Horizon 2020 associated country can apply directly to the accelerator. However, large companies, research centers and individual scientists from other countries can participate as subcontractors or third parties.

Equity investment from third country participants: An EIC equity fund will soon be established under the EIC Pilot to manage equity investments⁶⁸. The European Investment Council is always looking for private investors to co-invest in EU SMEs under the EIC Pilot. Japanese investors are eligible to invest in the companies that have already been selected (list [here](#)) by the EIC for blended finance, however, thus far, no involvement from Japanese investors has been reported^{69,70}

Lastly, an important remark to take into account is that under its new *EU SME Strategy*, the European Commission aims at tripling the number of women-led SMEs benefiting from EIC.⁷¹

⁶⁶ In the date of writing there is an open call – Green Deal - finishing at 19th May 2020. All open calls for the EIC Accelerator (SME Instrument) can be found in the following website: <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/topic-search;freeTextSearchKeyword=;typeCodes=1;statusCodes=31094501,31094502,31094503;programCode=H2020;programDivisionCode=null;focusAreaCode=null;crossCuttingPriorityCode=null;callCode=H2020-EIC-SMEINST-2018-2020;sortQuery=submissionStatus;orderBy=asc;onlyTenders=false;topicListKey=callTopicSearchTableState>

⁶⁷ At the time of writing, **there is an open call for 10 million euros for space technologies**. The deadline for submission is **June 2021**. Under the criteria of the EIC Pilot, only entities established in an EU Member State or in a Horizon2020 country can apply directly. However, entities from Japan might be able to participate as third parties in the consortium. The overall description and criteria can be found in https://ec.europa.eu/research/participants/data/ref/h2020/other/prizes/contest_rules/h2020-prizes-eic-rules-low-cost-space-launch_en.pdf

⁶⁸ European Commission, 2020. European Innovation Council pilot: €344 million to 107 visionary ideas of start-ups, SMEs and researchers. DG for Research and Innovation. 12 March. Brussels. Source: https://ec.europa.eu/research/eic/pdf/ec_rtd_expert-group-on-strengthening-management-with-pm-eic.pdf

⁶⁹ European Innovation Council. 2020. Information provided by personal communication.

⁷⁰ The updated list of selected companies can be found in the following link: https://ec.europa.eu/research/eic/pdf/ec_rtd_eic-accelerator-blended-finance.pdf

⁷¹ European Commission. 2020, p.16. *An SME Strategy for a sustainable and digital Europe*. Brussels. 10.3.2020. COM (2020) 103 final. Source: https://ec.europa.eu/info/sites/info/files/communication-sme-strategy-march-2020_en.pdf

3.3. InvestEU

The European Commission has acknowledged the multiplication of agreements, policies, managing bodies and stakeholders create a problem of fragmentation and overlap between financial instruments at the EU level, makes it complex for SMEs to access the instruments the EU has made available for them. Thus, in order to solve this issue, the Commission has decided to integrate previous programmes (e.g. EFSI and COSME) into the same umbrella: the InvestEU Programme, which will run from 2021 until 2027.

As one can observe in Figure 10, InvestEU is a combination of equity, guarantee and risk sharing instruments that came into place to blend all program and rules into one single regulation, one single program and one single agreement with implementing partners. This will simplify the blending of grants with other programmes, with InvestEU rules applying for the entire Project under a single rulebook.

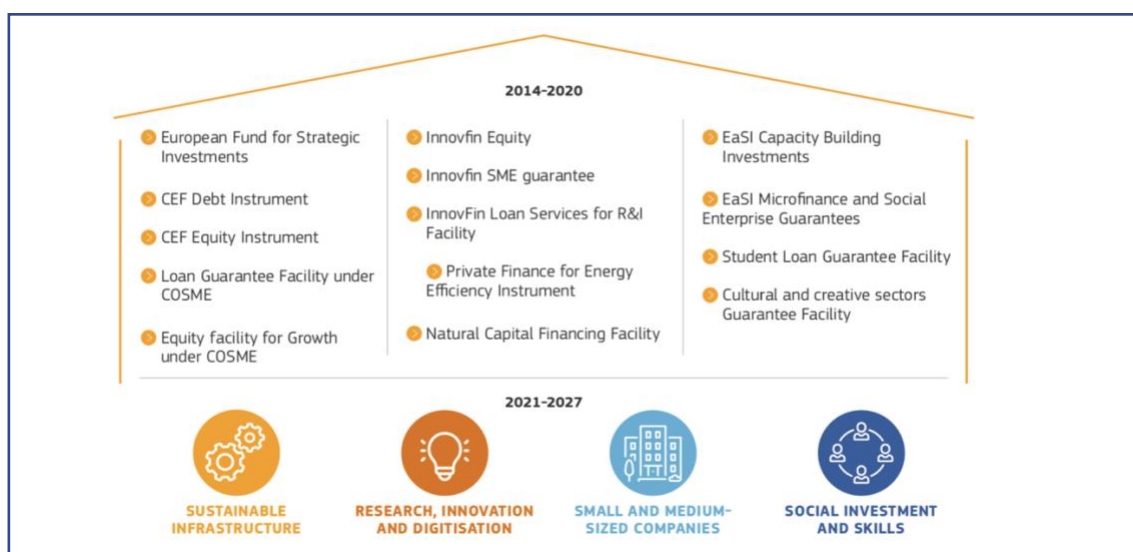


Figure 10. Financial instruments and schemes integrated into the umbrella program InvestEU.
 Source: European Commission

Building on its experience in the management and implementation of the European Fund for Strategic Investments (EFSI), the EIB will be the main implementing partner of InvestEU, implementing around 75% of the guarantee through its financial intermediaries (including NPBIs and RPBIs acting as financial intermediaries). International Financial Institutions acting as entrusted financial partners, will implement the remaining 25% (European Commission⁷²). These International Financing Institutions (IFIs) include the European Bank for Reconstruction and

⁷² More information about the InvestEU Program can be found in the following link https://ec.europa.eu/commission/presscorner/detail/et/memo_19_2135

Development (EBRD) and the Council of Europe Development Bank (COE Bank), but also national promotional banks and institutions acting as financial partners for a particular instrument. All of them will have direct access to the EU guarantee.

As explained above, the business model of the EU relies on financial intermediaries and, therefore, the decision to provide financing and the financing conditions (amount, duration, interest rates and fees) are made by these local implementing partners - mostly commercial banks, venture capitalists and angel investors – which are capable of providing additional resources of their own. In order to know the conditions of each instruments, SMEs can reach out to one of the implementing financial institutions that can be found in Annexes I-II. Although the current MFF is still being negotiated, as per the Commission’s communication on the new EU SME Strategy launched in 2020⁷³, the SME Window of InvestEU will be focused on the below priorities (Table 7) and introduce the following initiatives (Table 8):

Table 3. Forthcoming initiatives under InvestEU presented at the Commission’s Communication EU SME Strategy. Source: *Own elaboration from European Commission, 2020.*

Sectors/ Priorities		Type of FI
1	Guarantees for innovative SMEs	Guarantees
2	Guarantees for SMEs from the cultural and creative sectors	Guarantees
3	Guarantees for SMEs transitioning to more sustainable energy models	Guarantees
4	Guarantees for SMEs adopting digital business practices	Guarantees
5	SMEs and small mid-caps in the space and defense industry (1)	Equity
6	SMEs and small mid-caps in sustainability (1)	Equity
7	SMEs and small mid-caps in innovation (1)	Equity
8	SMEs and small mid-caps which are women-led (1)	Equity
9	SMEs and small mid-caps in deep tech (1)	Equity
10	SMEs and small mid-caps in green tech (1)	Equity

(1) Areas identified as of special EU policy interest

Table 4. Forthcoming initiatives under InvestEU presented at the Commission’s Communication EU SME Strategy. Source: *Own elaboration from European Commission, 2020.*

Initiative	Description
Fund to support Initial Public Offerings (IPO) of SMEs	Creation of a new private-public fund under InvestEU to support Initial Public Offerings (IPO) for SMEs
ESCALAR initiative	Risk/reward mechanism to boost venture capital funds and private investments for scaling up in the EU, The program was already launched.
Gender-smart financing initiative	Initiative to support funding for women-led companies

⁷³ European Commission. 2020. *An SME Strategy for a sustainable and digital Europe*. Brussels. 10.3.2020. COM (2020) 103 final. Source: https://ec.europa.eu/info/sites/info/files/communication-sme-strategy-march-2020_en.pdf



Green-tech investment initiative	Initiative to increase the access to equity finance to support SMEs and start-ups developing green tech solutions
Blockchain-based initiative	Initiative to enabling issuance and trading of SME bonds through the European Blockchain Services Infrastructure.
Pilot project on tech due diligence services	The pilot project will support more precise valuations for high tech start-ups

Even though none of the mentioned initiatives targets internationalization beyond the EU *per se*, the Communication **encourages SMEs to use EU investment programs to grow within and beyond the European Union**.⁷⁴

- *Allocation of resources*

The InvestEU program expects to mobilize around EUR 650000 million through financial intermediaries, with an overall allocation of EUR 38000 million from the EU budget (Casoni, 2019). The allocation of resources will be divided in three tools: a Fund, an Advisory Hub and an Investment Portal.

The InvestEU Fund: Building from the European Fund for Strategic Investments (EFSI), the InvestEU fund will back the investment of projects through financial partners, being the main one the EIB Group⁷⁵, mobilizing public and private investment through a *proposed* EU guarantee of €38 billion taken from the EU budget. Thus far, the guarantee is expected to be provisioned at 40%⁷⁶ (Casoni, 2019), targeting sub-optimal investment situations, such as SMEs lack of collateral, in four policy windows: sustainable infrastructure (€11.5 billion), research, Innovation and digitalization (€11.25 billion), SMEs (€11.25 billion), social investment and skills (€4 billion). The budget allocated to each one of the policy windows can be adjusted up to 15%, considering the market demand. The guarantee requests will be approved by an Investment Committee, composed of external experts.

The InvestEU Advisory Hub: The InvestEU Advisory Hub (EIAH) is a partnership between the European Investment Bank Group and the European Commission designed to act as a single access point to various types of advisory and technical assistance services. The Advisory Hub is expected to integrate 13 different advisory services.

The InvestEU Portal – prior European Investment Project Portal (EIPP): The InvestEU Portal is a database that connects investors and supported projects.

⁷⁴ European Commission. 2020, p.2. *An SME Strategy for a sustainable and digital Europe*. Brussels. 10.3.2020. COM (2020) 103 final. Source: https://ec.europa.eu/info/sites/info/files/communication-sme-strategy-march-2020_en.pdf

⁷⁵ The EIB is the main financial partner of InvestEU and will implement around 75% of the guarantee through its financial intermediaries. International Financial Institutions and National Promotional Banks will implement the remaining 25%. For more information about the InvestEU program please access the following link: More information about the InvestEU Program can be found in the following link https://ec.europa.eu/commission/presscorner/detail/et/memo_19_2135

⁷⁶ Casoni, Giorgio Charion. 2019. *The InvestEU Programme: an instrument to support investment in the next MFF*. European Commission, 5 April. Available in: http://www.finlombarda.it/c/document_library/get_file?uuid=327e0499-9e0d-481a-885c-951008f19ed4&groupId=1004759

Key findings

This section provides a summary of the findings identified throughout the desk review and stakeholders' consultation with regard to the availability of EU-backed financing support within the EU. It thus identifies the main **challenges/barriers** to SMEs access to finance observed throughout the research, the key takeaway on the **provision of EU-backed financial instruments**, relevant **insights on the suitability of EU initiatives to internationalisation beyond the EU**. Moreover, as outcome of the mapping research, this report provides the below lists of initiatives and stakeholders across the EU and the MS:

1. National and regional promotional banks and institutions (Annex I)
2. Other relevant financial institutions in the EU MS (Annex II)
3. Relevant support associations, networks and tools (Annex III)
4. EU initiatives/ financing schemes (Annex IV)
5. National initiatives in the EU MS (Annex V)

1. Challenges/barriers to SMEs access to financing opportunities in the EU

The below box sums up the findings of the comprehensive analysis with regard to the **management and delivery of EU-backed financial instruments**.

Table 5. Suitability of the 4 selected EU programmes for internationalisation beyond the EU

Barriers	Commission's response
Sustainability of EU funds	Shift from traditional grant funding to a more extensive use of blended finance, in view of leveraging capital from private sources.
Bank-based finance accounts for nearly 90% ⁷⁷ of SMEs finance needs. Even though loans remain an important source of financing for EU SMEs, access to financial products in commercial banks is still very limited.	Business model based on financial intermediaries. Several EU support programmes offering guarantees/ risk sharing schemes delivered to financial intermediaries in view of increasing their capability to provide for SMEs.
Lack of suitable financing sources for innovative and fast-growing SMEs and startups	2020 SME Strategy: Encouragement for the development of more innovative solutions for SMEs finance (e.g. blockchain technology)
Fragmentation of information on available financing support across several policy units and stakeholders and consequent lack of awareness of EU SMEs in regard to availability of financing support	Umbrella programme InvestEU

2. Provision of EU-backed financial instruments to EU SMEs

The below box sums up the findings of the comprehensive analysis with regard to the **management and delivery of EU-backed financial instruments**.

⁷⁷ European Commission. 2020. *An SME Strategy for a sustainable and digital Europe*. Brussels. 10.3.2020. COM (2020) 103 final. Source: https://ec.europa.eu/info/sites/info/files/communication-sme-strategy-march-2020_en.pdf



The EIF does not provide direct debt/ equity to SMEs and startups

Most financial instruments under EU programmes are managed by the EIB Group on behalf of the Commission. The business model for the delivery of financial instruments (loans/ guarantees and equity) relies on selected financial intermediaries at the national and local level. This to say that the Commission – and notably the EIF, being EU's specialized bank for SME finance – provisions financial instruments to selected financial intermediaries who are then responsible for the selection of final beneficiaries (SMEs) for EU-backed instruments. Thus, **in order to access EU-backed financial instruments, EU SMEs should consult with the EIF and EIB financial intermediaries in their home country.** These selected financial intermediaries include a broad range of financial institutions, such as NPBIs, RPBIs, commercial banks, equity firms. This is valid both for programs supported by EU funds (e.g. Structural funds) and for financial instruments under specific programs (e.g. COSME, Horizon2020, LIFE, Blue Economy Window).

A non-exhaustive list of potential financial intermediaries is provided as an outcome of this report and can be found under Annex X. Other useful links are:

- [Portal Access to Finance](#)
- [Full list of EIB's financial intermediaries](#)
- [Full list of EIF's financial intermediaries](#)
- [Full list of EIF's intermediaries operating specifically under EFSI equity](#)

3. Suitability of EU initiatives

Although this study observed a range of national initiatives backed with EU support available within several EU member states, these are likely to be available only for national businesses. Thus, the current findings focus exclusively on programs offered at the EU level and therefore **open SMEs registered in every EU MS without distinction.**

Following the specific criteria of EU-backed financing support for internationalisation beyond the EU, four programmes seem to stand out: **INOWWIDE, COSME, Horizon2020 and the EIC Accelerator.**

Table 6. Suitability of the 4 selected EU programmes for internationalisation beyond the EU

		Suitable financing support for EU SMEs internationalisation beyond the EU			Provision of FIs into non-partner businesses outside of the EU		
		Loans	Equity	Grants	Loans	Equity	Grants
Internationalisation-dedicated	INNOWWIDE	-	-	Direct	-	-	-
	COSME	Indirect	Indirect	Direct	-	Indirect	-
Other sector/policy objectives	Horizon-Europe	Indirect	Indirect	Direct	-	Indirect	-
	EIC Accelerator	-	Direct	Direct	-	-	-



The above table shows the suitability and delivery mode of the financial instruments/ funding support under these programs for internationalisation beyond the EU (including in Japan), as well as the possibility for provision of financial instruments into businesses in non-eligible countries. As for the **delivery mode**, indirect stands for instruments delivered to EU SMEs through financial intermediaries, whereas direct stands for instruments provisioned directly by the promoting entity to EU SMEs. The table also distinguishes the selected programmes according to their **focus on SMEs internationalisation**. This distinction seems relevant mostly because internationalisation-dedicated programs are more likely to provide specific financing for internationalisation activities, such as the development of internationalisation strategies, identity shaping and market intelligence gathering.

In view of providing a simplified overview of these programmes to EU SMEs, a summary of the four programmes can be found below.

INNOWIDE is a one of its kind initiatives, aimed specifically at supporting EU SMEs internationalisation beyond the EU. Even though it is not an initiative of the European Commission *per se*, it is funded with EU support (through Horizon2020) and open to the participation of SMEs registered in an EU Member State or Horizon2020 country without reservations. The program does not provide financial instruments, however under this initiative SMEs can access grants to finance worldwide international growth.

COSME, the only EU program exclusively dedicated to the supporting of SMEs, offers both debt (LGF) and equity instruments (EFG) aimed at supporting SMEs internationalisation and access to new markets. Both FIs will be integrated into the forthcoming InvestEU fund. The program has already provided a tremendous contribution to the internationalisation of EU SMEs by financing the Enterprise Europe Network (EEN) and the European Cluster Collaboration Platform (ECCP). In order to apply for a COSME-backed loan, SMEs should contact COSME's [financial intermediaries](#) and [sub-intermediaries](#) in their home country. As for COSME-backed equities, they should reach out to the [EFG financial intermediaries](#).

Horizon2020 is a research and innovation program, providing both debt/guarantees (InnovFin SME Guarantee Facility) and equity (InnovFin Equity) for promising innovative projects. In order to apply to these instruments, SMEs should reach out to the InnovFin SME Guarantee Facility [financial intermediaries](#) or [sub-intermediaries](#) in their home country. As for InnovFin-backed equities, they should reach out to their local [InnovEquity financial intermediaries](#). Whereas the programme is still running, **Horizon Europe** will be its predecessor for the period of 2020-2027. Under Horizon Europe the InnovFin financial instruments will be integrated into the [InvestEU Fund](#). As the InvestEU Fund has a bankability criterion, the EIC Accelerator will replace the financing demand for projects that are not yet bankable.

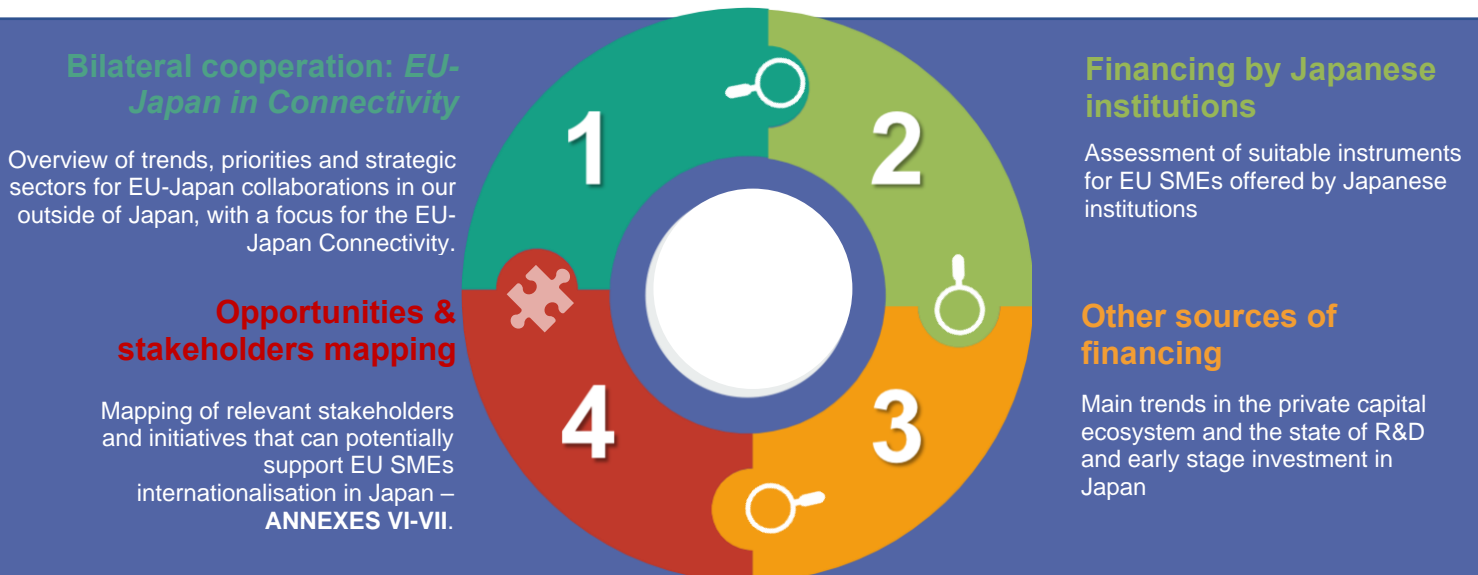
The **EIC Accelerator** is an integrated program that supports highly innovative and close-to-market SMEs. The Accelerator provides business acceleration services and coaching (via EEN), as well as solely grant funding or blended finance (grants and equity). Equity instruments are provided through the **EIC Fund** (established in June 2019) to selected SMEs in the pre-seed, seed and early stage – usually companies with no (or very limited turnover). It's indeed a promising initiative offering to introduce portfolio companies to a network of EU and foreign investors. As the financial instruments of Horizon2020 will fall under InvestEU (that has a bankability criteria), the EIC Fund will suppress the financing demand for high-risk projects that do not fall under this bankability criteria.



Although these programmes seem to suit the criteria of internationalisation beyond the EU without any distinctions on nationality, it doesn't mean that other EU programmes targeting different priorities can't as well support internationalisation-related activities beyond the EU.

The EU Commission has several initiatives targeting different sector/ policy priorities (such as innovation and R&D) which aim at facilitating investments in infrastructure, machinery, staff and research within these specific policy aims. Although many of these programmes do not target internationalisation specifically, the **covered investments do not provide distinction whether the final products or services are exported or not**. This means they can still support internationalisation activities, provided that the specific objectives of the programme are fulfilled.

CHAPTER 2 Financing opportunities in Japan



Chapter overview

In a changing international order marked by the rise of unilateralism and protectionism, the EU and Japan have pronounced their commitment to multilateralism, promoting trade and economic liberalization through several cooperation agreements. **The EU-Japan Economic Partnership Agreement (EPA)**, which entered into force in 2019, February 1st, led to the creation of the world's largest free trade zone, creating new opportunities for EU SMEs internationalisation through the removal of tariff and non-tariff barriers. The outcomes are already positive. According to the current Head of Trade Section of the EU Delegation in Japan, as of July 2019, EU exports of agricultural products to Japan increased 20.8%, fisheries 9.5% and industrial products 7%, comparing to the same period (February-July) before the EPA.⁷⁸

Notwithstanding, the proximity between the EU and Japan went well beyond the EPA. As an alternative to the *Belt and Road (BRI)* Initiative pursued by the Chinese government, aimed at improving China's connectivity to the world, on 27 of September 2019 the EU and Japan signed a **Partnership on Connectivity and Quality Infrastructure**. As for financing cooperation, three **Memorandums of Understanding (MoUs)** between the EIB and the Japanese Bank for International Cooperation (JBIC), the Japan International Cooperation Agency (JICA) and the

⁷⁸ Hannonen, Marjut. 2019. "Presentation of the EU-Japan Economic Partnership Agreement". *Information provided on the occasion of the EBOWWN Tokyo Meeting*, hosted by the EU Delegation in Tokyo. 2-12-2019.

Nippon Export and Investment Insurance (NEXI) have also been signed. These developments express evidence on the growing importance of Japan as EU's strategic partner in Asia and have the . at the private level, in view of providing a more diversified mapping of opportunities. Through desk research and interviews with Japanese experts and stakeholders, the current chapter intends to explore:

- **Potential opportunities triggered by means of bilateral cooperation between the EU and Japan.** *Subchapter 1* overviews the EU-Japan Connectivity, bringing into attention the MOUs signed between the EIB and Japanese institutions. With Japan being increasingly perceived as a gateway to other markets⁷⁹, it seems relevant to identify the priorities and strategic sectors that can make ground for EU-Japan business collaborations *in or outside* of Japan.
- **Financing instruments offered by Japanese institutions that can become available to EU SMEs teaming up with Japanese companies.** Several institutions, namely JBIC and JOIN, offer financing support for Japanese companies operating in third countries. Under a logic of national interest, Japanese institutions are unlikely to provide financing support to EU SMEs *per se*. However, some opportunities might become available for EU SMEs teaming up with Japanese companies. *Subchapter 2* observes the financial instruments offered by Japanese institutions and identifies the ones that might be available for EU-Japan business partnerships.
- **The state of R&D and early stage investment in Japan.** *Subchapter 3* will be dedicated to understanding the startup and venture capital ecosystem in Japan in order to identify relevant stakeholders and potential opportunities for EU startups. Whilst this study does not aim to be exhaustive, it can constitute relevant background for EU startups looking for financing opportunities among business angels and venture capitalists in Japan.

The exploratory study behind the three dedicated subchapters will be conducted having the following questions in mind: *To what public financial instruments are EU SMEs eligible to apply? What is the eligibility criteria and priority sectors? Is there any available capital offered by private stakeholders in Japan?* The opportunities identified throughout the three levels of assessment will be comprised in a stakeholders mapping, available under [ANNEXES VI-VII](#). The key findings, as well as relevant takeaways, are provided at the end of this chapter.

1. Bilateral cooperation: EU-Japan in Connectivity

On the 27th September 2020, a **Partnership Agreement on Sustainable Connectivity and Quality Infrastructure** (here referred as '*Connectivity Agreement*')⁸⁰ has been signed between the European Commission and Japan, as a result of the EU-Asia Connectivity Forum and the European-Asia Connectivity Strategy. The signature of this agreement occurs in the context of a significant demand for connectivity in developing countries and in response to the US-led Blue Dot

⁷⁹ This assumption and background references are further explored in the current chapter under topic 1.1. *EU-Japan Connectivity*.

⁸⁰ MOFA. 2020. The Partnership on Sustainable Connectivity and Quality Infrastructure between Japan and the European Union. Available in: <https://www.mofa.go.jp/files/000521432.pdf>



Network (BDN)⁸¹ and the Beijing's *Belt and Road (BRI)* infrastructure strategy, aimed at connecting China to the rest of the world.⁸² The Connectivity Agreement obviously includes, but is not limited to, infrastructure networks. Broadly speaking, the concept also includes other forms of connectivity, such as energy, digital, trade and investment networks. The current section explores some drivers for EU-Japan business collaboration in third markets, as well as priority sectors for EU-Japan Connectivity and co-financing possibilities following the signature of the MOUs between the EIB and JICA, JBIC and NEXI.

EU-Japan business collaborations in third markets

The **Japanese market is increasingly perceived as a gateway to other markets** and the EU-Japan Connectivity Agreement is expected to create additional opportunities for EU-Japan business collaborations. A study carried on by the German Chamber of Commerce in Japan observes that more than two thirds of German companies in Japan are involved in projects with Japanese businesses outside of Japan. Additionally, nearly half of the German companies present in the Japanese market is generating revenues outside of Japan (to the same extent as in Japan itself) by partnering up with Japanese companies in third markets.^{83 84} Aware of this trend, the Ministry of Foreign Affairs of Japan (MOFA) is also conducting a survey on EU-Japan business collaborations in third markets, whose results should be available in the close future⁸⁵.

On the occasion of a conference organized by the EU-Japan Centre, EU business representatives mentioned that partnering up with Japanese companies provides better accessibility to other markets, namely in ASEAN.⁸⁶ Among others, drivers for EU-Japan cooperation highlighted in the conference include:

⁸¹ The "Blue Dot" Network, is a joint project between the US Overseas Private Investment Corporation (OPIC), the Japan Bank for International Cooperation (JBIC) and the Australian Department of Foreign Affairs and Trade which was announced in November 2019 in the occasion of the Indo-Pacific Business Forum. The project intends to evaluate infrastructure projects, providing guidance on infrastructure, and trying to address potential debt problems in economically fragile countries. Whether it is not officially clear whether the Blue Dot Network is or not a response to the fear of developing countries loan-dependence of China, it is often perceived as such. For more information about the Blue Dot Network, please access the following link https://www.state.gov/blue-dot-network/#nav__primary-nav

⁸² The funding of the One Belt, One Road (OBOR) initiative is based on the Silk and Road Fund (founded by state institutions using currency reserves), loans from policy banks (such as China Development Bank, China Export-Import Bank) and China Agricultural Development Bank), the Asian Infrastructural Investment Bank (AIIB), created in 2016, the BRICS New Development Bank and the investments of Chinese providential governments and banks. More information about the OBOR can be found in the following link <https://css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/pdfs/CSSAnalyse195-FN.pdf>

⁸³ German Chamber of Commerce and Industry in Japan. 2019. Presentation on the occasion of the Seminar on EU-Japan Business Collaborations in Third Market, organised by the EU-Japan Centre for Industrial Cooperation , 3.12.2019

⁸⁴ German Chamber of Commerce and Industry. 2019. Business Climate Survey – German businesses in Japan. Available in: https://japan.ahk.de/fileadmin/AHK_Japan/Dokumente/German_Business_in_Japan_2019_FN.pdf

⁸⁵ MOFA. 2020. *Information provided by personal communication.*

⁸⁶ An interesting overview of this phenomena can be found in an article by Philippe du Taxis du Poet (General Manager of the EU-Japan Centre for Industrial Cooperation) for Eurobiz Japan, on February 2020.

- The saturation of the Japanese market *per se*⁸⁷
- The growing infrastructure demand in ASEAN⁸⁸
- The market know-how and cultural understanding of Japan of these markets⁸⁹
- The well-established presence of Japanese subsidiaries in these markets.⁹⁰

Concrete examples of EU-Japan Business Collaborations in **ASEAN and in the APAC region** include the *Thyssenkrupp* and *Mitsubishi Heavy Industries* (in Indonesia)⁹¹, the *Vestas Wind Systems* and *Mitsubishi Heavy Industries* (Taiwan, South Korea)⁹², the *Bouygues Asia* and *Sumitomo* (in Hong Kong).⁹³

Notwithstanding, there are also successful stories of EU-Japan business collaborations⁹⁴ in **South and Latin America**, such as the acquisition of the Spanish *EVERIS*, with activities in Latin America, by *NTT Data*.⁹⁵ In this regard, an observation by the EU Chamber of Commerce of Industry highlights that whereas Japan's bilateral trade with Brazil is significant (with Brazil having one of the largest Japanese communities in the world), overall bilateral trade with the remaining MERCOSUR countries remains low.⁹⁶

A concrete example of EU-Japan business collaboration in the **African continent** is indeed the *Toshiba/ Vinci Construction* partnership for hydro and geothermal projects which utilizes geothermal resources centered on the *Great Rift Valley*⁹⁷. However, other examples could also be observed in other African countries, notably in Côte d'Ivoire. In fact, the EU Chamber of Commerce and Industry of Côte d'Ivoire observed that the Japanese government often provides grants to African governments to support infrastructure projects. According to the Chamber of Commerce, **there is a tendency for Japanese companies who win the bids to team up with European**

⁸⁷ EU business representatives. 2019. On the occasion of the Seminar on EU-Japan Business Collaborations in Third Market, organised by the EU-Japan Centre for Industrial Cooperation, 3.12.2019

⁸⁸ For more information about the infrastructure demand in ASEAN, please see Chapter 2, [section 2.6. Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development \(JOIN\)](#) of this report.

⁸⁹ EU Chamber of Commerce and Industry in Singapore. 2019. Presentation on the occasion of the Seminar on EU-Japan Business Collaborations in Third Market, organised by the EU-Japan Centre for Industrial Cooperation, 3.12.2019

⁹⁰ EU business representatives. 2019. On the occasion of the Seminar on EU-Japan Business Collaborations in Third Market, organised by the EU-Japan Centre for Industrial Cooperation, 3.12.2019

⁹¹ German Chamber of Commerce and Industry in Japan. 2019. Presentation on the occasion of the Seminar on EU-Japan Business Collaborations in Third Market, organised by the EU-Japan Centre for Industrial Cooperation, 3.12.2019

⁹² JBIC. 2020. *Information provided by personal communication.*

⁹³ Bouygues Asia. 2019. Presentation on the occasion of the Seminar on EU-Japan Business Collaborations in Third Market, organised by the EU-Japan Centre for Industrial Cooperation, 3.12.2019

⁹⁴ For a comprehensive analysis of several EU-Japan Business Collaborations case studies, please see my colleague Masami Marbot's report. Available at: <https://www.eu-japan.eu/minerva-past-reports-20142019#>

⁹⁵ EU Chamber of Commerce and Industry in Brazil. 2019. On the occasion of the Seminar on EU-Japan Business Collaborations in Third Market, organised by the EU-Japan Centre for Industrial Cooperation, 3.12.2019

⁹⁶ EU Chamber of Commerce and Industry in Brazil. 2019. On the occasion of the Seminar on EU-Japan Business Collaborations in Third Market, organised by the EU-Japan Centre for Industrial Cooperation, 3.12.2019

⁹⁷ Toshiba. 2019. On the occasion of the Seminar on EU-Japan Business Collaborations in Third Market, organised by the EU-Japan Centre for Industrial Cooperation, 3.12.2019

companies to save costs, as they are usually more experienced in the market and are more likely to have operational local teams in the region⁹⁸.

Besides the reasons that motivate partnering up with Japanese companies overseas, some EU companies even pointed out that **successful experiences with Japanese companies in other markets made it easier to access the Japanese market itself afterwards**⁹⁹.

Financing for infrastructure

As mentioned above, there is a gap between the available offer and the increasing world demand for infrastructure, namely in developing countries. For instance, the World Bank estimates that **developing countries** will need between \$3.3 to \$4.5 trillion investment *per year* to meet their infrastructure needs, what currently represents a financing gap of \$2.5 trillion.¹⁰⁰ The **global demand** for infrastructure investment for the current period between 2016-2030 is estimated in nearly \$95 trillion by the OECD¹⁰¹, of which nearly 26\$ trillion infrastructure investment will be needed in **developing Asia**, according to the ADB.¹⁰² The gap between the offer and the demand for infrastructure in Central and Southeast Asia has actually been highlighted by official representatives from Southeast Asian countries, notably from Thailand and Indonesia, present at the *5th Seminar on the Japanese Investments for Overseas Infrastructure*.

Upon the occasion of the G20 leaders in the *G20 Osaka Summit* on the 28th and 29th of June 2019, six principles for **quality infrastructure investment** have been approved, in view of integrating current environmental and social concerns. *Maximizing the impact on sustainable growth*, *environmental considerations* and *resilience to natural disasters* rank among these principles. With high quality infrastructure products and a notable experience in technology and products adapted to natural disasters, Japan seems to be determined to capture the *momentum* to accelerate its infrastructure exports. In fact, following the Osaka Summit, the Nippon Export and Investment Insurance (NEXI) has **launched a new insurance scheme** aimed at mobilizing private funding capital from institutional investors in order to meet this global demand for infrastructure investment, namely in developing countries. This financing scheme *provides insurance cover for infrastructure funds and project bonds* and aims at mobilising private investment through several Memorandums of Understanding with foreign entities, including *European private financial institutions*, such as Deutsche Bank and BNP Paribas¹⁰³

⁹⁸ EU Chamber of Commerce and Industry in Côte D'Ivoire. 2019. On the occasion of the Seminar on EU-Japan Business Collaborations in Third Market, organised by the EU-Japan Centre for Industrial Cooperation, 3.12.2019

⁹⁹ Hafele. 2019. Presentation in the occasion of the EBOWWN Tokyo Meeting, hosted by the EU Delegation in Tokyo. 2.12.2019.

¹⁰⁰ International Finance Corporation. 2019. "Fresh Ideas About Business in Emerging Markets Compass." Source: <http://documents.worldbank.org/curated/en/738131573041414269/pdf/Closing-the-SDG-Financing-Gap-Trends-and-Data.pdf>

¹⁰¹ OECD. 2017, pp. 28. "Investing in Climate, Investing in Growth", OECD Publishing, Paris. Source: <https://www.oecd-ilibrary.org/docserver/9789264273528-en.pdf?expires=1588849084&id=id&accname=guest&checksum=2E10094EBC4A7BD900C2D8D7238B7E43>

¹⁰² ADB. 2017. "Meeting Asia's infrastructure needs". Source: <https://www.adb.org/sites/default/files/publication/227496/special-report-infrastructure.pdf>

¹⁰³ In view of mobilising private investment, NEXI has signed 13 MoUs on business cooperation with several private financial institutions, including in Europe: Mizuho Bank, MUFG Bank, Sumitomo Mitsui Banking Corporation, Australia and New Zealand



Over the past ten years, the Japanese government has passed series of new laws to **encourage the participation of the private sector in financing/ operating in public infrastructure and venturing overseas**. Examples include the amended *Act on Promotion of Private Finance Initiative*, in 2011, and the *action plan for promoting PPP/PFI programmes*, in 2016. On the institutional level, the establishment of the ministerial “*Meeting on Strategy relating Infrastructure Export and Economic Cooperation*” that already met 44 times since its creation in 2013, and the establishment of the Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN), in 2014, also provide evidence on the effort to take the infrastructure business overseas.¹⁰⁴

As the private sector alone can't bear all the risks associated with large-scale projects, the current infrastructure demand calls for **increased cooperation among Japanese institutions**, on the one hand, and **between the private and the public sector**, on the other. Institutional cooperation refers to overseas collaboration initiatives between JETRO, JBIC, NEXI, JICA and JOIN, but also UR, J-CODE (*Japan Conference on Overseas Development of Eco-cities*), JIBH (*Japan International Association for the Industry of Building and Housing*) and JHBUD (*Japan Global Exchange Forum for Housing, Building and Urban Development*)¹⁰⁵.

With respect to public-private cooperation, several initiatives aimed at facilitating the provision of financing in infrastructure joint projects overseas involving companies from other countries could be observed. This is the case of the UK who, following Brexit, has recently launched a **third countries infrastructure development initiative**¹⁰⁶ with Japan in the context of the UK-Japan Joint Statement¹⁰⁷, signed in January 2019. The joint statement stands, among others, for the engagement of the UK and Japanese public and private sector in UK-Japan cooperation in third countries, with particular attention to infrastructure. Financing for such joint projects relies on bilateral MoUs between the UK and Japanese export trade agencies, UKEF and NEXI. Other MoUs have also been signed between the UK DIT and other Japanese institutions, namely JBIC and JETRO. Smart cities, regional development, roads, intercity highways and suburban railroad, airport maintenance, water and sewage and healthcare rank among the priority sectors for cooperation in third countries, particularly in Asia and Africa.

Banking Group Limited, BNP Paribas, Citi Bank, Credit Agricole Corporate Investment Bank, Deutsche Bank, Goldman Sachs Japan Co, ING Bank, Societe General, Standard Chartered Bank and The Hongkong and Shanghai Banking Corporation Limited. More information available on the following link: <https://www.nexi.go.jp/en/topics/newsrelease/2019060701.html>

¹⁰⁴ Special Advisor to the Prime Minister of Japan, Aoto Izumi, 2020. Presentation on the occasion of the 5th Seminar on the Japanese Investments for Overseas Infrastructure. JOIN. Tokyo, 21.2.2020.

¹⁰⁵ Special Advisor to the Prime Minister of Japan, Aoto Izumi, 2020. Presentation on the occasion of the 5th Seminar on the Japanese Investments for Overseas Infrastructure. JOIN. Tokyo, 21.2.2020.

¹⁰⁶ British Market Council (BMC). “Japan-UK Collaboration for 3rd Country Infrastructure”. Source: https://british-mc.com/japan_uk/index.html

¹⁰⁷ MOFA. 2019. “UK-Japan Joint Statement”. Source: <https://www.mofa.go.jp/mofaj/files/000436675.pdf>

- **Smart cities**

The current focus on infrastructure foresees the implementation of smart-city strategies in several countries, in view of contributing to the achievement of the Sustainable Development Goals (SDGs). Smart cities take information and communication technologies as drivers for improving the life quality of inhabitants and businesses, as well as the quality and responsiveness of the services provided by public administration. This interconnectivity, however, again calls for cooperation between the public and the private sector through **innovative financing instruments**, such as *blending between Public Private Partnerships (PPPs) and public-private equity investment*.

Faced with rapid urbanisation, ASEAN leaders have been trying to cooperate in common goals for sustainable urban development. The creation of the **ASEAN Smart Cities Network**, in 2018, is probably one of the most evident outcomes of these efforts that are very much focused in securing funding and support from external partners. A concrete case that has been raised within the context of the *5th Seminar on the Japanese Investments for Overseas Infrastructure* and called specifically for external collaboration is the movement of the Indonesian capital from Jakarta to East Kalimantan, nearly 1300 km away from Jakarta. With an estimated initial cost of \$35 billion, the movement of the capital is deemed to be the largest infrastructure project ever undertaken in Indonesia. The fact that the city is being designed to be an environmentally friendly smart city triggers significant business opportunities not only in infrastructure, but also in other sectors such as agriculture, renewable energy, sustainable mining and tourism. The presented regional development plan for the province of East Kalimantan also suggests the future development of related sectors, namely in the cities of Balikpapan and Samarinda. Sectors referred include pharmacy, oleo chemical, maritime logistic and technology, information and communication¹⁰⁸.

Also, in the context of the above-mentioned seminar, official representatives from ASEAN countries made the importance of Japan as strategic external partner very clear. Through its Official Development Assistance (ODA) loans, among other instruments, Japan has been very active in supporting social, economic and infrastructure development in ASEAN. It's not surprising that Japan's Foreign Direct Investment (FDI) has dramatically increased in ASEAN in the last 10 years.¹⁰⁹ Notable examples of Japanese involvement in a smart-city project is the road network in Yangon (Myanmar) and the Urban Transport Plan in Phnom Penh Capital City, both with JICA's support. On an informative note, the latter Phnom Penh project was focused on the development of a system of public and private transport plan, combining road, public transportation and traffic management. The project also included a smart lighting project aimed at saving energy through wireless dimming control, conducted by Minebea Mitzumi.¹¹⁰ This provides evidence on how integrated smart-city projects are, triggering opportunities in a wide variety of sectors.

¹⁰⁸ Ex-Member Advisory of the President of the Republic of Indonesia, Ginandjar Kartasasmita, 2020. Presentation on the occasion of the 5th Seminar on the Japanese Investments for Overseas Infrastructure. JOIN. Tokyo, 21.2.2020.

¹⁰⁹ Kikuchi, Unzaki. 2019. "Japanese Infrastructure Investment in Southeast Asia." Nanyang Technological University Singapore. Source: https://www.rsis.edu.sg/wp-content/uploads/2019/05/PR190503_Japanese-Infrastructure-Investment-in-SEA.pdf

¹¹⁰ JICA. 2014. The Project for Comprehensive Urban Transport Plan in Phnom Penh Capital City (PPUTMP).

Co-financing between the EIB and Japanese institutions

With regard to financing *per se*, the Connectivity Agreement has been followed by the signature of several Memorandums of Understanding between the European Investment Bank and Japanese institutions, such as the Japan International Cooperation Agency (JICA), the Japan Bank for International Cooperation (JBIC) and the Nippon Export and Investment Insurance (NEXI). These MoUs are expected to **facilitate EU-Japan cooperation in financing connectivity projects**, however, up to now, there are no operational tools in place that can materialize these MoUs into specific financing schemes.

For instance, the interviews conducted suggest that while the EIB has operational expectations¹¹¹, the Japanese side understands the MOU as an instrument to facilitate the dialogue between the two parties in view of identifying specific sectors for joint cooperation.¹¹² The Connectivity Agreement clearly expresses the aim of coordinating efforts, not only in Europe, but also in Asia and Africa. Yet, in the interviews conducted to JBIC, the institution referred that the below sectors for potential joint cooperation identified throughout the discussions with the EIB are:

- “Renewable energy projects within and outside of Europe (but mostly within)”¹¹³;
- “New technology, such as hydrogen and offshore wind technology. This one is probably pre-mature in Africa but can also be developed in Europe”¹¹⁴.

Moreover, *de facto* possibilities of co-financing between the EIB and Japanese institutions, are underlined by the following factors:

1. In order to be eligible for EU financing, Japanese institutions have to be **pillar assessed** – a process that can take between 1-3 years.
2. Co-financing possibilities are under discussion between the EIB and Japanese institutions, notably following the **signature of three MOUs between the EIB and JBIC, JICA and NEXI**. Although these MOUs indicate a common framework of action, they are not legally binding and neither do they involve exchange of money. Thus far, no operational outcomes have been produced.
3. The conducted interviews suggest that the **lack of operational outcomes** have its roots in the seemingly prevalence of legal and technical constraints, notably with regards to public procurement.

¹¹¹ EIB. 2020. *Information provided by personal communication*

¹¹² JBIC. 2020. *Information provided by personal communication*

¹¹³ JBIC. 2020. *Information provided by personal communication*

¹¹⁴ JBIC. 2020. *Information provided by personal communication*

Notwithstanding, **the EIB and Japanese institutions can agree to finance the same project in the EIB's countries of operation**, with the interested borrower contacting both entities and, most likely, with both of them signing an agreement with a third party¹¹⁵.

Still in this regard, a final remark that can be made is that cooperation in financing does not have to be limited to the EIB. In fact, some Japanese institutions hold signed bilateral agreements with European countries, including with EU National Development Banks and Institutions (NPBIs)¹¹⁶. This is the case for *Cassa depositi e Prestiti of Italy*, for instance, who signed an MoU with JBIC in April 2019 to encourage business opportunities for Italian and Japanese companies in Italy, Japan and third countries.¹¹⁷ NEXI also holds agreements with several European export credit agencies in Italy, Spain, France, Austria, Belgium, Germany, Czech Republic, the Netherlands and the UK.

2. Financing support by Japanese institutions

2.1. Nippon Export and Investment Insurance (NEXI)

The Nippon Export and Investment Insurance (NEXI) is the insurance arm of the Japanese government, offering export insurance to various types of Japanese companies (including SMEs), which aim at expanding globally. **Some financial tools are available for Japanese companies partnered with EU companies in third markets, under co-financed schemes with the EIB and other EU export credit agencies.**

In view of creating a single window for export contacts involving companies from multiple countries in joint projects in third countries, NEXI has signed several agreements with EU export credit agencies. Examples include the *Italian Servizi Assicurativi Del Commercio Estero* (SACE), the dutch *Atradius* (ATRADIUS), the Belgium *Ducroire / Delcredere* (ONDD), the *German Euler Hermes Germany* (EULER HERMES), the Austrian *Oesterreichische Kontrollbank Aktiengesellschaft* (OeKB), the Finnish *FINNERVA PLC*, the Spanish *Compañía Española a de Seguros de Crédito a la Exportación* (CESCE), the French *Bpifrance* and the Czech *Export Guarantee and Insurance Corporation* (EGAP). Under this window, **reinsurance by NEXI is provided to the portion exported from Japan**, whereas **the portion exported from an EU member state is supported by the related export credit agency**. The main purpose is promoting

¹¹⁵ The list of EIB's financial intermediaries can be found in the following link:

<https://www.eib.org/intermediarieslist/search/result?country=JP>

¹¹⁶ For more information about the role of NPBIs please see Chapter 1, section 2.3. *Financial intermediaries and Promotional Banks and Institutions* of this report.

¹¹⁷ JBIC. 2019. *JBIC Signs MOU with Cassa depositi e prestiti of Italy – Promoting cooperation between Japan and Italy to create business opportunities*. April 26. Available in: <https://www.jbic.go.jp/en/information/press/press-2019/0426-012136.html>



industrial cooperation between Japan and the related country and supporting exports of Japanese products where a transaction involves an EU member state.¹¹⁸

More recently, a new insurance scheme has been launched by NEXI in 2019, in view of mobilizing private funding capital to meet the global demand for infrastructure investment, namely in developing countries. As previously mentioned, this financing scheme provides insurance cover for infrastructure funds and project bonds through several Memorandums of Understanding with foreign entities, including European private financial institutions, such as Deutsche Bank and BNP Paribas¹¹⁹

2.2. Japan International Cooperation Agency (JICA)

The Japan International Cooperation Agency (JICA) is the official development aid assistance body to developing countries. Linked to the Ministry of Foreign Affairs of Japan (MOFA), it provides technical assistance to developing countries, being mandated to lend to sovereign entities through its Official Development Assistance (ODA) loans or, in some particular projects, via equity. Whereas the Japan Bank for International Cooperation (JBIC) evaluates projects based on financial return, JICA is more focused on policy priorities.

ODA loans often result in open tenders for businesses. However, the technical specifications of such tenders can potentially leave EU companies out. Interviews conducted to EU experts show that often only Japanese companies can meet the technical specifications of these tenders and, therefore, **EU companies are only entitled to apply in very exceptional cases when Japanese companies can't meet the criteria.**

Notwithstanding, it does not mean that there are no opportunities for EU SMEs in this regard. The interviews also suggest that **operational maintenance of facilities** overseas is not commonly handled by Japanese companies, but **rather outsourced to foreign companies**. As EU SMEs are used to operational maintenance, this could be an interesting area for cooperation in third markets, namely in Africa. Following this statement, it seems relevant to highlight again the observation of the EU Chamber of Commerce and Industry of Côte d'Ivoire, who referred the tendency for Japanese companies who win the bids to team up with European companies to save costs. Reasons include, among others, a more established EU presence in Africa, the market know-how and the presence of operational local teams.

¹¹⁸ NEXI. 2017. "Conclusion of Reinsurance Agreement with UKEF". Source: https://www.nexi.go.jp/en/topics/newsrelease/2017091503_2.html

¹¹⁹ In view of mobilising private investment, NEXI has signed 13 MoUs on business cooperation with several private financial institutions, including in Europe: Mizuho Bank, MUFG Bank, Sumitomo Mitsui Banking Corporation, Australia and New Zealand Banking Group Limited, BNP Paribas, Citi Bank, Credit Agricole Corporate Investment Bank, Deutsche Bank, Goldman Sachs Japan Co, ING Bank, Societe General, Standard Chartered Bank and The Hongkong and Shanghai Banking Corporation Limited. More information available on the following link: <https://www.nexi.go.jp/en/topics/newsrelease/2019060701.html>

2.3. Japan Bank for International Cooperation (JBIC)

The Japan Bank for International Cooperation (JBIC) is the commercial private sector transactions entity of the Japanese government, operating in developed and developing countries. In view of improving the competitiveness and overseas business of Japanese industries, JBIC offers a wide portfolio of financial products to private financial institutions (mostly guaranteed loans in this case) and Japanese companies in third markets, including loans and equity.¹²⁰

The bank is particularly interested in the following sectors:

- a) **Natural resources**, aiming at supporting Japanese companies' acquisition or development of natural resources
- b) **Quality infrastructure**, aiming at supporting competitiveness in quality infrastructure (e.g. high-speed railway projects)
- c) **Environmental preservation**, aiming at supporting projects related to environmental preservation. Compared to the previous ones, this priority is still quite underdeveloped.

As a bank, JBIC does not provide subsidies or grants, only financial products. The main and most used product is the **Overseas Investment Loan (OIL)**. With nearly 70% commitment, it is also the highest commitment of the Bank. With respect to its equity products, JBIC can provision equity to support Japanese companies *per se*, for as long as these companies also participate with their own capital, or to support their equities overseas. As one can observe in the below figure (Figure 11), joint ventures are a typical way of providing equity capital. As such, based on the financial return, joint-ventures between EU and Japanese businesses might also be eligible for support under the OIL.

A notable example of a JBIC's overseas investment is the offshore wind business in Japan, a business collaboration between Mitsubishi Heavy Industries (MHI)¹²¹ and Vestas Wind Systems (Denmark)¹²². To provide some details on the partnership, MHI was strong in onshore but not in offshore. In turn, Vestas Wind Systems was impacted by the Lehman shock and needed both capital and partners to expand its business in offshore wind. Offshore requires more wind turbines with a bigger size, what makes it a more costly business than onshore wind turbines. Plus, MHI had a strong experience in the Asia-Pacific (APAC) region and also in dealing with difficult natural conditions, such as typhoons and earthquakes, as products and technology in Japan are adapted to natural disasters. JBIC and Mitsubishi Heavy Industries acquired shares of the MHI Vestas in 2014. Since then, JBIC has been supporting the execution of the joint venture strategy through equity investment that, in turn, supports the development of new products and, besides Japan, the access to third markets such as Taiwan, South Korea and US.

¹²⁰ JBIC. *Role and Function*. Available in: <https://www.jbic.go.jp/ja/about/role-function/images/jbic-brochure-english.pdf>

¹²¹ MHI also acquired Rocla, Oyj, a manufacturer of electric warehouse trucks in Finland (2008)

¹²² For detailed information about this EU-Japan business partnership, please consult the report on EU-Japan business collaborations in third markets developed by the EU-Japan Centre for Industrial Cooperation MINERVA Fellow Masami Marbot (2020), available at <https://www.eu-japan.eu/minerva-past-reports-20142019>

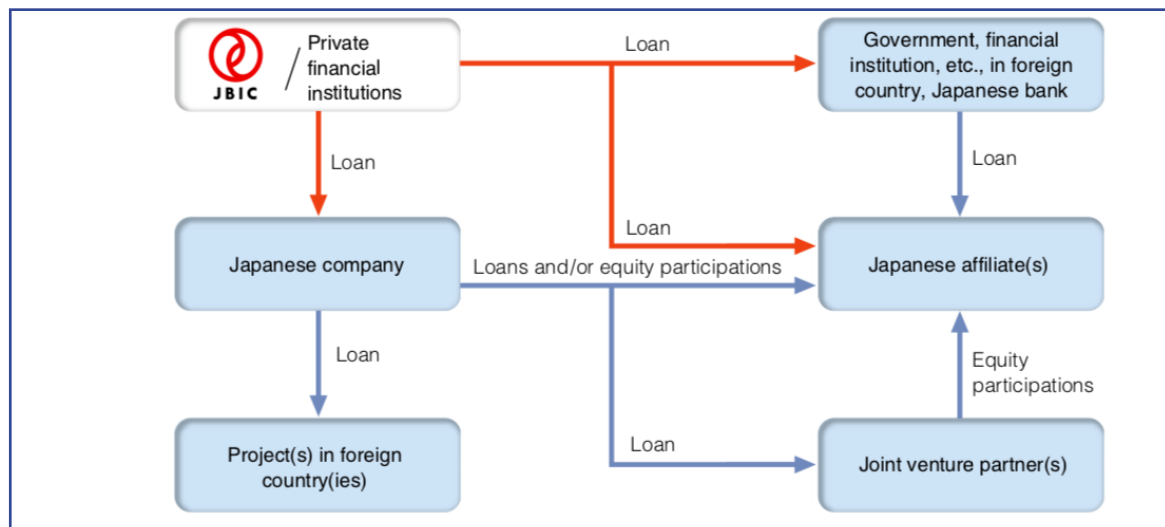


Figure 11. Delivery of Overseas Investment Loans (OIL) by JBIC. Source: JBIC, 2020¹²³

Concerning the access to JBIC’s financial instruments, it’s important to note that there’s no specific application scheme in place for SMEs, such as open calls for proposals. Projects are usually evaluated on a case by case basis, following the direct contact of a project developer. As per JBIC, this is also the *modus operandi* for the co-financed projects with the EIB. The project developer reaches out to JBIC looking for financing from both the EIB and JBIC and then the discussions between the two banks are initiated. A relevant aspect, however, is that access to financial instruments offered by JBIC are meant for to support Japanese companies and, therefore, **EU SMEs need to have a Japanese partner in order to be eligible.**

Unlike the EIB, JBIC’s products are usually **provided directly to the final beneficiaries.** However, the bank’s mandate also allows it to lend to foreign banks which then on-lend to businesses. Concrete cases of loans provided to local banks in Thailand, Vietnam and the Philippines have been referred throughout the interviews. There is no doubt JBIC can develop many projects in Southeast Asia due to its geographical and historical ties to the region, however, the interviewed representatives highlighted that no region of the world is excluded. When asked about priority regions and sectors, JBIC showed interest in expanding its activities in **Africa**, namely in the power sector as they are already participating in some projects in this sector, and in Asia, namely in **Bangladesh** and **Myanmar.**

¹²³ The document on the role and function of JBIC has been obtained via personal interview with two representatives of the New Energy and Power Finance Department I, Infrastructure and Environment Finance Group of JBIC. However, it can also be accessed in the following link: <https://www.jbic.go.jp/ja/about/role-function/images/jbic-brochure-english.pdf>

Finally, and even though not specifically relevant for EU SMEs aiming at internationalizing to Japan, but still interesting for EU SMEs importing from Japan, another instrument offered by JBIC is the **export loan**. JBIC provides loans for importers in foreign countries if they don't have enough money to buy from Japanese exporters. This instrument is provided within the guidelines of the OECD Arrangement¹²⁴.

JBIC IG Partners

JBIC IG Partners is an investment advisory and agency business firm established in joint venture by Japan Bank for International Cooperation (JBIC), which owns 51%, and the Industrial Growth Platform, Inc (IGPI), which owns 49%. The joint-venture is member of the Japan Investment Advisors Association and the Type II Financial Instruments Firms Association¹²⁵.

The firm can invest outside of Japan through its venture capital and private equity funds. Thus, through its investment arms JBIC IG Partners can either proceed with **investments in overseas companies** with the aim to expand transactions with target foreign and Japanese companies, or **joint investments, sharing the risks with Japanese companies**. As the firm expects to exit seven years from investment, its main target are venture, growth and buyout businesses.

Currently, in the EU area JBIC IG is running Nordic Ninja, in joint venture with BaltCap^{126 127}. Nordic Ninja is a new venture capital fund based in the EU, interested in investing in early stage start-ups in the Nordic and Baltic regions. Having started its operations in 2019, it is not only the first Japanese venture capital firm in Europe, but also the first JBIC-backed VC. In fact, JBIC is the main capital provider of the firm, followed by other three Japanese companies (Honda, Panasonic and Omron).

It might also be worth to mention that besides the previous cooperation of Baltcap with the EIF, some of the start-ups in which Nordic Ninja invested in also benefited from EU financial instruments (e.g. BOLT).¹²⁸

2.4. Japan External Trade Organisation (JETRO)

The Japan External Trade Organisation (JETRO) is the Japanese official trade promotion organisation. Its main aim is to promote trade and investment between Japan and other countries,

¹²⁴ For more information about the OECD Arrangement on Officially Supported Export Credits, launched in 2018, please check the following link:

[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/PG\(2018\)1&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/PG(2018)1&docLanguage=En)

¹²⁵ The Financial Instruments and Exchange Act of Japan (FIEA) classifies financial instruments according to four types. More information can be found in <https://gettingthedealthrough.com/area/107/jurisdiction/36/financial-services-compliance-japan/>

¹²⁶ For more informations about the specificities of this EU-Japan partnership, please check the EU-Japan Centre MINERVA report Masami, 2020. For more information about Nordic Ninja please access <https://nordicninja.vc>

¹²⁷ Baltcap already has an history of cooperation with the EIF. In 2017, it established a fund to invest in SMEs across the Baltic region. The fund was backed by the EIF through a joint initiative with the national agencies KredEx (Estonia), Altum (Latvia) and Invega (Lithuania). More information in:

http://www.eif.europa.eu/what_we_do/equity/news/2017/eif-and-baltcap-launch-new-fund.htm

¹²⁸ Nordic Ninja. 2020. *Information provided by personal communication.*



not only within an export-oriented perspective, but also seeking to encourage internationalisation into Japan. As for the latter, it's important to note that Japan's inward FDI stock is low when compared to other advanced economies.¹²⁹

JETRO offers **no funding or financing support to EU start-ups and SMEs** but it offers seminars for pitching and networking between European start-ups and big Japanese corporations. However, these seminars are not open, they require **direct invitations**, usually from JETRO's foreign offices. According to a representative from JETRO, most companies who receive direct invitations are in the **high-tech sector**¹³⁰.

Other service offered by JETRO that can be relevant to EU start-ups is incubation. JETRO **helps companies that would like to set up an office in Japan**, by offering 50 free days in its incubation centers. After the 50 days expire, start-ups can expect to start paying a small fee. In order to access this service, companies should reach out to **JETRO's closest office**. Nonetheless, JETRO's Tokyo office has advisors (experts in several areas) that can also be reached out by EU SMEs. The first meeting with the advisor is free of charge and can also be conducted via videoconference.

Even though not related to finance, interviews conducted to JETRO's representatives provided some hints on how to make business with Japan and priority sectors that might be useful to EU SMEs.

1. **The importance of relationships in doing business with Japan.** As per the comments provided by a JETRO representative, relationship is the first priority of Japanese businesses and technology is often second. It is very common for Japanese costumers to select the company that has a contact person in Japan, even if the technology is inferior.
2. **The importance of a customized service.** Japanese companies rank customized service high in their priorities. The recommendation of JETRO is that EU SMEs get a small subsidiary in Japan which can manage several distributors directly from Japan. Even though having a sales partner can be helpful, it is not always the best solution because usually sales partners are unable to provide a customized service.
3. **An observed gap in deep-tech.** As Japanese companies are week on deep tech, this sector is considered a priority in every region of the world.
4. **Other priority sectors** include **renewable energy** (mostly wind power and biomass, solar power is not so much of a priority), **bio and healthcare** (new drugs, especially for Cancer, Alzheimer and Parkinson), **nudging robots** and **edu-tech** (robots for education).

¹²⁹ JETRO. 2019. Information provided upon the occasion of the Seminar on EU-Japan Business Collaborations in Third Countries, organized by the EU-Japan Centre for Industrial Cooperation.

¹³⁰ JETRO. 2020. Information provided by personal communication.

2.5. Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN)

The Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN) is, according to JOIN's out statements, the *"first and only government sponsored equity provider in Japan specialized in infrastructure investments."*¹³¹ It cooperates with private companies and Japanese institutions in infrastructure investments and negotiates with host governments. The participation of local and third countries companies is also predicted in JOIN's business model, for as long as they can contribute with their own capital (Figure 12).

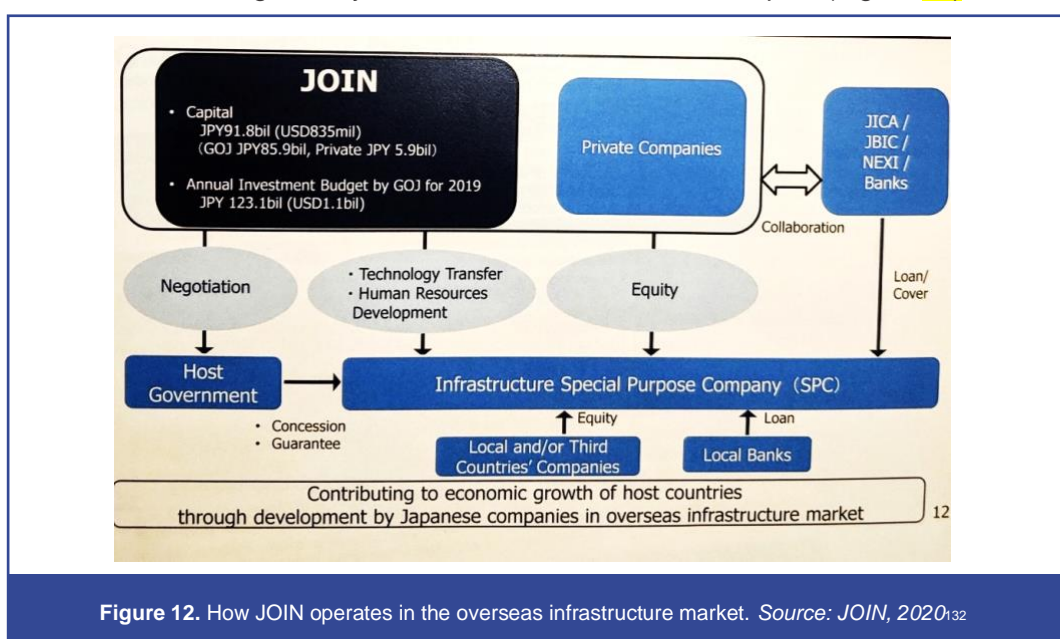


Figure 12. How JOIN operates in the overseas infrastructure market. Source: JOIN, 2020¹³²

In fact, JOIN invests in infrastructure projects overseas *with or through* a **global network of overseas local partners and financial institutions**, with whom they have signed Memorandums of Understanding (MOUs) and Cooperation (MOCs). Thus far, 15 MOUs and MOCs have been signed with a wide range of partners. Even though this report does not aim at providing an exhaustive list of JOIN's overseas partners, the international networks map of Figure 13 can provide some hints on the type of partners JOIN teams up with and where they are located. Awareness of JOIN's international networks might be useful for EU businesses interested in partnering up with Japanese companies in the infrastructure sector.

¹³¹ JOIN, 2020. Presentation on the occasion of the 5th Seminar on the Japanese Investments for Overseas Infrastructure. JOIN. Tokyo, 21.2.2020.

¹³² JOIN, 2020. Presentation on the occasion of the 5th Seminar on the Japanese Investments for Overseas Infrastructure. JOIN. Tokyo, 21.2.2020.

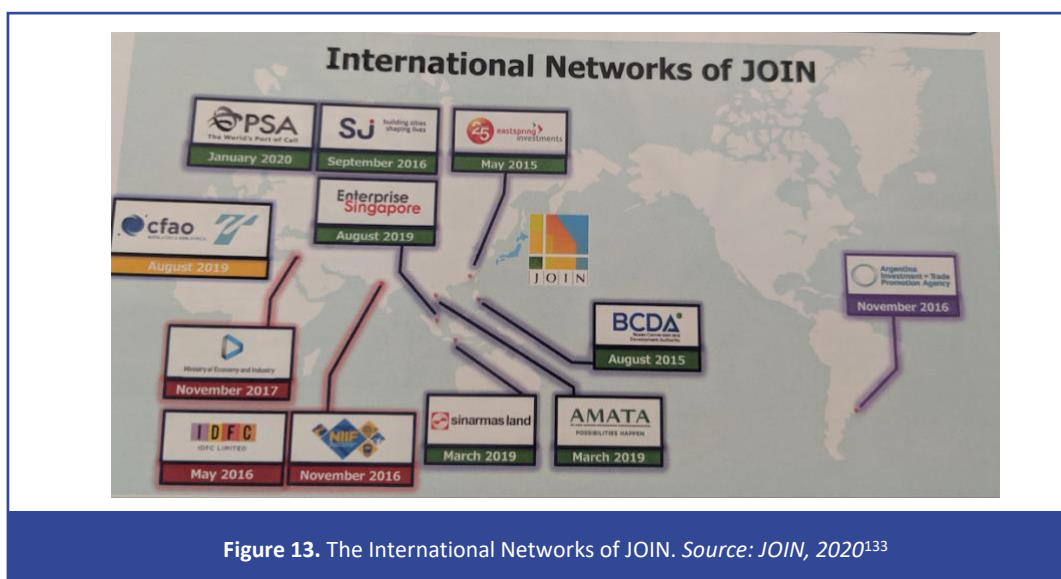


Figure 13. The International Networks of JOIN. Source: JOIN, 2020¹³³

According to information provided on the occasion of the 5th Seminar on the Japanese Investments for Overseas Infrastructure, it seems JOIN has currently **103 projects in the pipeline**, across **8 sectorial priorities**, which will launch due diligence soon. High-speed railways, urban railways, airport terminals, logistics, port terminals, toll roads, urban development and ships/offshore units are included JOIN's focused sectors.

2.6. INCJ, Ltd. and Japan Investment Corporation (JIC)

Established in 2018 from a previous institution called Innovation Network Corporation of Japan (産業革新機構 *sangyo kakushin kiko*) and supervised by METI, the Japan Investment Corporation (産業革新投資機構 *sangyo kakushin toshi kiko*) is the first state-backed investment fund in Japan. Besides the Japanese government (who is the biggest shareholder), JIC has 25 Japanese large companies as shareholders¹³⁴.

Whereas JIC's concrete achievements are still to be accessed, its antecessor Innovation Network Corporation of Japan (INCJ) had a track record of investments, with concrete success stories of restructuring and refinancing Japanese businesses. Even if in a lesser extent, INCJ also has supported Japanese acquisitions under its overseas management resources scheme. In the period of 2009-2017, INCJ invested in 13 international companies, 6 of which in Europe, including in the *UK* and *Switzerland*. The great majority of investment was through joint acquisition between INCJ and Japanese large companies, but there are also cases of single investments. A

¹³³ JOIN, 2020. Presentation on the occasion of the 5th Seminar on the Japanese Investments for Overseas Infrastructure. JOIN. Tokyo, 21.2.2020.

¹³⁴ JIC official webpage. Source: <https://www.j-ic.co.jp/en/>

table comprising an overview of the INCJ investments through its overseas management resources scheme can be found under Annex IX.

After the new restructuring, INCJ continues to operate as INCJ, Ltd., under the framework of the Industrial Competitiveness Enhancement Act. The Japanese Investment Corporation (JIC), in turn, was inactive for a while following mass resignations from the board. However, as of November 2019 a new board has been appointed and the activities of JIC are expected to restart.

2.7. Japan Finance Corporation (JFC)

The Japan Finance Corporation (JFC) is a government-affiliated financial institution established in October 2008 through a merger of the roles of 4 policy-based institutions: the National Life Finance Cooperation (NLFC), the Agriculture Forestry and Fisheries Finance Corporation (AFC), the Japan Finance Corporation for Small and Medium Enterprises (JASME), as well as the international finance and overseas economic cooperation operations of JBIC.

In order to meet the long-term financing needs of Japanese SMEs, JFC has an SME window which focuses on providing long-term loans for equipment and working capital. This SME window operates under the Small and Medium Enterprise (SME) Unit which developed from JASEME. However, the institution also provides small loans or micro/ small businesses (including startups) under its Micro Business and Individual Unit. Information provided by JFC observes that nearly 79% of the outstanding loans have been provisioned to companies with 20 employees or more. From these companies, approximately 94% have a capital of 10 million yen or more.

With regard to financial products, it might be interesting to note that JFC offers both secured and unsecured loans. The interest rates of secured loans rank between 0.5% to 2.0% lower than those of unsecured loans, but it is always up to SMEs if they want to provide collateral or not¹³⁵. JFC's financial products obviously target Japanese companies; however, the institution also **engages in overseas projects** through its international arm – the Japan Bank for International Cooperation (JBIC). The international dimension of JFC's operations include promoting overseas development and acquisition of important natural resources to Japan, promoting overseas businesses and improving the international competitiveness of Japanese industries.¹³⁶ The table below shows the types of businesses supported by JFC and the industries covered.

¹³⁵ JFC. 2020. *Information provided by personal communication*

¹³⁶ JBIC. 2011. Profiles of JFC and JBIC. Source: https://www.jbic.go.jp/en/information/annual-report/pdf/2011_01.pdf

Table 7. JFC supported businesses per size and type. Source: JFC, 2020 (*personal communication*)

Type of business	Size of Bussiness
Manufacturing, Construction, Transportation, etc	Max. Capital of 300 million or Max Workforce of 300
Wholesale	Max. Capital of 100 million or Max Workforce of 100
Retail	Max. Capital of 50 million or Max Workforce of 50
Services	Max. Capital of 50 million or Max Workforce of 100

2.8. Japan Development Bank (DBJ)

Established by the Japanese government, the Japan Development Bank (DBJ) is a policy-based financial institution offering integrated investments and loans, as well as advisory services to businesses. In view of supporting Japan's socioeconomic growth, the institution focuses on a long-term perspective, providing funds for economic revitalization, industrial restructuring, quality of life and renewable energies, for example. Even if on a lesser extent, the bank also supports overseas development through its **principal investment team who does equity investment in SMEs overseas**, including in Europe, but only if a Japanese acquirer is involved¹³⁷. For this reason, DBJ has a European office, based in London. An example of an overseas investment in Europe is the bank's joint acquisition of the National Car Parks Limited (UK), with Park24 Co., Ltd. (Japan).¹³⁸ It's nevertheless important to note that such investments are rare, as DBJ is **tied with Japanese financing requirements**¹³⁹, that are often difficult to be filled in by European businesses.

With regard to cooperation with the EU, DBJ holds bilateral MoUs with EU organisations aimed at **promoting cooperation between Japanese businesses and EU businesses**. The most recent MoU has been signed with *Business Finland* in November 2019.¹⁴⁰ Together with JBIC, DBJ is as well member of the D20 Long Term Investors Club. The D20 Long-term investors club is a group of long-term investors and financial institutions from all over the world funded in 2009 by the European Investment Bank, Caisse de Dépôts, Cassa Depositi e Prestiti and KfW. The last meeting of the network was held in Tokyo in April 2019.¹⁴¹

¹³⁷ Development Bank of Japan. 2020. *Information provided by personal communication.*

¹³⁸ Park24 Co. Ltd. 2017. Source: <https://www.park24.co.jp/en/news/files/f132b1c90e3d929b65bcbb0096099119.pdf>

¹³⁹ Development Bank of Japan. 2020. *Information provided by personal communication.*

¹⁴⁰ DBJ. 2019. Source: https://www.dbj.jp/en/topics/dbj_news/2019/html/20191126_79729.html

¹⁴¹ D20 LTIC. 2019. Source: <http://www.d20-ltic.org/>

3. Other opportunities

3.1. The uniqueness of Japanese general trading houses

Japanese general trading houses, or *sōgō shōsha*, are colossal players in the Japanese economy. When we refer to *sōgō shōshas*, we are actually referring to seven major trading houses: Mitsubishi Corporation, Mitsui & Co. Ltd., Itochu Corporation, Sumitomo Corporation, Marubeni Corporation, Toyota Tsusho Corporation and Sojitz Corporation.

These corporations are **active international investors**, investing in startups overseas, often as means of **outsourcing R&D**. In fact, even though not focused exclusively on general trading houses, a recent report by JETRO about the state of global investment observes that some Japanese companies have expanded into new markets and business fields through collaboration with emerging foreign companies, namely startups.¹⁴² The recent partnership between the Italian startup D-Orbit and Marubeni Corporation provides a notable example of how Japanese general trading houses engage with startups. As the amount of communication data in the world is expected to increase, and so is the demand for communication satellites, the trading house commissioned research at satellite launching to the Japanese startup Interstellar Technologies Inc. (IST). In the current month (April 2020), Marubeni decided to capture the demand for small satellite launching, adding the aerospace Italian startup D-Orbit to the current partnership.¹⁴³

This example also provides evidence on the diversification of Japanese general trading houses. As a matter of fact, Marubeni is widely known for its strength in electric power plants, just like Mitsubishi and Mitsui are known in the metal and mineral resources sector. However, their products and services are extremely diversified. In fact, this is where where *general* (“*sōgō*”) comes from. Having said this, this study observes some characteristics of Japanese general trading houses:

- **Low degree of specialization:** As shown by the above example, Japanese general trading houses have a low degree of specialization, what contrasts with the European trading houses who are usually specified in particular products or services.¹⁴⁴
- **Large dimension:** They are very large entities. In average, Japanese general trading houses might have around 500 group companies and most likely the same number of subsidiaries.
- **Broad range of service sectors:** They are involved in a broad range of service sectors. Regardless of trade being their core competence, Japanese general trading houses are not

¹⁴² JETRO. 2019. “JETRO Global Trade Investment Report 2019 – the fluctuating international economic order and global business in the future – Key points”. Source: https://www.jetro.go.jp/ext_images/_News/releases/2019/f25b1986b750a9f9/1.pdf

¹⁴³ Marubeni Corporation. 2020. “Business Partnership for Small Satellite Launch Business”. Source: <https://www.marubeni.com/en/news/2020/release/20200414E.pdf>

¹⁴⁴ Japan Times. 2018. Source: https://www.japantimes.co.jp/news/2018/10/16/business/reflecting-nations-history-sogo-shosha-unique-japan/#article_history

simply traders, they are also wholesalers and distributors, accumulating insurance, transport and logistics functions, as well as acting as investment banks and private equities.

- **Finance is one of their essential functions:** They are involved in providing credit, loans, debt guarantees, investment and ownership in core businesses, as well as risk management and providing project finance for large-scale projects¹⁴⁵.
- **Close links with government cycles:** Japanese general trading houses have close links with government cycles, both in Japan and in developing countries, particularly in ASEAN.

As for the latter, it seems relevant to mention that the historical growth of Japanese trading houses was significantly supported by the government in the context of several past protectionist measures, what resulted in persisting links between them and governmental institutions. Based on the same grounds, the Japanese government also relies on *sōgō shōsha*' worldwide subsidiaries to pursue state-led development aims. In the words of Patrick Ryan, a Senior Analyst at *Marubeni Research Institute*¹⁴⁶, the **co-operation with the private industry is very characteristic of the Japanese way of state-led development**¹⁴⁷. The author even adds up that *“about the only places the sōgō shōsha are fairly well-known outside Japan are among those in government circles of emerging and developing countries due to the sōgō shōsha’s role as organizers of large-scale infrastructure projects.”*¹⁴⁸ With regard to the organization of large-scale infrastructure projects, Japanese institutions, with special reference for JBIC, JOIN and JETRO, assume an important role in negotiating with governments and other potential clients.

In terms of **worldwide investment**, UNCTAD observes that despite the decline in foreign direct investment (FDI) by Japanese big corporations from 2017 to 2018, such decline didn't stop them from becoming the largest investors in the world. In fact, the FDI outflow in developed countries has indeed decreased nearly 40%, being particularly evident in the US and the UK. Investments in Asia, however, suffered a significant increase – 31% in total -, namely in **China, India** and the **Republic of Korea**.¹⁴⁹ As for EU businesses, whether the decrease in FDI outflow in developed countries might seem not very attractive for EU SMEs and startups, the growing interest in China, India and the Republic of Korea might present opportunities for collaboration with Japanese corporations in these markets.

¹⁴⁵ Ryan, Patrick via The Japan Times. 2018. <https://www.japantimes.co.jp/news/2018/10/22/business/distinguishing-features-define-sogo-shosha/#.Xpwqny2ZMdU>

¹⁴⁶ The Marubeni Research Institute is the research arm of the Marubeni Corporation, which is currently one of the big seven *sōgō shōsha* in Japan.

¹⁴⁷ Reader, Soederberg. 2000. *Japanese influences and presence in Asia*. Routledge.

¹⁴⁸ Ryan Patrick via The Japan Times. 2018. Source: https://www.japantimes.co.jp/news/2018/10/16/business/reflecting-nations-history-sogo-shosha-unique-japan/#article_history

¹⁴⁹ UNCTAD. 2019, p. 6. *World Investment Report 2019*. Source: https://unctad.org/en/PublicationsLibrary/wir2019_en.pdf

3.2. Venture capital and early stage investment in Japan

Japan is known by high levels in innovation, with the robotics sector being the country's most obvious landmark. However, it is also known by an entrenched *culture of risk aversion*, that defines the way investment capital flows within and outside the country. For several years, studies observed that Japanese investors often preferred to take smaller returns, rather than taking early-stage (and therefore riskier) bets. Risk aversion led venture capitalists into investing into middle-stage startups a couple of years before an IPO, what resulted in lack of investment for startups in earlier stages. However, more recent numbers show a very different scenario. In a study published in April 2020, the OECD observes a **drastic reversal of VC investment composition** in the country. From 2009 to 2017 (the latest available data we could find), early-stage investments increased almost by 30%. As of 2017, investments in seed and early stages accounted for 62.9% of total capital investments, against 37.1% in later stages¹⁵⁰.

In fact, a study conducted by Natalie Meyer for the EU-Japan Centre about the Startups Ecosystem in Japan (2017), actually observed a **poll of unused investment** capital in Japan, explained, among others, by the small number of startups in the country.¹⁵¹ Japan is definitely not the only country facing challenges in the development of a more entrepreneurial *mindset*, however, the fear of failure in Japan takes it to another level. While some countries, such as the US and some EU Member States, welcome failure as a learning opportunity, this is not the case in Japan. Fear of failure leads young graduates into aiming at long-term careers in already well-established companies instead of pursuing more entrepreneurial ventures. This is one of the reasons why the Japanese startup ecosystem is still very young.

Notwithstanding, with strong support from the government for the creation of startups, Japan seems to be **experiencing a change of mindset that has been triggering the development of a startup ecosystem** in the country in the past years, that triggers many opportunities. This section begins to explore **the main characteristics of the current Japanese startup ecosystem** and, consequently, **the state of early stage investment in the country**. Proceeding from here, it explores **new trends and opportunities that can be of relevance to EU startups**.

3.2.1. The current ecosystem

- [*Initial Public Offering \(IPO\) is the most common exit for Japanese start-ups*](#)

Startups can exit through merger or acquisition (M&A) by a larger company or by initial public offering (IPO). In Japan, the most common exit for startups is through IPO and even though M&A

¹⁵⁰ OECD. 2020. *Financing for SMEs and Entrepreneurs 2020: An OECD Scoreboard*. OECD Publications. Available in: <https://www.oecd-ilibrary.org/sites/5989eb3a-en/index.html?itemId=/content/component/5989eb3a-en>

¹⁵¹ Meyer, Natalie. 2017. "The Japanese Startup Ecosystem: Opportunities for EU collaboration" https://www.eubusinessinJapan.eu/sites/default/files/the_japanese_startup_ecosystem_-_opportunities_for_eu_collaboration.pdf

is often perceived as a much simpler process, the activity remains small in the country.¹⁵² Conducted studies observe that market capitalization of startups in Japan *is comparable to the capitalization of US startups that already in the middle stage.*¹⁵³ This contrasts with the overall tendency in Europe and in the US, where many startups and SMEs simply can't afford the costs of going public in order to reach liquidity¹⁵⁴.

- *Corporate venture capital (CVC) is big in Japan*

Most venture capital funds in the country are associated with large companies and while numbers slightly differ across researches on the topic, **the percentages invested by corporations are significantly superior when compared the ones invested by independent VC firms and governmental agencies**¹⁵⁵ For instance, according to 500 Startups, a well-known VC & Private Equity company based in the United States, “20% of startup investment in the U.S. is from corporates, 80% is from independent firms. In Japan, it is roughly the opposite”¹⁵⁶.

In terms of early stage investment, the conducted research suggests that the main barriers to early stage investment, however, do not lie in the number of VCs and CVCs in the country. The conducted research suggests there is available capital in Japan. For instance, the **Japan Venture Capital Association (JVCA)**, an organisation created to assist VC firms and venture business supports, currently counts among its members 100 Venture Capitalists, 65 Corporate Venture Capitalists (CVCs) and 69 other supporting members¹⁵⁷; however, other online platforms offer information about existing venture capital in the country.

Contrasting to other countries, such as the US (where VC funds are usually specialized in each stage of business development)¹⁵⁸, most venture firms in Japan provide funds for all stages of financing. The challenges observed, though, are that due to **lack of specialization** corporate venture capital funds might turn into lack of expertise to understand technology prior to its practical application and know-how to engage with startups. Additionally, there seems to be **gap between the usual duration of VC funds and the listing requirements of the Japanese market**. A recent survey on the state of support for research-and-development-type startups, released by the *Center for Research and Development Strategy (CRDS)*, part of the Japan Science Technology Agency

¹⁵² Asakura, 2017. A brief overview of the current startup ecosystem in Japan. SVNJ Working 2017-1. Available in: <https://static1.squarespace.com/static/54b4afe7e4b096f7dca62bef/t/58a351fbc534a55930b614a1/1487098383652/SVNJ+working+paper+2017-1.pdf>

¹⁵³ Asakura, 2017. A brief overview of the current startup ecosystem in Japan. SVNJ Working 2017-1. Available in: <https://static1.squarespace.com/static/54b4afe7e4b096f7dca62bef/t/58a351fbc534a55930b614a1/1487098383652/SVNJ+working+paper+2017-1.pdf>

¹⁵⁴ Setting an IPO takes cash and years of planning in order to get all the financial documents audited. Even though IPOs enable businesses to gather big amounts of funding, the decision to offer a first initial stock to the public very costly and time demanding.

¹⁵⁵ Examples of researches on the topic are the 2019 Japan Startup Finance Report (<https://s3-ap-northeast-1.amazonaws.com/entrepedia-public/japan-startup-finance-2019h1.pdf>) and the article by Norihiko Isawa at TechEU (<https://tech.eu/features/24647/the-rise-of-deep-tech-startups-in-japan-and-why-european-companies-should-take-note/>)

¹⁵⁶ 500 Startups. Source: <https://500.co/japan-startup-ecosystem-founders-investors/>

¹⁵⁷ For a full list of members, please access the JVCA website in the following link: <https://jvca.jp/en/>

¹⁵⁸ Tegos. 2017. Japanese venture capital blooms but lacks specialization compared to the US. Source: <https://www.techinasia.com/japan-vc-tech-in-asia-tokyo-2017>

(JST), observes that whereas VC funds have the usual duration of 8 to 10 years, the Japanese market requires about 10 to 15 years to overcome the regulatory hurdles and, finally, listing. This might discourage VC firms to invest in early stage startups and choose to invest in later stage ones, that are closer to IPO.

Notwithstanding, as the startup ecosystem in Japan begins to bloom, some specialized VC firms and funds also start to emerge. This the case of Deepcore (Artificial Intelligence)¹⁵⁹, the Drone Fund (drone technology)¹⁶⁰ and the Real Tech Fund (Technology), just to name a few. Later in this chapter, [Subtopic 4](#) provides a non-exhaustive mapping of relevant stakeholders that also includes some specialized VC funds in Japan.

3.2.2. *New trends and opportunities*

- [*Observed increase the entrepreneurial mindset of Japanese universities*](#)

The number of university-affiliated startups is growing¹⁶¹, what seems to suggest a shift to a more entrepreneurial mindset among Japanese graduates. These startups come mostly from top Japanese universities, with the University of Tokyo playing a leading role. In fact, the University of Tokyo, for instance, has been producing significant numbers of deep-tech start-ups and even venture capital funds (e.g. The University of Tokyo Edge Capital)¹⁶². The **funding ecosystem of university-based startups** seems to be gaining some energy as well, particularly after the Japanese government has decided to lift the ban on investment in start-ups by state-backed research institutions in 2017.¹⁶³ Notwithstanding, it seems that investments by state-backed research institutions is still far from reaching its full potential. In 2019, the Japanese Ministry of Economy, Trade and Industry (METI) published the *Guidelines for Universities' Acquisition of Shares and Share Options of their University-Oriented Venture Business*, observing that Universities still lack know-how and knowledge to acquire stocks from university-initiated ventures.¹⁶⁴

- [*Strong support from the government to the creation of startups*](#)

The number of **public support measures to the creation of startups increased significantly** following the economic growth policy implemented by the Abe Administration in 2013. Under the enactment of the *Industrial Competitiveness Enhancement Act*, not only METI allocated nearly 100

¹⁵⁹The fund website can be accessed in the following link: <https://deepcore.jp>

¹⁶⁰ The fund website can be accessed in the following link: <https://dronefund.vc>. It has invested in more than 11 startups in Japan (e.g. iRobotics, Drone Japan and Yodayodal, but also worldwide, being the Aerodyne Group the Fund's latest investment. (<https://aerodyne.group/en/services.html>).

¹⁶¹ Narron, 2018 in Medium Corporation. *On University-Supported Startups and Research Spinoffs in Japan*. Available in: <https://medium.com/innovators-in-japan/on-university-supported-startups-and-research-spinoffs-in-japan-e213f7dca45e>

¹⁶² INITIAL. 2020. 2020 年、大学発スタートアップを取り巻く環境の今. Available in: <https://initial.inc/articles/startup-newrules-20200228>

¹⁶³ Nikkei Asian Review. 2020. *Japan to let state-backed R&D agencies invest in the private sector*. Source: <https://asia.nikkei.com/Politics/Japan-to-let-state-backed-R-D-agencies-invest-in-private-sector>

¹⁶⁴ METI. 2019. 「大学による大学発ベンチャーの株式・新株予約権取得等に関する手引き」を策定しました. Source: <https://www.meti.go.jp/press/2019/05/20190508002/20190508002.html>

billion yen to several universities, but it also opened the path for VC funds investment by national university corporations and some national R&D agencies, including the Japan Science and Technology Agency (JST) and the New Energy and Industrial Technology Development Organization (NEDO).

An example of an initiative that enabled JST to financially support the commercialization of its research outputs was the “*Support Programme of Capital Contribution to Early-Stage Companies (SUCCESS)*”.¹⁶⁵ In turn, under the *Commercialization support for Seed-stage Technology-based Startups (STS) programme*, the New Energy and Industrial Technology Development Organization (NEDO) certified 24 public and private venture capital firms overseas, e.g. US and Singapore, in view of attracting seed-stage investment.^{166 167} RealTech Fund, one of the very few specialized funds in Japan, is actually one of the VC funds certified by NEDO.

The below findings show that such governmental efforts seem to persist:

- In June 2018, the Japanese Ministry of Economy, Trade and Industry (METI) launched a new initiative called “**J-Startup**” **Program**¹⁶⁸ which aims supporting selected startups, including for internationalization overseas. As part of this program, it established a “J-Startup Supporters”¹⁶⁹ composed by large companies, venture capitals and accelerators.
- In October last year, the Tokyo Metropolitan Government (TMG), the Japan Business Federation (KEIDANREN), JETRO and Project Nippon Co., Ltd, signed a partnership called **Tokyo Global Startup Ecosystem Partnership Agreement**, which was designed to develop the Startup ecosystem¹⁷⁰. In fact, while efforts to foster the startup environment in other cities, such as Osaka and Fukuoka, the great majority of money invested (76%) went to businesses in the Japanese capital in the first semester of 2019.^{171 172}
- The Japanese government established the target of doubling the ratio of VC investments by 2020 under the “**Venture Challenge 2020**”, adopted in 2016 by the Headquarters for Japan’s Economic Revitalization, under the direct leadership of the Prime-Minister.
- Last but not least, the Japanese government created a **startup visa system**, with the very ambitious goal of attracting foreign entrepreneurs in order to create 20 unicorns by 2023.¹⁷³

¹⁶⁵ More information in <https://tech.eu/features/24647/the-rise-of-deep-tech-startups-in-japan-and-why-european-companies-should-take-note/>

¹⁶⁶ JST. 2018. *Support for research-and-development-type startups overseas*. Center for Research and Development Strategy. Source: https://www.jst.go.jp/crds/pdf/en/CRDS-FY2017-OR-01_EN.pdf

¹⁶⁷ NEDO. 2017. *The 3rd Additional Certification of Venture Capital Firms to Partner in NEDO Technology-based Startup Support Programme*. https://www.nedo.go.jp/english/CA2e_100136.html

¹⁶⁸ For more information about the program, please access: https://www.meti.go.jp/english/press/2018/0611_003.html and <https://www.j-startup.go.jp/en/about/>

¹⁶⁹ The full list of supporters can be found in <https://www.j-startup.go.jp/en/supporters/>

¹⁷⁰ More information in <https://www.innovatorsmag.com/tokyos-global-startup-ecosystem/>

¹⁷¹ Entrepedia. 2020, p. 21. *Japan Startup Finance Report 2019 H1 (国内スタートアップの資金調達動向)*. Source: <https://s3-ap-northeast-1.amazonaws.com/entrepedia-public/japan-startup-finance-2019h1.pdf>

¹⁷² Cabinet Office. 2019. *スタートアップ・エコシステム拠点都市*. Available in: <https://www8.cao.go.jp/cstp/openinnovation/ecosystem/index.html>

¹⁷³ JETRO. 2019. “JETRO Global Trade Investment Report 2019 – the fluctuating international economic order and global business in the future – Key points”. Source: https://www.jetro.go.jp/ext_images/_News/releases/2019/f25b1986b750a9f9/1.pdf

- *Automobiles, space, fintech, healthcare and AI among the priority sectors*

With reference to **relevant industrial sectors for domestic startup funding**, the latest *Japan Startup Finance* report by Entrepedia observes the majority funding was collected by startups in the fields of automobiles and space in the first half of 2019.¹⁷⁴ Nevertheless, the list of funded startups in the previous report also observes a significant investment in Fintech, Healthcare technology and Artificial Intelligence.¹⁷⁵ It is important to note that these numbers refer *only* to domestic startup funding and priority sectors might be different if we consider exclusively overseas startup investment. In any case, as most Japanese investors are more willing to invest in domestic startups, these numbers also provide relevant insights for EU SMEs on the interests of Japanese investors.

- *Even though the overseas focus of venture investors remains the US, the interest in European startups is growing*

In an attempt to access the interest of Japanese investors in Europe, throughout this research the author has tried to contact some early stage and scale-up investors in Japan. Even though the sample can't be considered representative of the overall community of investors in Japan, the responses collected (and sometimes a certain unwillingness to respond) seems to suggest that venture and early stage capital in Japan is still being delivered upon engagement in closed circuits and the focus of investments, and namely early stage investments, is being placed **mostly in the US startup ecosystem**.

As for the latter, most of the venture capital funds and firms the author has been successful in reaching out to have mentioned the US as target investment destination. This was particularly evident in the case of an investment fund focused in the tech/IT industry (whose privacy is obviously being protected), who clearly stated that in this sector there are not many startups in Europe when compared to the US. If on the one hand, this single assumption is not representative, on the other hand it might provide an illustration of a generalized perception towards the European startup ecosystem. Likewise, Bistream, a Berlin-based company that links European startups with investors and Japanese companies, also referred that the small number of **Japanese investors that are interested in startups have been mostly focused in Silicon Valley**¹⁷⁶.

As a matter of fact, Japan is still one of the largest investors in Silicon Valley. However, the region is seemingly getting saturated and highly priced, what has led some investors to **seek alternatives in Europe**. *Nordic Ninja*, the above mentioned JBIC-backed venture capital firm of around 100 million euros focused in the startup community in the Baltic region, seems to provide a notable evidence of a growing interest in European startups. More examples can be provided by recent

¹⁷⁴ Entrepedia. 2020. *Japan Startup Finance Report 2019 H1 (国内スタートアップの資金調達動向)*. Source: <https://s3-ap-northeast-1.amazonaws.com/entrepedia-public/japan-startup-finance-2019h1.pdf>

¹⁷⁵ Entrepedia. 2018. *Japan Startup Finance Report 2018 (国内スタートアップ資金調達 総まとめ)*. Source: <https://initial.inc/enterprise/report/jsf2018-h1/>

¹⁷⁶ Bistream. 2020. *Information provided by personal communication*.

investments by Japanese large companies, such as the partnership between Marubeni and the Italian startup D-Orbit and the partnership of JR East with Infarm, a German agricultural startup¹⁷⁷¹⁷⁸.

Another important aspect to be taken into account is that **Europe shares common public policy concerns with Japan**, notably the **aging population phenomenon** that is particularly severe in Japan. As per Bistream, not only Japanese investors are starting to acknowledge the talent of European startups, but also these common challenges that provide interesting opportunities for business collaboration. The company also adds up that in Europe more and more startups are coming up in this field and the truth is *if a startup comes up with a service that helps mitigating some of the disadvantages of this demographic issue, it should also be applicable in Japan*¹⁷⁹.

Conducted interviews suggest, however, that **some barriers might be preventing Japanese investors from looking into more opportunities in Europe**, notably the fragmentation of the continent, with different cultures and regulations making it hard for investors to take advantage of the EU population as a whole, the absence of networks and language barriers, with multiple languages being spoken around Europe and good command of English not always being a reality. With regard to the absence of networks, an important remark to be made is that VC investment is pretty much a local business, thus networks and personal connections still play a big role in the matter. As for the language barriers, an interviewed Japanese CVC has highlighted that many universities don't disclose information about their spinouts in English language, what makes it hard for investors to understand their business well.

As a **best practice example**, the CVC highlighted that the US *Small Business Innovation Research* (SBIR) and the *Small Business Technology Transfer* (STTR) disclose information about the startups they are supporting through their competitive awards-based program, what makes it easier for investors to spot investment opportunities through a quick key-words search in the website. As apparently this strategy seems to be facilitating foreign investments into US spin-outs, a suggestion would be the further development of a similar approach in the EU, notably through the incorporation of some elements into the recently established EIC Fund Pilot.

On a last remark, the interviews conducted suggest that supporting EU businesses in writing **proper pitch decks** is an extremely valuable help. Thus, a recommendation given is the development of a training program on how to craft a good pitch deck by the EU-Japan Centre and its further incorporation into the EU SME Finance Helpdesk.

¹⁷⁷ Huffington Post. 2020. “スーパーマーケットの中に「農場」を。ドイツの農業ベンチャー「インファーム」が日本” Source: https://www.huffingtonpost.jp/entry/infarm_jp_5e672275c5b68d616459819d

¹⁷⁸ As an informative note, Infarm has initiated a partnership with Bistream in March 2020. Bistream. 2020. *Information provided by personal communication*.

¹⁷⁹ Bistream. 2020. Information provided by personal communication.

3.3. EU-Japan R&D Collaboration

Building on the success of previous joint programs such as JUPISTE (2013-2016) and EUJO-LIMMS (2011-2016), the research ties between the EU and Japan keep on being strengthened. Evidence of this is the **Japanese interest in becoming associated partner of Horizon-Europe**, on the one hand, and the **European Commission's particular encouragement for the participation of Japanese research centers under the program's strategy for international cooperation**, on the other.¹⁸⁰¹⁸¹ Sectors specifically mentioning the interest of Japan's participation under Horizon-Europe are:

- Technologies for first responders (SU-DRS02-2018-2019-2020), including **light-weight energy sources, UAV and robots, drones, internet of things (IoT), virtual reality**. Currently open until 27 August 2020.
- Human factors, and social, societal, and organizational aspects for disaster resilient societies (SU-DRS01-2018-2019-2020), including **disaster risk reduction** (namely natural disasters). Currently open until 27 August 2020.

As Japanese partners can't yet benefit directly from Horizon-Europe funding (for more information about this please see *Chapter 1, subsection 3.2.3*), a list of available local funding opportunities for Japanese partners can be found in the *Japan country page* section of the European Commission website.¹⁸² Such opportunities include funding from Japanese institutions, such as the Japan Science and Technology Agency (JST) and the Ministry of Education, Culture, Sports and Science Technology (MEXT).¹⁸³

If on the European side, there's an obvious encouragement for Japanese collaboration under Horizon-Europe, it is also possible to observe similar efforts for increasing international cooperation in R&D on the Japanese side. A notable example is the launching of the **Moonshot program** by the government of Japan in an attempt to increase international collaboration in science, and willing to have European contributions on board. Opportunities for EU-Japan research collaboration funding can be found under the European Commission's **EURAXESS Japan**. The portal also enables individual researchers to find collaborators or hosts for mobility projects.¹⁸⁴

¹⁸⁰ European Commission. 2020. *Horizon 2020 Work Programme 2018-2020*. Revised version based on the European Commission Decision C(2020)1862 of 25 March 2020. Source: https://ec.europa.eu/research/participants/data/ref/h2020/wp/2018-2020/main/h2020-wp1820-security_en.pdf

¹⁸¹ A brochure by the European Commission on *why to participate in Horizon2020* translated in Japanese language can be found under https://ec.europa.eu/research/iscp/pdf/h2020_why_flyer_practical_information_jp_web.pdf#view=fit&pagemode=none

¹⁸² European Commission. Horizon2020 - Japan Country Page Section. Source: https://ec.europa.eu/research/participants/data/ref/h2020/other/hi/h2020_localsupp_japan_en.pdf

¹⁸³ The Japanese Science and Technology (JST) is providing funding opportunities for Japanese partners under *Topic Technologies for first responders (SU-DRS02-2018-2019-2020)*. Source: https://ec.europa.eu/research/participants/data/ref/h2020/other/hi/h2020_localsupp_japan_en.pdf

¹⁸⁴ EURAXESS Japan. Source: <https://euraxess.ec.europa.eu/worldwide/japan>

3.3.1. The R&D ecosystem in Japan

The conducted research observes that **research and development spending by the private sector is very significant** in Japan, with many R&D intensive start ups being established in the manufacturing technology industry. In fact, according to an article published on Nippon, corporate research spending represents **more than 70% of the total research spending in the country**¹⁸⁵. The results of the Survey on Research and Development, released by the Statistics Bureau of Japan in 2019, also observe that the R&D expenditure by business enterprises in 2019 was significantly higher than the spending from universities and public organisations, with a total expenditure of 14.23 billion yen (refer to Figure 14).¹⁸⁶ This contrasts with the overall tendency in Europe, who focuses its research investment in universities.

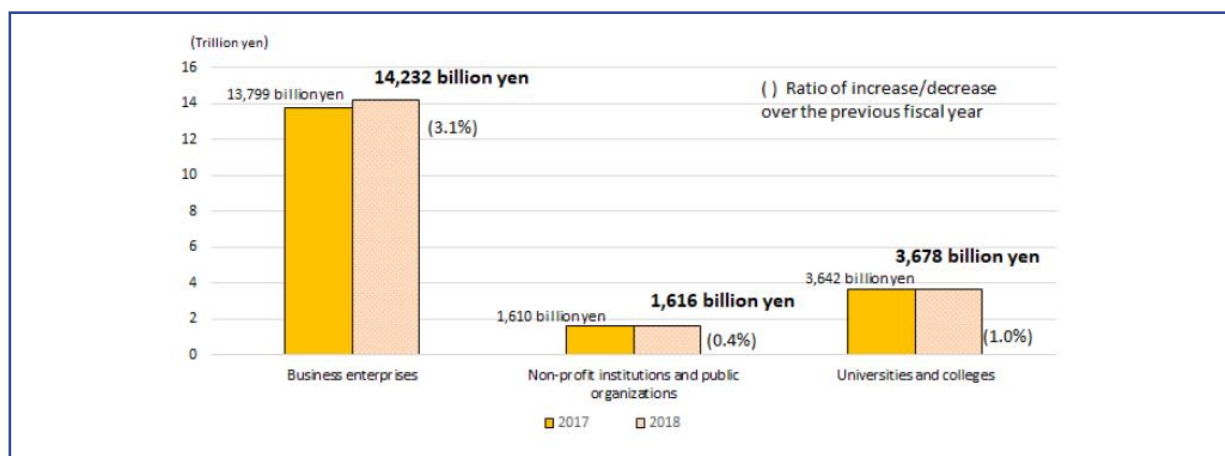


Figure 14. The growth of R&D expenditures by sector from 2017 to 2018. Source: Statistics Bureau Japan, 2019¹⁸⁷

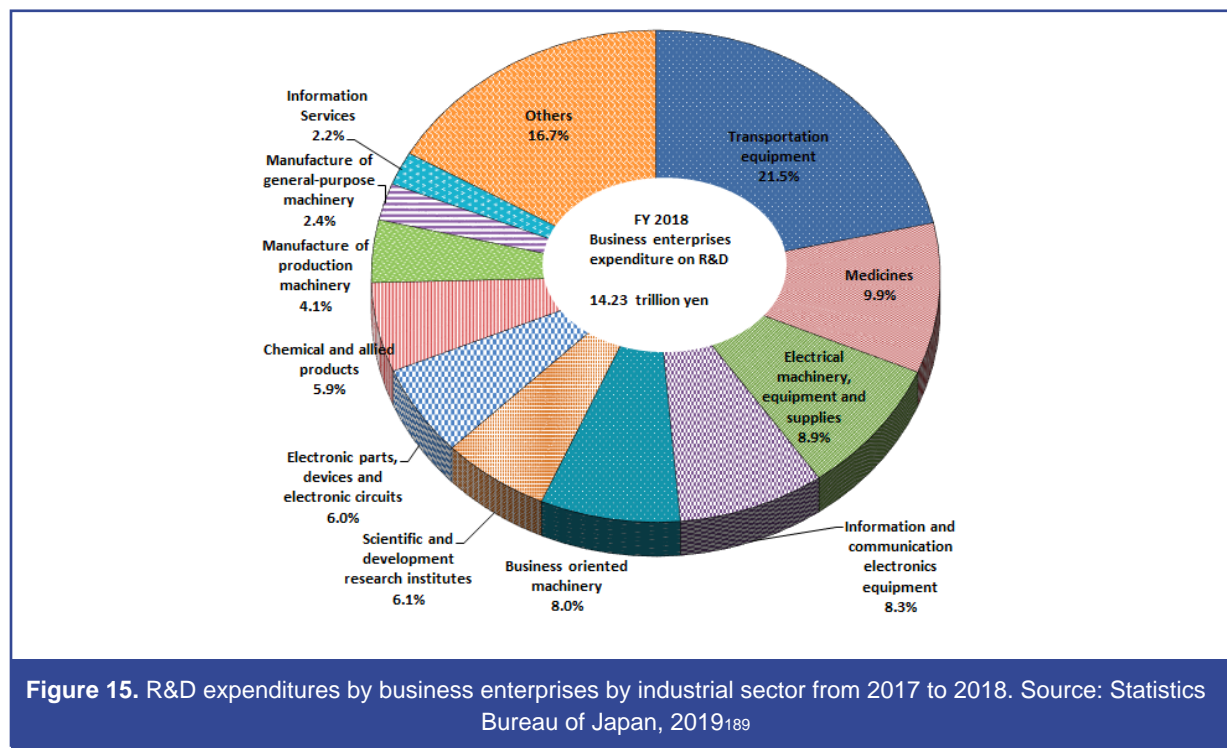
It is also worth mentioning the **industrial sectors** concerned. Referring to the total expenditures in R&D by business enterprises, another figure from the report shows that “**Transportation equipment**” collected the highest expenditures amount, with “**Medicines**” and “**Electrical machinery, equipment and supplies**” also ranking high among all industries (Figure 15). Several big companies in Japan have **increased their budget amounts for R&D** and, according to information provided by the companies themselves to Nikkei Asian Review, “*more than 40% of corporations covered by the study reported their biggest R&D budget ever in the current fiscal*”

¹⁸⁵ Nippon. 2019. *Japan’s science and technology research spending at new high*. Source: <https://www.nippon.com/en/japan-data/h00388/japan-s-science-and-technology-research-spending-at-new-high.html>

¹⁸⁶ Statistics Bureau of Japan. 2019. *Results of the Survey of Research and Development*. Source: <https://www.stat.go.jp/english/data/kagaku/1546.html>

¹⁸⁷ Statistics Bureau of Japan. 2019. *Results of the Survey of Research and Development*. Source: <https://www.stat.go.jp/english/data/kagaku/1546.html>

year”, being Toyota, Honda and Nissan in the top three spenders on **artificial intelligence, robotics and new tech**.¹⁸⁸



Strictly connected to the weight of corporate research spending in the country, another interesting finding of this research relates to **tax credit benefits**. Even though tax credit benefits do not fall within the scope of financing opportunities *per se*, the fact is that they constitute a valuable asset for SMEs involved in R&D that should be taken into consideration in the calculations for entering a new overseas market, namely in Japan.

Tax credit benefits can usually be declared at the end of each fiscal year, whether the R&D project is being conducted or still running. Whereas in some countries require the SME to declare beforehand, in Japan the expenses only have to be declared afterwards. Additionally, in order to get R&D tax credit benefits in Japan, companies can work with all types of companies, even if they are not certified as R&D, what is an added advantage. However, according to FI Group, in Japan there are only a few companies declaring R&D expenses in order to get tax credit benefits.

¹⁸⁸ More information can be found in Nikkei Asian Review. 2019. “Japan’s R&D spending hits record for nearly half of companies”. Akkira Oikawa. September 14. <https://asia.nikkei.com/Business/Business-trends/Japan-s-R-D-spending-hits-record-for-nearly-half-of-companies>

¹⁸⁹ Statistics Bureau of Japan. 2019. *Results of the Survey of Research and Development*. Source: <https://www.stat.go.jp/english/data/kagaku/1546.html>

FI Group is a private company dedicated to support companies getting dedicated incentives such as tax credit benefits from R&D activities worldwide. The company, that has recently established activity in Japan, states that in Japan big companies can get between 6-14% benefit, while SMEs can get between 12-17% benefit. If they collaborate with public entities, such as universities, the tax credit benefit can go up to 30% and 20% for private entities. For collaboration with R&D ventures (entities that create their own means of doing R&D, such as own equipment), the benefit can go up to 25%, and 40% if the claimant is a R&D venture himself. For collaboration matters, the tax credit is limited to 10% of the tax liability. If a company is running a bigger R&D investment than its 3-years average sales, it is considered doing high R&D intensity. Tax credit rates are increasingly quicker and an additional 10% of tax liability can be covered.¹⁹⁰

Key findings

This section sums up the findings identified throughout the desk review and stakeholders consultations with regard to the availability of financing support for EU SMEs in Japan. These findings reflect the three dimensions considered in the conducted multilevel analysis: co-financing opportunities stemming from the latest developments in **EU-Japan bilateral cooperation**, availability of **public financing support in Japan** that can potentially be accessed by EU SMEs and, finally, availability of **private capital in Japan**. Moreover, as an outcome of the research, this report maps out institutional stakeholders (Annex VI), as well as other relevant stakeholders, including potential capital providers such as CVCs and VCs (Annex VII)

1. EU-Japan *connectivity* and co-financing opportunities between the EIB and Japanese institutions

Besides the **EU-Japan Economic Partnership Agreement (EPA)** that entered into force in February 2019, a **Partnership Agreement on Connectivity and Quality Infrastructure** has been signed between the European Commission and Japan, on the 27th September 2019, as a result of the *EU-Asia Connectivity Forum* and the *European-Asia Connectivity Strategy*. The strengthening of EU-Japan relations reflects an important political intention and diplomatic savvy in conturbated times. On the one hand, they can be considered an expression in favor of multilateralism, following the raise of protectionist measures in several parts of the world. On the other hand, they reflect the importance of strategic collaboration between the EU and Japan facing the increasing demand for infrastructure in developing countries. As for the latter, the *momentum* for EU-Japan cooperation should be understood the light of the BRI infrastructure strategy pursued by Beijing, as well as the

¹⁹⁰ FI Group. 2020. *Informational provided by personal communication*

US-led Blue Dot Network, that can be interpreted as a response to the fear of loan-dependence of developing countries towards China within this infrastructure demand.

With regard to business opportunities, the Connectivity Agreement can be a driver for EU-Japan business collaboration in third markets. In fact, the three **Memoranda of Understanding** signed between the **EIB** and **JICA**, **JBIC** and **NEXI** are indeed expected to facilitate EU-Japan financing cooperation in connectivity projects. The interviews conducted to EU and Japan experts suggest that these MOUs are already perceived as relevant channels for regular dialogue on co-financing opportunities between the EIB and Japan. In fact, several sectors for joint cooperation have already been identified throughout these discussions, notably **renewable energy projects** and **new technology**, such as **hydrogen** and **offshore wind technology**.

However, **what operational outcomes can businesses expect from these MOUs?** On a preliminary remark, it seems relevant to mention that even though the EIB's mandate allows for the provision of financial instruments overseas, as a high-income country Japan is not included in the EIB's eligible or potentially eligible third countries of operation. Although financing can be made available for entities outside of this geography with whom the EIB holds signed agreements, currently no agreements in place between the EIB and Japanese banks have been signed¹⁹¹.

Co-financing possibilities are indeed under discussion between the EIB and Japanese institutions, notably following the **signature of three MOUs between the EIB and JBIC, JICA and NEXI**. However, although these MOUs indicate a common framework of action, they are not legally binding and neither do they involve exchange of money. Thus far, no operational outcomes have been produced. The conducted interviews suggest that the **lack of operational outcomes** have its roots in the seemingly prevalence of legal and technical constraints, notably with regards to public procurement.

Notwithstanding, co-financing possibilities between the EU and Japan are not exhausted with the MOUs. On the one hand, the EIB and Japanese institutions can still agree to finance the same project in the EIB's countries of operation, with the interested borrower contacting both entities and, most likely, with both of them signing an agreement with a third party. On the other hand, bilateral co-financing between Japanese institutions and national stakeholders across the EU is also a possibility. In fact, several EU stakeholders, such as NPBIs, already hold signed agreements with Japan, notably with JBIC and NEXI.

2. Availability of financing support for EU SMEs provided by Japanese institutions *within and outside of Japan*

With regard to public financing support in Japan, the key aspect to take into account is that this support is **obviously meant to support the competitiveness of Japanese companies in the**

¹⁹¹ For the EIB's worldwide intermediaries list, please see <https://www.eib.org/intermediarieslist/search/result?country=JP>



first place. Thus, even though the mandate of some Japanese institutions allows for the provision of financial instruments into businesses outside of Japan, such cases turn out to be very exceptional. On the one hand, Japanese institutions are **tied with Japanese financing requirements**, that are often hard to meet by EU SMEs. On the other hand, they are **unlikely to provide any financing for EU SMEs unless there is a Japanese company involved**. Cases of individual investments in foreign companies are thus rare, with most of investments overseas being in fact joint investments between a Japanese institution and a Japanese acquirer. [Subtopic 2](#) (Chapter 2) provides information on some financial instruments provided by Japanese institutions that can potentially be accessed by EU SMEs, as well as some concrete case studies. Ultimately, however, **partnering up with a Japanese company seems to be the key differentiating element**. The conducted interviews also suggest EU SMEs seem to be well aware of the importance of having a Japanese partner, provided that nearly all of them referred **support in matchmaking** as the key service to be provided by the EU-Japan Centre for Industrial Cooperation.

As for EU-Japan business collaborations, another important element that's worth a close follow-up is the increasing perception of Japan as a gateway to other markets as an important drive of a **growing trend among EU SMEs for partnering up with Japanese companies in third markets**. The study conducted by the German Chamber of Commerce and Industry of Japan, the interest of MOFA in EU-Japan business collaborations in third markets, as well as the statements of EU representatives on the occasion of the *Seminar on EU-Japan Business Collaborations in Third Markets* provide important evidence in this regard. Other drivers for joint cooperation in third markets include, among others, **the momentum for EU-Japan Connectivity**, following a **high demand for infrastructure in developing countries**, the **saturation of the Japanese market per se**, the **market understanding and strong presence of Japanese subsidiaries in ASEAN** vis-a-vis the **EU's historical ties and market know-how in Africa and South/Latin America** and, last but not least, the **greater accessibility of the Japanese market itself as an outcome of a successful EU-Japan partnership in third markets**.

The below table provides some relevant priority sectors. Whether these priority sectors do not constitute financing opportunities *per se*, they can provide useful hints on potential opportunity areas that could be further explored. This non-exhaustive list draws exclusively highlighted in the interviews to Japanese stakeholders (JBIC, JOIN and JETRO) and, therefore, do not disregard any other opportunities that might exist.

Table 8. Priority sectors in third markets referred by Japanese institutions. Source: Own elaboration, based on personal communications from JBIC, JOIN and JETRO.

Area/Sector	Subsectors	Target country/ Region	Type	Source
Energy	Renewable energy projects	Within and outside of Europe (but mostly within)	Current investments	JBIC
Energy	Hydrogen technology	Europe	Current investments	JBIC



Energy	Wind power and biomass	Japan	Current investments	JETRO
Infrastructure	High-speed railways	Third markets (1)	Current investments	JOIN
Infrastructure	Urban railways/transport system	Third markets (1)	Current investments	JOIN
Infrastructure	Airport terminals	Third markets (1)	Current investments	JOIN
Infrastructure	Logistics	Third markets (1)	Current investments	JOIN
Infrastructure	Port terminals	Third markets (1)	Current investments	JOIN
Infrastructure	Toll roads	Third markets (1)	Current investments	JOIN
Infrastructure	Urban development	Third markets (1)	Current investments	JOIN
Infrastructure	Ships/Offshore units	Third markets (1)	Current investments	JOIN
Deep tech	-	Japan	Inbound acquisition	JETRO
Healthcare	New drugs, specially for Cancer, Alzheimer and Parkinson	Japan	Inbound acquisition	JETRO
Robotics	Nudging robots	Japan	Inbound acquisition	JETRO
Robotics	Edu-tech robots	Japan	Inbound acquisition	JETRO

(1) For target country information on the ongoing investments in this subsector, please refer to figure 21, subtopic 2.5. of the current chapter.

3. Availability of private capital in Japan

Other relevant opportunities for EU businesses internationalisation into Japan are provided by **Japanese big corporations and their subsidiaries**, who can be valuable partners *within* and *outside* of Japan. General trading houses are overall **active investors overseas**, notably in startups, as means of outsourcing R&D. Also, in this regard, it's worth to highlight the **significant expression of R&D expenditures by the private sector** that are, unlike other countries, significantly higher than the spending of universities and public organisations. Based on this, tax credit benefits in Japan should also be brought into the attention of EU SMEs in this area.

As for startups specifically, not least important is the **strong support from the Japanese government for the creation and attraction of startups** through several initiatives, with special reference to the **startup visa system**, and the drastic **reversal of the VC investment composition towards early-stage investments**. As the young startup ecosystem in Japan blooms, and whereas **corporate venture capital is still extremely significant**, some **specialized funds willing to invest overseas** start coming up. Notwithstanding the fact that the US are still the main target market for Japanese investors, their **interest in EU startups seems to be growing**. Triggers of this interest are the saturation of Silicon Valley and the **common policy concerns between the EU and Japan**, that forcibly create some sector-focus convergence. As an example, EU startups providing solutions to ongoing challenges that can also be observed in Japan, such as the aging population, are likely to have an added value in the Japanese market as well. Notwithstanding, this report draws the attention to EU policymakers for some barriers identified throughout the interviews with Japanese investors that might be hampering the attraction of investment from Japanese VCs and CVCs. Identified obstacles include the **fragmentation of the continent and language barriers**, that make it hard for investors to take advantage of the EU population as a whole, the **absence of networks in the EU**, and **ineffective pitch decks**.

CONCLUSIONS AND RECOMMENDATIONS

In its attempt to provide an overview on the availability of financing opportunities for EU SMEs internationalisation in Japan, this study draws on desk research and participatory interviews to nearly 60 stakeholders and experts. The two chapters comprising this report are the result of a comprehensive analysis, aimed at **facilitating the understanding on the provision of financial instruments (1)**, and a mapping research, aimed at **informing about potential sources of financial support (2)**. Considering that the main audience of this report is the EU Japan Centre and, ultimately, EU SMEs willing to internationalise to Japan, this blended exercise has been conducted across the origin market (EU) and the destination market (Japan).

If one general conclusion can be taken from research is that there is no one-size-fits-all solution for EU SMEs financing needs. Accurate advice on the most suitable financing lines should be tailored to each company's size and sector, as well as to their specific financial needs and targets. Notwithstanding, besides the key findings from the two levels of analysis which can be found at the end of each chapter, several initiatives and stakeholders across the EU and Japan have been mapped out. These lists can be found under ANNEXES I-VII. The following conclusions are thus **a set of recommendations that can help improving SMEs accessing the finance they need to carry out their international activity beyond the EU**. In order to support the EU-Japan Centre in its own aim of improving the capacity of its services to EU SMEs, the perspective underlining this research is the one of EU SMEs. In this sense, the insights here contained are thus useful for European Business Support Organisations, as well as to policy makers in their efforts to improving SMEs financing-related services and increasing SMEs awareness of ongoing support initiatives.

Financing for internationalisation beyond the EU – three takeaways on the current landscape

Wide range of EU initiatives: The European Commission acknowledges that in the coming years **“90% of global growth will originate outside the EU”**¹⁹². This is supported by the establishment of several initiatives and organisations supporting EU SMEs in doing business in third markets – this is the case of EEN, ECCP, as well as several new EU Chambers of Commerce, notably in Africa. As for Japan, the EU-Japan Centre itself provides a very good example of such efforts.

Little expertise on financing for internationalisation beyond the EU: Even though some of these support organisations developed financing-related services – for instance the EEN Thematic Group on Finance – the conducted research observes that most of the expertise is concentrated

¹⁹² European Commission. SME internationalisation beyond the EU. Source: https://ec.europa.eu/growth/smes/access-to-markets/internationalisation_en

in internationalisation within the European Union, what is somewhat understandable considering that not every EU SME is able to compete in distant markets.

Fragmentation of information about financing sources: The multiplicity of stakeholders involved in the management, provision and promotion of financial instruments creates a fragmentation of information within different policy units and across different institutions/organisations. On the one hand, this fragmentation adds up challenges in processing the existing information among EU SMEs, who are, as a result, **highly unaware of financing support schemes**. On the other, it creates a knowledge gap that can also be observed among European Business Support Organisations, namely in third markets. These organisations are often referred as contact points for information on financing opportunities, but otherwise have no full overview on the available initiatives, or specific expertise in financial matters.

1. Recommendations to EU policymakers

In order to avoid an asymmetric distribution of relevant information among the actors involved in supporting SMEs, **the depth of cooperation and information-sharing between the European Commission and external stakeholders, namely the ones providing public services to EU SMEs, should be increased**. Based on this, the following recommendations are given to the European Commission:

a) Increasing information-sharing with external stakeholders

It is crucial that information on **new funding/financing opportunities and their suitability for internationalisation investments** and/or **potential synergies with other financial instruments** is communicated more effectively between the European Commission and external stakeholders, namely the ones located outside the internal market. In this regard, the EU Delegations, organisations such as the EU-Japan Centre for Industrial Cooperation, as well as associations of trade promotion organisations (e.g. through the European Trade Promotion Organisations Association), among others, can play an important role as *multipliers*¹⁹³, ensuring a wider distribution of information and maximizing the use and potential of financial instruments. Such entities work much closer to EU SMEs that are, ultimately, the final beneficiaries of these financing schemes. The multipliers strategy has actually been adopted in the *Business Beyond Borders* platform and by the NRW.Bank who has been using

¹⁹³ Bpifrance, BBB, CDP, ICO, KfW. 2018. "France, Germany, Italy, Spain and the United Kingdom – Internationalisation of European SMEs – taking stock and moving ahead." Source: <https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-Studien-und-Materialien/Internationalisation-of-European-SMEs.pdf>

multipliers to raise awareness about financial instruments in an effective way among German businesses.

- b) The geographical outreach of the EIAH's financial advisory services should be widened to include financing advise for internationalisation in third markets:

The establishment of the European Investment Advisory Hub (EIAH) is sought to contribute to the reduction of information fragmentation with regard to EU financing schemes by integrating all relevant information and providing a one-stop-shop for EU financial advice. Simultaneously, it can improve significantly the expertise and financing-related advisory services capacity of public authorities and bodies involved in supporting SMEs growth, such as national promotional banks. Even though EIAH provides financial advisory services in a wide range of sectors, such as financial support for EU SMEs and small midcaps, R&D, energy, infrastructure and ICT, its advisory scope is currently limited to the European Union. This leaves EU entities operating in third markets deprived from the financial advisory support that could help them increasing their support capacity to EU SMEs. Thus, the offer seems to be limited even though the demand for financial advisory services for internationalisation beyond the EU appears to be high. According to a study commissioned by the EIB itself to support improving the capacity of the EIAH's advisory services¹⁹⁴,

- 1) The identification of financing sources, assistance in fundraising and internationalisation rank among the biggest challenges faced by SMEs, with **internationalisation standing out as the biggest challenge of all** – with 70% of the interviewed companies calling it a major challenge
- 2) A large proportion of SMEs is not aware of internationalisation programs, even though they believe **enhanced advisory services could tackle their internationalisation challenges**

Based in this, widening the expertise of the EIAH to include financial advisory services that can support internationalisation beyond the EU seems to be beneficial to everyone: for EU public entities and others operating in third markets and for EU SMEs. Ultimately, this is also beneficial for the overall European Union economic growth, considering that SMEs are the

¹⁹⁴ PwC Luxembourg. 2017. "European Investment Bank – Market Gap Analysis for Advisory Services under the European Investment Advisory Hub (EIAH) – Phase II." Source: <https://eiah.eib.org/publications/attachments/market-gap-analysis-advisory-smes-phase-ii-en.pdf>

backbone of EU's economy and in the coming years 90% of the global opportunities will be outside of the EU (European Commission's own statements¹⁹⁵).

2. Recommendations to the EU-Japan Centre – implementation of an EU SME Finance Helpdesk

The following recommendations draw on the findings of this research, as well as on specific recommendations provided by EU SMEs, EU experts, Japanese institutions and other stakeholders consulted in the course of the research. The below box provides a summary of the actionable insights that should be implemented within the **EU SME Finance Helpdesk**.

Summary of the recommendations

- Implementation of regular channels of communication with external stakeholders via two working groups: the **EU Working Group on Finance** and the **EU-Japan Interinstitutional Working Group**
- **Creation of active partnerships with governmental and non-governmental trade promotion organisations**, adopting a multipliers strategy to ensure the outreach of the EU-Japan Centre's services to EU SMEs, namely to the ones that have no operations in Japan yet.
- **Close follow up with the EIB** on the discussions related to the MOUs with JBIC, JICA and NEXI.
- **Organisation of a joint seminar on financing opportunities with Japanese stakeholders**, which should include a **matchmaking event**.
- Connecting EU businesses and private investment in Japan: establishment of a **Venture Capital Network**, development of a **training course/ session on how to craft a good pitch deck** and **disclosing information on businesses looking for private capital** under the EU-Japan Centre webpage.
- Specific recommendations on how to **strengthen collaboration with external stakeholders**

2.1. Services scope

The EU SME Finance Helpdesk should focus in providing two types of services: **advisory services** and **facilitation services**. Whereas advisory services should be focused on informing EU SMEs about current financing opportunities based on their queries, the facilitation services should support EU SMEs in gaining access to finance by helping them connecting

¹⁹⁵ European Commission. SME internationalisation beyond the EU. Source: https://ec.europa.eu/growth/smes/access-to-markets/internationalisation_en

with financial providers and with Japanese partners in order to become eligible for applying for financial instruments provided by Japanese institutions.

Even though the EU SME Finance Helpdesk should be exclusively managed by the EU-Japan Centre, its advisory and facilitation roles can only be accomplished through the creation of **regular channels of communication** with stakeholders and through the organization of **exceptional activities in joint collaboration** (please refer to Figure 16).

Before proceeding with the operational tools, this section highlights that the EU-Japan Centre should seize the momentum to follow-up with the stakeholders with whom we have already established a first contact in the course of this research. For this purpose, a stakeholders mapping with direct contacts and relevant insights will be presented as a confidential attachment to the EU-Japan Centre.

With the continuation of the helpdesk, allocating one dedicated staff member to financing matters and to the implementation of the EU SME Finance Helpdesk would keep the EU-Japan Centre constantly updated on financing support schemes could allow for the development of relationships with new stakeholders (e.g. private investors). As the helpdesk enters into full operationalization, the EU-Japan Centre should progressively start to be able to identify the interests of Japanese business angels, venture capitalists, CVCs and trading houses investors in Japan and support EU SMEs preparing for interacting with them.

1.2. Governance structure

Keeping an on-going consultation with key people related to the relevant financing support schemes (that can also lead into second degree connections as new financing schemes are launched) is the backbone of the establishment of an EU SME Finance Helpdesk. Due to their more permanent nature, the regular channels of communication should be established through two operational working groups, incorporated into the governance structure of the new helpdesk.

- The **EU Working Group on Financing Opportunities**, composed by EU experts in SME Financing, such as the contact point of the EEN Access to Finance Working Group, a contact point in Unit H3/ Access to Finance for SMEs, the EU-Japan Centre contact point in EASME, ECCP and the EIC Fund Accelerator. This WG should hold its first meeting after the agreement of the next MFF 2021-2027 and meet every three months to discuss current calls and opportunities. The meetings can be held via videoconference for as long as information is exchanged regularly. On the one hand, it seems relevant to keep policy makers aware of how instruments are translated into practice beyond the EU. On the other hand, it seems relevant that the EU-Japan Centre is constantly updated on the current

financing instruments. Also, in this regard, financing issues should be included in the agenda of the meetings of the EU-Japan Centre EU General Manager in Brussels.

- The **EU-Japan Interinstitutional Working Group** should be composed by relevant financial providers in Japan, such as JBIC and JOIN. To leverage resources, this group should be common to the EU SME Finance Helpdesk and to the EU-Japan Business Collaborations Helpdesk. The main aim of this working group is to discuss financing and non-financing opportunities, such as priority sectors and third markets, for EU-Japan business collaborations. Even though the working group is to be composed by local stakeholders in Japan, the meeting agenda should always reflect insights stemming from a:
 - a) **close follow-up with the EIB's representatives involved in the MoUs with JBIC, NEXI and JICA;**
 - b) **active partnerships with governmental and non-governmental European Trade Promotion Organisations** to ensure the outreach of the EU-Japan Centre's services to EU SMEs and namely to the ones that have no operations in Japan yet;
 - c) **queries received by EU SMEs** through the two helpdesks (EU SME Finance Helpdesk and EU-Japan Business Collaborations Helpdesk).

More details about the specificities and governance structure of this working group can be found in Annex II.

2.2. Operational activities

2.2.1. Joint seminar on Financing Opportunities

The EU-Japan Centre should consider the *joint organisation of a Seminar on Financing Opportunities*, in view of presenting the financial tools of EIB, JBIC, JICA and NEXI which are suitable for EU-Japan business collaborations in third markets. Based on the suggestions of several companies interviewed and a NEXI representative, the seminar should include a **matchmaking event** aimed at connecting EU SMEs with potential local financial providers. The fact that this seminar was suggested by a NEXI representative represents a great opportunity to trigger cooperation between the EU-Japan Centre and financial providers in Japan, so as to initiate discussions towards the establishment of the EU-Japan Interinstitutional Working Group.

2.2.2. Facilitating the connection between EU businesses and private investors in Japan

Throughout the exploratory analysis on the state of venture capital in Japan, this study collected some best practice initiatives aimed at connecting SMEs and startups with private capital in Japan, organised with the involvement of public bodies.

A recent good practice of a similar endeavor is the one organized by Business Finland, in partnership with the Embassy of Finland and Sumitomo Mitsui Banking Corporation. The event aimed at connecting Japanese companies with innovative Finnish health sector startups.¹⁹⁶ A more consolidated and sector-wise less restrictive example of a similar endeavor is the “*Japan Venture Capital Connect*”, organised by NASSCOM and the Embassy of India in Tokyo. The initiative is centered in the development of a network of venture capitalists and pitching events for companies selected through an application process. An application process open to startups based in India was launched and after an internal screening process by NASSCOM and the Embassy of India in Tokyo, the shortlisted companies were put into vote by the VC Network itself. The companies selected by the VC Network participated in a 2 days pitching session in Tokyo, covering up their own logistic arrangements. Building on the success of the first pilot in September 2019, the program scaled-up to include not only Tokyo, but also Osaka, in its second edition¹⁹⁷¹⁹⁸

Building on these initiatives, the EU-Japan Centre should consider the establishment of a **Venture Capital Network** under the EU SME Finance Helpdesk. This network, composed by Business Angels/VCs and CVCs who are interested in investing EU startups, should be invited to participate in live pitching sessions arranged by the EU-Japan Centre. As for the preparation of the pitching sessions, the development of a **training program on how to craft a good pitch deck**, following on the recommendations collected from interviews with Japanese CVCs, should be further considered.

Lastly, as Japanese CVCs point out that it's hard to find investment opportunities in Europe, a useful resource would be **disclosing information in english on EU businesses and startups looking for private capital in Japan under the EU-Japan Centre webpage**, based on the queries received by the EU SME Finance Helpdesk. This would make it easier for Japanese VCs and CVCs to spot investment opportunities in the EU. The information to be disclosed could follow the sample used by the EIC Accelerator to gather foreign investment for its selected companies¹⁹⁹.

¹⁹⁶ Business Finland. 2019. Source: <https://www.businessfinland.fi/en/whats-new/news/invest-in-finland/2019/japanese-companies-connect-with-innovative-finnish-health-startups/>

¹⁹⁷ NASSCOM, Embassy of India, Tokyo. 2020. *Japanese Venture Capital (Sakura Edition)*. Source: <http://www.10000startups.com/public/mailler/2020/japan-vc-2/>

¹⁹⁸ NASSCOM, 2020. Source: <https://nasscomforstartups.in/events/29876>

¹⁹⁹ The list of selected companies for blended finance under the EIC Fund Accelerator can be found in the following link: https://ec.europa.eu/research/eic/pdf/ec_rtd_eic-accelerator-blended-finance.pdf

2.3. Strengthening collaboration with external stakeholders

Building on the recommendations of several EU experts at the European Investment Bank Group and at the European Commission, including a Policy Manager in DG Grow, Unit H3, Access to Finance for SMEs, the EU Japan-Centre should strengthen cooperation with relevant stakeholders. Relevant stakeholders include, for example, ESIF authorities and the European Investment Advisory Hub, but also private financial providers (Business Angels, Venture Capitalists), through already established networks (e.g. EBAN, EBN) and platforms for matching investors with enterprises. A similar recommendation has been provided by the EEN on its *Annual Guidance Note 2020*, which also suggests a close cooperation with EU-relevant platforms that match investors with businesses, such as the *European Investment Project Portal* and the *European Innovation Council (EIC) Pilot*.²⁰⁰ Based on this, we propose three steps approach for strengthening collaboration with relevant stakeholders in three steps.

The first step is the conduction of a stakeholder mapping exercise, with contact points/representatives in order to identify the most appropriate stakeholders. As an output of the mapping exercise, this report provides a list of stakeholders with contact points across the EU and Japan (please refer to ANNEXES I-VII) which can become working documents to be further updated by the EU SME Finance Helpdesk.

The second step is the evaluation of the stakeholders capacity, added value and complementarity in order in view of establishing an effective and tailored engagement plan with appropriate partnerships, joint activities and channels of communication. Based on this reasoning, we suggest the division of the stakeholders in two main groups:

- a) **Advisory stakeholders**, whose added value is providing the EU-Japan Centre with information about financing opportunities
- b) **Facilitation stakeholders**, whose role is to support the EU-Japan Centre connecting with relevant financial providers

The third step is the preparation of an engagement plan, based on each interest group, with concrete activities, channels of communication and feedback and monitorization tools. The previous topic suggests communication and operational activities to support ongoing communication with external stakeholders.

On a final remark, strengthening collaboration with stakeholders with financial literacy, experience in SME financing and with already established networks of financial providers, **allows the EU-Japan Centre to bring complementary strengths and focus on its scope of activity, while still gaining access to information on financing opportunities.**

²⁰⁰ EEN (2020). *Enterprise Europe Network Annual Guidance Note 2020*.

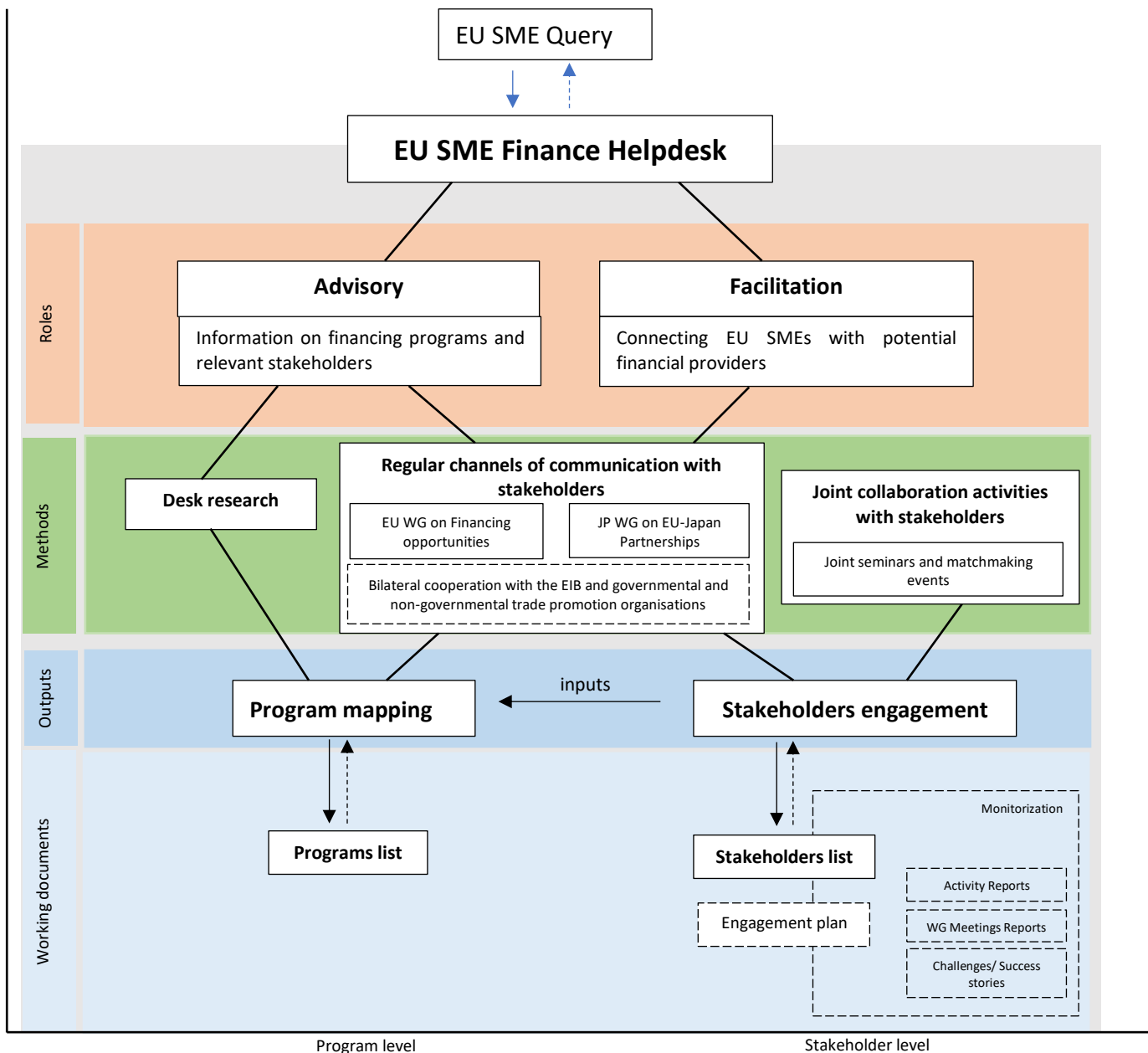


Figure 16. Implementation of an EU SME Finance Helpdesk

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ANNEX I – Mapping of National and Regional Promotional Banks and Institutions

Table 9. List of National Promotional Banks and Institutions (NPBIs)

Country	Name	Website
Austria	Austria Wirtschaftsservice (AWS)	https://www.aws.at/en/
Belgium	The Federal Holding and Investment Company (SFPI-FPIM)	https://finance.belgium.be/en/about_fps/institutions_dependent_upon_fps_finance/the_federal_holding_and_investment_company
Bulgaria	Bulgarian Development Bank	https://bbr.bg/en
Croatia	Hrvatska banka za obnovu i razvitak (HBOR)	https://www.hbor.hr/en/
Cyprus	Cyprus Development Bank (CDB)	https://www.cdb.com.cy
Czech Republic	Czech-Moravian Guarantee and Development Bank (CMZRB)	https://www.cmzrb.cz
Denmark	Vækstfonden (Danish Growth Fund)	https://vf.dk/en/
	Kommunekredit	https://www.kommunekredit.dk/en/
Estonia	KredEx	https://kredex.ee/en
Finland	FINNVERA	https://www.finnvera.fi/eng/
	Municipality of Finance Pic	https://fasolutions.com/reference/munifin/
France	Bpifrance	https://www.bpifrance.fr
	Caisse des Dépôts et Consignations (CDC)	https://www.caissedesdepots.fr
	Société de Financement Local (SFIL)	https://sfil.fr/en/missions/local-refinancing/
	Agence France Locale	http://www.agence-france-locale.fr
Germany	German Kreditanstalt für Wiederaufbau (KfW)	https://www.kfw.de/KfW-Group/
	National Retenbank	https://www.rentenbank.de/en/about-us/rentenbank/
Greece	Greek Development Bank ²⁰¹	https://balkaneu.com/the-greek-development-bank-starts-with-a-piggy-bank-of-eur-5-billion/
Hungary	Hungarian Development Bank (MFB)	https://www.mfb.hu/en/
	Hungarian EXIMBANK	https://exim.hu
Ireland	Strategic Banking Corporation of Ireland (SBCI)	https://sbci.gov.ie
Italy	Italian Cassa depositi e prestiti (CDP)	https://www.cdp.it
	Banca del Mezzogiorno – MedioCredito Centrale S.p.A.	https://www.mcc.it/
Latvia	Development Finance Institution (ALTUM)	http://www.altum.lv

²⁰¹ The Greek Development Bank is not fully operational yet.

Lithuania	INVEGA	https://invega.lt/en/
Luxembourg	Société Nationale de Crédit et d'Investissement (SNCI)	https://www.snci.lu
Malta	Malta Development Bank Working Group (MT)	https://mdb.org.mt
Netherlands	Bank Nederlandse Gemeeten (BNG)	https://www.bngbank.com
	Nederlandse Waterschaps Bank (NWB)	https://www.nwbbank.com/en/
Poland	Polish Bank Gospodarstwa Krajowego (BGK)	https://www.en.bgk.pl
Portugal	Portuguese Institutional Financial Development Institution (IFID)	http://www.ifid.pt/en/contacts/
Romania	Exim Bank	https://www.eximbank.ro/en/contact/
Slovakia	Slovensky Investicny Holding	
	Slovenska Zaručna a Rozvojová Banka	https://www.szrb.sk
Slovenia	SID Bank	https://www.sid.si/en/
Spain	Instituto de Crédito Oficial (ICO)	
Sweden	Kommuninvest of Sweden Local Government Debt Office	https://kommuninvest.se/en/contact/

Table 10. Non-exhaustive list of Regional Promotional Banks and Institutions (RPBIs)

Country	Name	Website
Belgium	Société Wallonne de Financement et de Garantie des Petites et Moyennes Entreprises (SOWALFIN)	http://www.sowalfin.be
	Participatiemaatscha ppj Vlaanderen (PMV)	https://www.pmv.eu/en
Germany ²⁰²	NRW BANK	https://www.nrwbank.de/de/index.html
	L-Bank Landeskreditbank Baden-Württemberg	https://www.l-bank.de/
	Förderbank Investitionsbank Berlin	https://www.ibb.de/de/startseite/startseite.html
	LFA Bayern	https://lfa.de/website/de/index.php?f=www.lfa.de
	Investitionsbank des Landes Brandenburg	https://www.ilb.de/de/index.html
	Hamburgische Investitions- und Förderbank	https://www.ifbh.de
	Landesförderinstitut MecklenburgVorpommern	https://www.lfi-mv.de
	Investitions- und Strukturbank Rheinland-Pfalz	
	Investitionsbank Sachsen-Anhalt	https://www.ib-sachsen-anhalt.de
Investitionsbank Schleswig-Holstein	https://www.ib-sh.de	

²⁰² For a complete list of the German regional banks per region, please see <https://www.investitionsbank.info>



	Saarländische Investitionskreditbank AG	https://www.sikb.de
	Bremer Aufbaubank	https://www.bab-bremen.de
	State Development Bank of the Free State of Saxony (SAB)	https://www.sab.sachsen.de/en/index.jsp
	Thüringer Aufbaubank	https://www.aufbaubank.de
	WirtschaftsInfrastrukturbank Hessen (WiBank)	https://www.wibank.de/wibank/
Spain	IDEA Agency (Innovation and Development of Andalusia)	https://www.juntadeandalucia.es/
	Instituto Valenciano de Finanzas	http://www.ivf.gva.es
	Instituto Catalan de Finanzas (ICF)	http://www.icf.cat/en/inici/

ANNEX II – Mapping of other relevant financial institutions in the EU MS

Please note that the below list is not exhaustive and does not include the EIB's financial intermediaries (e.g. local commercial banks). The [exhaustive list](#) of the EIB's financial intermediaries can be found in the EIB website²⁰³.

Table 11. List of relevant financial institutions per member state

Country	Name	Website
Austria	NÖ Bürgschaften und Beteiligungen GmbH (NÖBEG)	https://www.noebeg.at
Belgium	Credendo	https://www.credendo.com
	Fonds Bruxellois de Garantie - Brussels Waarborgfonds	http://www.fondsbruxelloisdegarantie.be
Bulgaria	Municipal Guarantee Fund for SMEs of Sofia	www.ogf-sofia.com/en/
	National Guarantee Fund EAD	http://www.ngf.bg/
Croatia	HAMAG-BICRO	https://hamagbicro.hr
France	Européenne de Cautionnement	https://www.eurocaution.net
	Fédération Nationale des SOCAMA	http://www.socama.com
	SIAGI	http://www.siagi.com
	Stefan a-t-il	
Germany	Verband Deutscher Bürgschaftsbanken	https://www.vdb-info.de
Greece	TMEDE - Greek Engineers and Public Works Contractors Fund	http://tmede.gr
Hungary	AVHGA - Rural Credit Guarantee Foundation	https://avhga.hu
	Garantiqa Hitelgarancia Zrt.	https://garantiqa.hu
	MVA - Hungarian Foundation for Enterprise Promotion	http://www.mva.hu
Italy	Assoconfidi	https://aecom.eu/assoconfidi/
	ISMEA	http://www.ismea.it/istituto-di-servizi-per-il-mercato-agricolo-alimentare
Lithuania	Garfondas - Agricultural Credit Guarantee Fund	https://garfondas.lt
	INVEGA UAB - Investiciju ir verslo Garantijos	https://invega.lt/lt/
Luxembourg	Mutualité de Cautionnement - MC	http://www.cautionnement.lu
	Mutualité des p.m.e.	http://www.mpme.lu/fr
Netherlands	RVO - Rijksdienst voor Ondernemend Nederland	https://www.rvo.nl

²⁰³ The list of financial intermediaries can be found in the following link:
<https://www.eib.org/intermediarieslist/search/index>



Portugal	Iapmei – Public Agency for SME and Innovation	https://www.iapmei.pt
	SAPGM – Sociedade de Investimento, SA	https://www.spgm.pt/pt/
	COSEC S.A. – Companhia de Seguro de Créditos	https://www.cosec.pt
Romania	FGCR - Romanian Rural Credit Guarantee Fund	http://fgcr.ro
	FNGCIMM - National credit guarantee fund for SMEs	https://www.fngcimm.ro
	FRC S.C. Fondul Roman de Contragarantare S.A.	http://www.frcg.ro/webincident/ro/cine-suntem.html
	FRGC - Romanian Loan Guarantee Fund	https://www.frgc.ro
Slovenia	SEF - Slovene Enterprise Fund	https://aecm.eu/sef-slovene-enterprise-fund/
	Slovenian Regional Development Fund/ Slovenski Regionalno Razvojni Sklad	http://www.regionalnisklad.si
Spain	CESGAR - Confederation of Spanish Mutual Guarantee Societies	http://www.cesgar.es

ANNEX III – List of relevant support associations, networks and tools

Table 12. List of relevant support associations, networks and tools at the EU level

Name	Type	Description	Website
Enterprise Europe Network	Network	The network is composed by more than 600 member organisations (including chambers of commerce, innovation support organisations, universities and research institutes, EEN supports businesses innovating and growing internationally. This also includes linking EU businesses with private investors and assistance in applying for EU risk finance via the EIC Accelerator Pilot (please see section 3.2.4 of this chapter). The EU-Japan Centre for Industrial Cooperation is the EEN network partner in Japan.	<ul style="list-style-type: none"> • https://een.ec.europa.eu • https://www.eu-japan.eu
European Business Network	Network	The network is composed by around 140 EU business and innovation centers and 40 other organisations that support the development of SMEs and startups. The network partner in Japan is the European Business Council (EBC)	<ul style="list-style-type: none"> • https://ebn.eu • https://ebc-jp.com/about/
European Trade Association for Business Angels, Seed Funds, and other Early Stage Market Players (EBAN)	Network	EBAN does not interact directly with SMEs. However, its members list can provide a good starting point for EU businesses looking for potential seed and early stage investors	http://www.eban.org
European Association of Public Banks (EAPB)	Network	EAPB's represents the European public banking sectors. Its members are European national and regional promotional banks, municipality funding agencies and public commercial banks.	https://www.eapb.eu
Network of European Financial Institutions for Small and Medium Sized Enterprises (NEFI)	Network	NEFI's members are financial institutions providing FIs to small medium enterprises in their home countries, including national and regional promotional banks. Its list of members can be useful for EU SMEs looking for financing opportunities.	http://www.nefi.eu/nefi/
Long Term Investors Club	Network	Funded in 2009 by Caisse des Dépôts, Cassa Depositive e Prestiti, KfW and the EIB, the D20 Long-Term Investors Club aims at encouraging cooperation between long-term investors on D20 topics. Its members are composed by financial institutions and institutional investors worldwide, including JBIC and Development Bank of Japan	http://www.d20-Itic.org/

		(DBJ). The last meeting was held in Tokyo, in April 2019.	
European Association Long-term Investors (ELTIA)	Network	ELTIA members are composed by EU financial institutions and institutional investors acting as long-term investors in the EU.	https://www.eltia.eu
European Guarantee Institutions Association (AECM)	Network	AECM's 48 members are composed by public institutions that provide loan guarantees for SMEs. This includes guarantee funds (public institutions and development banks with a guarantee division) and mutual, private and sector guarantee schemes.	http://aecm.eu
European Angels Fund (EAF)²⁰⁴	Network	The EAF is an initiative that provides equity to Business Angels and other investors, boosting their capacity to invest in innovative SMEs in all sectors. Rather than case by case contracts, the initiative is based on long-term contractual relations with investors.	https://www.eif.org/what_we_do/equity/eaf/index.htm
Portal Access to Finance	Tool	Platform with information about several sources of financing at the Member States level. The platform allows to choose by country.	https://europa.eu/youreurope/business/finance-funding/getting-funding/access-finance/index_en.htm
Euroquity	Tool	Matchmaking platform for growth companies created by BPIFrance and KfW. The platform regroups a wide range of potential investors.	https://www.euroquity.com/en/home
Pitchbook	Tool	Pitchbook is a private database of global venture capital, private equity and public markets with headquarters in the US and Brussels. It includes research companies, funds, investors and service providers from around the world.	https://pitchbook.com/

²⁰⁴ The EAF is currently operational in Austria, Denmark, Finland, Germany, Ireland, the Netherlands and Spain. The list of Business Angels can be found in the following link: https://www.eif.org/what_we_do/equity/eaf/selected-angels.pdf

ANNEX IV – List of EU initiatives/ financing schemes

Table 13. List of initiatives at the EU level.

Name	Type	Description	Website
Joint Initiative on Circular Economy (JICE)	Financial instruments (loans, guarantees and equity)	A 10 billion euros joint initiative to accelerate the transition to a sustainable and circular economy, launched in July 2019 by the EIB and five European NPBI: BGK (Poland), CDC and BPIfrance (France), CDP (Italy), ICO (Spain) and KfW (Germany). The joint initiative will provide loans, equity investment and guarantees to eligible projects, targeting a broad range of final beneficiaries, such as municipalities, businesses of different sizes and R&D projects. SMEs from these countries should reach out to their NPBI or relevant national institutions.	https://www.eib.org/en/press/all/2019-191-eur-10-billion-to-support-the-circular-economy-in-the-eu
INNOWWIDE	Grants	INNOWWIDE is a Horizon2020 project focused on internationalisation, which aims to fund EU innovative SMEs and start-ups in markets outside of the EU, including in Japan . The program supports all SMEs established in an EU Member State or a Horizon2020 associated country. The financial support has a fixed maximum grant of 60000 euros per project and the support rate is fixed at 70% of eligible costs. INOWWIDE launched two calls thus far. It is worth to follow up whether the project will be continued following the closing of the last call – the last call closed on the 31 st of March 2020.	https://innowwide.eu/
Blue Economy Window (Blue Invest)	Several/ Financial and non-financial support	Supports investment and access to finance for early-stage businesses (SMEs and scale-ups). The platform provides several support tools, such coaching and b2b matchmaking, but also grants (BlueInvest Grants) and financial instruments (BlueInvest Fund ²⁰⁵). WSENSE is an example of a company that has been funded by the Blue SME Window ²⁰⁶	https://webgate.ec.europa.eu/maritimeforum/en/frontpage/1451
EIC Fund (EIC Accelerator)	Financial support (grants and equity)	The EIC Accelerator is an integrated program that supports highly innovative and close-to-market SMEs. The Accelerator provides business acceleration services and coaching (via EEN), as well as solely grant funding or blended finance (grants and equity). Equity instruments are provided through the EIC Fund (established in June 2019) to selected SMEs in the pre-seed, seed and early stage – usually companies with no (or very limited turn-over). The EIC Fund is indeed a promising initiative offering to	https://ec.europa.eu/easme/sites/easme-site/files/eic_accelerator_fund_pilot_investment_guidelines_for_applicants.pdf

²⁰⁵ The BlueInvest Fund is backed by the ESIF

²⁰⁶ https://ec.europa.eu/easme/sites/easme-site/files/emff_archeosub_sucsess_story_2019.pdf

<https://ec.europa.eu/easme/en/2019-european-maritime-and-fisheries-fund-info-day>

<https://ec.europa.eu/easme/en/autonomous-underwater-robotic-and-sensing-systems-cultural-heritage-discovery-conservation-and-situ>

		introduce portfolio companies to a network of investors. More information can be found under section 3.2.	
Loan Guarantee Facility (LGF) COSME	Financial support (debt/guarantee)	Loan Guarantee Facility (LGF) is one of the windows of the Single EU Debt Financial Instrument. It supports the growth of EU SMEs by enabling financial intermediaries to provide more loan and lease finance to SMEs through guarantees and counter-guarantees. Eligible activities include access to new markets and internationalisation. Some non-EU countries can also benefit from COSME (Japan not included). The list of non-EU COSME countries can be accessed here .	https://ec.europa.eu/growth/access-to-finance/cosme-financial-instruments_en
Equity Facility for Growth (EFG) COSME	Financial support (equity)	The Equity Facility for Growth (EFG) is one of the windows of the EU Single Equity Instrument. It supports the growth of EU SMEs by investing in selected funds that provide venture capital and mezzanine finance to SMEs. Eligible activities include access to new markets and internationalisation. Equity agreements with investors allow for indirect investments into businesses in non-eligible countries. This means that an eligible equity investor can also invest into businesses in Japan or other non-eligible countries with financial instruments backed by COSME. More information can be found under section 3.2. Besides EU countries, Some non-EU countries can also benefit from COSME (Japan not included). The list of non-EU COSME countries can be accessed here .	https://ec.europa.eu/growth/access-to-finance/cosme-financial-instrument_s_en
InnovFin SME Guarantee	Financial support (debt/guarantee)	Part of Horizon 2020, the InnovFin SME Guarantee provides loans and guarantees to financial intermediaries in view of improving access to finance for riskier innovative businesses and other innovative entities. The programme focuses on research and innovation. Besides EU member states and Horizon2020 associated countries, other third countries are also eligible for funding (thus far, Japan not included). The list of associated countries can be accessed here . The list of other eligible countries can be accessed here .	https://ec.europa.eu/programmes/horizon2020/en
InnovFin Equity (Horizon2020)	Financial support (equity)	Part of Horizon 2020, the InnovFin Equity invests in selected funds in view of improving access to finance for riskier innovative businesses and other innovative entities. The programme focuses on research and innovation. Equity agreements with investors allow for indirect investments into businesses in non-eligible countries. This means that an eligible equity investor can also invest into businesses in Japan or other non-eligible countries with financial instruments backed by COSME or Horizon 2020. More information can be found under section 3.2. The list of associated countries can be accessed here . The list of other eligible countries can be accessed here .	https://ec.europa.eu/programmes/horizon2020/en

<p>SMEs Go International Technical Assistance Facility (European Cluster Collaboration Platform)</p>	<p>Non-financial</p>	<p>The European Cluster Collaboration Platform (ECCP) will soon launch the 'SMEs Go International' Technical Assistance Facility. It will support 25 EU SMEs developing their business projects in partnership with local stakeholders in non-EU markets.</p>	<p>https://www.clustercollaboration.eu/news/upcoming-smes-go-international-technical-assistance-facility</p>
<p>InvestHorizon</p>	<p>Accelerator/Matchmaking</p>	<p>Accelerator programme financed and promoted by the EC, in association with EUREKA. It is designed to facilitate access to Series A funding for selected deep-tech businesses.</p>	<p>https://investhorizon.eu/</p>
<p>ESCALAR</p>	<p>Financial support (equity)</p>	<p>Under the ESCALAR Programme, financial intermediaries who can support the internationalisation of portfolio companies score higher in the evaluation process. No specific limitations in terms of geographical reach. Thus, financial intermediaries under ESCALAR might be able to support internationalisation investments of EU SMEs.</p>	<p>https://www.eif.org/what_we_do/equity/escalalar/index.htm</p>
<p>GlobalStars (EUREKA)</p>	<p>Financial support (grants)</p>	<p>GlobalStars is an initiative that aims at facilitating international R&D&I cooperation between EUREKA members and a country that is not yet a member of EUREKA. In 2020 the target country will be Japan. The call will open in early June and run until early September 2020. Applications are open to participants (including SMEs) from the UK, Canada, Czech Republic, France, Germany, Israel, Spain and Japan. All sectors are eligible, except for nuclear and pharmaceutical projects.²⁰⁷</p>	<p>https://www.eu-japan.eu/events/webinars/eureka-globalstars-initiative-new-call-nedo-japan</p>
<p>TechTour</p>	<p>Accelerator/Matchmaking</p>	<p>Techtour coordinates INNOWWIDE, a Horizon 2020 project which counts with the participation of, among others, Invest Horizon and EBN. Some companies that do not get investment under the EIC can eventually be supported by Invest Horizon and Tech Tour. Tech Tour is open to connect businesses from Horizon2020 and EUREKA countries with investors worldwide (mostly through the Invest Horizon's International Network Venture Club). Mitsui and Kamamutsu are currently part of this network. Services are usually free for EU businesses.</p>	<p>https://techtour.com/</p>

²⁰⁷ EUREKA, 2020. *Information provided by personal communication*



ANNEX V – List of national initiatives within the EU MS

The below table provides a list of some national initiatives at the EU Member States level that have been collected throughout the current research. The list is not meant to be exhaustive and it doesn't disregard other potential financing support provided by these or other stakeholders.

Table 14. Non-exhaustive list of initiatives at the EU Member States level

Initiative	Stakeholder	Country	Type	Sector	Description	Website
Global Incubator Network Austria	Austria Wirtschaftsservice GmbH and Österreichische Forschungsförderungsgesellschaft	Austria	Tool/Non-financial support	General/ SMEs Internationalisation	GIN tries to connect overseas ICT businesses with the EU market. Preference for later stage start-ups from Hong-Kong, Israel, Japan, Singapore, China and South Korea. Matches Asian participants with investors and business angels.	https://www.gin-austria.com/
Guarantees for internationalization of Austrian Enterprises	Austria Wirtschaftsservice Gesellschaft mbH (AWS)	Austria	Financial support/ guarantees	General/ SMEs Internationalisation	AWS provides guarantees to support the internationalization of Austrian businesses .	https://www.aws.at/en/aws-guarantee/internationalisation/
Primo Fund	Primomiglio SGR	EU and Italy	Financial support/ equity	Space industry	Fund created by Primomiglio SGR ²⁰⁸ (backed by the InnovFin Space Equity Pilot ²⁰⁹) to invest in early stage SMEs in the space industry. The fund has a target size of 80 million euros and around 70% of the capital will be invested in Italy (where the firm is based). However, the remaining 30%	https://www.primomigliosgr.it/

²⁰⁸ Primomiglio SGR is an early-stage tech investor based in Italy.

²⁰⁹ The InnovFin Space Equity Pilot, recently launched by the EIF, will invest in EU venture capital funds which support businesses in the space sector. The first investment fund selected was Primo Fund, however more funds will be selected within the framework of the program. For more information about the equity pilot, please access https://www.eif.org/what_we_do/guarantees/news/2020/efsi-innovfin-arianegroup.htm



					will be invested in EU businesses across Europe. The fund is ready to support internationalization beyond the European Union, including in Japan.	
Primomiglio SGR	Primomiglio SGR	EU and Italy	Financial support/ equity	Software, internet, digital businesses	Besides the Primo Fund (for the space industry), the investment firm has funds targeting other sectors (software, internet and digital businesses).	https://www.primomigliosgr.it/
Export Trade Financing Export Program	Finnvera	Finland	Workshop/ Non-financial support	General/ SMEs Internationalisation	Finnvera (the Finnish NPBI) provides regular export financing workshops for Finnish SMEs .	https://www.finnvera.fi/eng/export/financing-the-export-trade-transactions-of-smes
Team Finland Network 's financing services	Team Finland Network	Finland	Network	General/ SMEs Internationalisation	Team Finland is a network that brings together all public internationalization services. Its member organisations provide a wide range of financial instruments to Finnish SMEs (aid, grants, loans and guarantees).	https://www.teamfinland.fi/en/services-for-companies/financing-services/
Exporting for growth	UK DIT	UK	Funding	General/ SMEs Internationalisation	Backed by EU structural funds, this initiative provides financial support to UK businesses internationalization beyond the EU. Only valid for businesses must located in Seffield City Region, Leeds City Region or Humber LEP	https://www.brchamber.co.uk/wp-content/uploads/2018/06/Exporting-for-Growth-Flyer_edited-1.jpg



Subsidies for the development of international business activities	Flanders Investment and Trade (FIT)	Belgium	Funding	General/ SMEs Internationalisation	FIT provides specific subsidies for the internationalization of Belgian SMEs in markets outside of the EU. This includes the costs of prospecting trips, the participation of foreign trade fairs and niche events, the development of digital business communication and international customization.	https://www.flandersinvestmentandtrade.com/export/subsidies
Bistream	Bistream	Germany	Platform/ Private	General/ SMEs Internationalisation	Bistream is a German company that supports EU companies to expand to Japan, connecting European companies with Japanese investors. Even though Bistream is more active in the German market, they are open to support SMEs from other Member States.	http://www.bistream.de
International Growth Loan/ Equity Investment	BPI France	France	Financial support/ debt and equity	General/ SMEs Internationalisation	Bpifrance covers intangible investments SMEs have to make when going abroad through its international growth loan. However, the French NPBI also provides equity investment to support French businesses in their internationalisation activities	file:///User%20Downloads/Plaque%20institutionnelle%20Bpifrance%20(version%20anglaise)%20(1).PDF
Entrepreneur Loan	KfW	Germany	Financial support/ debt	General/ SMEs Internationalisation	Besides other products (e.g. grants), KfW offers an entrepreneur loan aiming at long-term investments of German SMEs. KfW's entrepreneur loan is provided to financing partners (e.g. commercial banks). Recently, in response to COVID-29, KfW	https://www.kfw.de/KfW-Group/Newsroom/Latest-News/Pressemittelungen-Details_235584.html



					has extended the outreach of its Entrepreneur loan assuming up to 90% of the partner's risk. ²¹⁰	
Italian Export and Internationalisation Hub	CDP (through SACE and SIMEST)	Italy	Financial support	General/ Internationalisation	The Italian Export and Internationalisation Hub provides a single access point with a broad range of financial instruments. SACE is the national export credit agency, whereas SIMEST is a national agency for companies development	https://www.sacesimest.it/en/about-us/the-companies/simest/simest
Direct loans, international guarantees and private equity schemes	ICO	Spain	Financial support	General/ Internationalisation	ICO provides credit facilities to finance exports and investments both for SMEs based in Spain. However, it also has international products available for SMEs from other countries (when there is a Spanish interest). ICO has several financing facilities that received funding from the EIB but also from other NPBs, notably KfW.	https://www.ico.es/en/web/ico_en/financing-facilities
Buyer credits	KfW IPEX-Bank (in cooperation with Northstar Europe)	Germany and EU	Financial support	General/ Internationalisation	KfW IPEX-Bank finances export projects, infrastructure projects and climate projection projects for German and European enterprises.	https://www.ico.es/web/ico_en/financing-facilities
Universal loan	NRW. Bank	Germany	Financial support	General/ Internationalisation	NRW.Bank's universal loan applies for all kinds of business activities – this loan can also support internationalisation and working-spaces. Available only for SMEs in the North Rhine-Westphalia. It is also relevant to note that NRW.Bank is also an EEN partner.	https://www.nrwbank.de/de/index.html

²¹⁰ Deloitte. 2020. KfW Entrepreneur Loan (037/047). Source: https://www2.deloitte.com/content/dam/Deloitte/de/Documents/about-deloitte/COVID-19_KfW-Entrepreneur-Loan-Factsheet.pdf



Zabaldu Programme	Basque Trade & Investments	Spain	Financial support	General/ SMEs Internationalisation	Basque Trade & Investments offers a specific programme to support companies increasing their presence abroad. The programme covers up to 50% of the costs associated with internationalisation investments (e.g. consultancy, promotional expenses, industrial property, plant and facilities abroad).	https://www.euskadi.eus/web01-tramite/es/contenidos/ayuda_subvencion/spri_zabaldu_2019/es_spri_z/es_arch.html
Credimi	Credimi	Italy	Financial support/ Crowdfunding ²¹¹	General/ SMEs	Launched in 2017 and funded by institutional investors, Credimi is an Italian web-based lending platform that delivers digital factoring solutions to SMEs.	https://www.credimi.com/
Creditshelf	Creditshelf	Germany	Financial support/ Crowdfunding	General/ SMEs	Creditshelf is a pioneer in the field of digital SME financing in Germany, providing a marketplace that enables investors and borrowers to connect. It's currently the largest loan platform in the country by funding volume.	https://www.creditshelf.com/de/
October	October	France, Spain, Italy and the Netherlands	Financial support/ Crowdfunding	General/ SMEs	As for the largest loan platform in France, there is October. The platform provides marketplace that enables borrowers and investors to connect. Following the success in France, October's operations have been extended to Spain, Italy and the Netherlands.	https://october.eu/
AsiaBerlin	AsiaBerlin	Germany	Internationalisation support	Startups/ Internationalisation	AsiaBerlin supports german startups' acceleration in Asia, including in Japan.	https://startup-asiaberlin.com/

²¹¹ Crowdfunding is a category of crowdfunding investment that enables businesses to get financing from a group of different investors. It's considered an innovative way for small businesses to access financing. The EC and the EIF have been encouraging the use of crowdfunding (e.g. new SME Strategy and the EFSI Private Credit Programme) even among institutional investors. In fact, the EIF already invested in several debt funds originated through crowdfunding. More information can be accessed in https://www.eif.org/news_centre/publications/efsi-private-credit-investor-protection.htm

ANNEX VI – Institutional stakeholders in Japan

Table 15. Relevant institutional stakeholders in the Japanese market

Name	Website	Information
Japan Bank for International Cooperation (JBIC)	https://www.jbic.go.jp/en/	Please see section 2.3.
Japan External Trade Organization (JETRO)	https://www.jetro.go.jp/en/	Please see section 2.4.
Japan International Cooperation Agency (JICA)	https://www.jica.go.jp/english/	Please see section 2.2.
Nippon Export and Investment Insurance (NEXI)	https://www.nexi.go.jp/en/	Please see section 2.1.
Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN)	http://www.join-future.co.jp/english/about/index.html	Please see section 2.5.
INCJ, Ltd. and Japan Investment Corporation (JIC)	https://www.jic.co.jp/en/	Please see section 2.6.
Japan Finance Corporation (JFC)	https://www.jfc.go.jp/n/english/	Please see section 2.7.
Japan Development Bank (DBJ)		Please see section 2.9.
JBIC IG Partners	https://www.jbicig.com/en/about-us	Please see subsection 2.3.1.
Japan Venture Capital Association (JVCA)	https://jvca.jp/en/	Established in 2002, JVCA is an organization that aims at assisting VC firms and business support organizations. Even though its focus is not interacting with businesses, JVCA's members include a broad range of venture capitalists, corporate venture capitalists and other supporting members that might be of relevance to EU SMEs looking for private/ business support investment in Japan.
Organization for Small & Medium Enterprises and Regional Innovation - SME Support Japan (SMRJ)	https://www.smri.go.jp/english/	The organization provides tailored support for SMEs in collaboration with government agencies, SME support organisations and financial institutions

ANNEX VII – List of non-institutional stakeholders in Japan

Table 16. Relevant non-institutional stakeholders in the Japanese market (non-exhaustive list).

Name	Website	Type of support	Information
Industrial Growth Platform, Inc. (IGPI)	https://igpi.co.jp/en/	Financial services	IGPI is a private entity that provides operational and financial services to companies. IGPI Inc. has offices worldwide and a track record of investments with JBIC both in developed and developing countries.
Japan Venture Capital Association (JVCA)	https://jvca.jp/en/	Association/ network	Established in 2002, JVCA is an organization that aims at assisting VC firms and business support organizations. Even though its focus is not interacting with businesses, JVCA's members include a broad range of venture capitalists, corporate venture capitalists and other supporting members that might be of relevance to EU SMEs looking for private/ business support investment in Japan.
SME Support Japan	https://www.smri.go.jp/english/about/	Support/ Matchmaking Platform	SME Support Japan supports individual SME needs through collaboration with several support organisations such as municipalities, government agencies. They are currently focused in strengthening their global business through several initiatives. One of them is the J-GoodTech platform , an online business matching platform that already counts with 20 000 SMES, both Japanese and foreign. More information here .
Samurai Incubate ²¹²	http://www.samurai-incubate.asia/	Seed/ Early stage investor	Source: Meyer, Natalie. 2017
Skyland Ventures	http://www.skyland.vc/	Seed/ Early stage investor	Source: Meyer, Natalie. 2017
ANRI	http://anri.vc/	Seed/ Early stage investor	Source: Meyer, Natalie. 2017
Nippon Venture Capital (NVCC)	http://www.nvcc.co.jp/	Growth stage investor	Source: Meyer, Natalie. 2017
Sumitomo Mitsui Banking Corporation (SMBC) Venture Capital	http://www.smbc-vc.co.jp/	Growth stage investor	Source: Meyer, Natalie. 2017

²¹² On an informative note: In joint venture with Terakubo (a young Japanese investor), Samurai Incubator launched Leapfrog Ventures, now called **Samurai Incubator Africa**, a seed fund for startups in Sub-saharan Africa. The young entrepreneur is currently working with JICA in Rwanda, for instance, in the context of their innovation ecosystem strengthening project. More information in The Bridge. 2018. <https://thebridge.jp/2018/05/takuma-terakubo-fund-launch>



JAFCO	http://www.jafco.co.jp/english/	Growth stage investor	Source: Meyer, Natalie. 2017
Globis Capital Partners	http://www.globiscapital.co.jp/en/	Growth stage investor	Source: Meyer, Natalie. 2017
Infinity Venture Partners	http://www.infinityventures.com/main_eng	Growth stage investor	Source: Meyer, Natalie. 2017
Mitsubishi UFG Capital (MUCAP)	https://www.mucap.co.jp/	Growth stage investor	Source: Meyer, Natalie. 2017
YJ Capital	http://yj-capital.co.jp/	Corporate Venture Capital	Source: Meyer, Natalie. 2017
CyberAgent Ventures	https://www.cyberagentventures.com/en/	Corporate Venture Capital	Investments in Asia in the internet sector. Source: Meyer, Natalie. 2017
GREE Ventures	https://www.greeventures.com/en/	Corporate Venture Capital	Invests in Southeast Asia and India, focused in the mobile games sector. Source: Meyer, Natalie. 2017
Salesforce.com, Inc.	https://www.cyberagentventures.com/en/	Key foreign investors	Source: Meyer, Natalie. 2017
Eight Roads	https://eightroads.com/en	Key foreign investors	Source: Meyer, Natalie. 2017
Deepcore ²¹³	https://deepcore.jp	Seed/ Early stage investor / Incubator (Specialized)	Specialized fund investing in Artificial Intelligence companies from seed to early stage, with no discrimination in regards to technology – the fund invested in a broad range of technologies from hardware to SaaS/DaaS. From the track record of 40 investments, 10 have been conducted abroad (1 in Canada, 1 in Kenya and the remaining in the US). Even though the fund is mostly focused in Japanese companies they are obviously open to overseas investments would be happy to invest in Europe. The fund is currently gearing up for a third investment cycle, targeting more than \$100M.
Drone Fund	https://dronefund.vc	Seed and growth stage investor (Specialized)	The Drone Fund is one of the very few (if not the only in the world) specialized VC that invests only in drone related startups. It is composed by a Limited Partners (LP) Ecosystem (larger corporates or investment firms) and an Investee Ecosystem (start-ups). Source: Japan Venture Capital Association (JVCA)
Coral Capital	https://coralcap.co/?lang=en	Seed/ Early stage investor	Coral Capital was founded by the team of 500 Startups Japan.

²¹³ The most recent investment of Deepcore is Laboratik in Mar 9, 2020.



The University of Tokyo Edge Capital Co., Ltd.	https://www.ut-ec.co.jp/english/	Seed/ Early stage investor	Focused in technology.
DG Daiwa Ventures/ DG Lab Fund	https://dg-daiwa-v.com/en/	Seed Investor	Invests in Blockchain, xR, AI, security and biohealth.
Hitachi Ventures GmbH, Ltd.	https://www.hitachi.eu/en/press/hitachi-establishes-corporate-venture-capital-fund-support-startups-innovation-partner	Corporate Venture Capital	Established in April 2019, together with the Hitachi Ventures Fund. The CVC aims at worldwide fast-growing innovative startups.
Toppako Capital	https://toppakocapital.com	Investment Platform	Toppako Capital is a unique company focused on growth capital for SME expansion strategies between Europe and Japan. Toppako's investment team supports selected SMEs in their Japan expansion plans (and vice versa).
Nordic Ninja	https://nordicninja.vc/	Growth stage	Japanese deep tech fund based and focused in providing scale-up funding in the Baltic Region (EU). Mostly interested in robotics, automation, health tech, AI and mobility. Nordic Ninja is a joint-venture between JBIC IG Partners and Baltcap, also backed by Honda, Panasonic, Omron and JBIC.
FI GROUP	https://www.fi-iniciativas.com	Tax Credit Advisors/ Private	FI Group is a company dedicated to supporting businesses getting dedicated incentives, such as tax credit benefits from R&D activities worldwide.
M3 Inc – Internal Corporate Venture Capital Fund	https://corporate.m3.com/en/ir/release/2019/pdf/191025_CVC_E.pdf	Venture Capital Fund	M3 Inc launched a corporate venture capital (CVC) fund to invest in healthcare startups (average 1-2 hundred million yen per company). Investment themes include medical devices, advanced medical technologies, rare diseases and healthcare management.
Cell Innovation Partners Limited (Shinsei Corporate Investment Limited)	http://www.cell-ip.com/	Specialized investment fund	Cell Innovation Partners is an investment fund focused in STEM cell and regenerative medicine. The fund invested in the Spanish biopharmaceutical company Histocell, what enabled the company to achieve 6 distribution agreements worldwide. ²¹⁴
RealTech Fund	https://www.realtch.fund/en/	Specialized investment fund	Realtch fund is the largest specialized fund in Japan. It invests in R&D technology and has recently launched a new fund that invests into startups outside of Japan.
Hello Tomorrow in Japan	https://hello-tomorrow.org/other-events/	Matchmaking opportunities	Hello Tomorrow in Japan is a matchmaking tool that supports interaction and collaboration between

²¹⁴ Histocell. 2018. "Histocell boosts its internationalisation with international investors and new distribution agents". Source: <http://biotech-spain.com/en/articles/histocell-boosts-its-internationalisation-with-international-investors-and-new-distribution-agreements/>



			investors, startups, enterprises and public entities.
Plug and Play Japan	https://www.pluginandplaytechcenter.com/japan/	Matchmaking opportunities	Plug and Play in Japan is an innovation platform that can link startups from a wide range of sectors (e.g. fintech, IoT, mobility, brand & retail) with several Japanese corporate partners
SBI Investment	http://www.sbinvestment.co.jp/funds/transition.html	Corporate venture capital	SBI Investment is part of the SBI Group's asset management business.
Mitsui Kinzoku-SBI Material Innovation Fund	https://www.mitsui-kinzoku.co.jp/wp/wp-content/uploads/topics_170901e.pdf	Corporate venture capital	Private fund launched by SBI Investment (SBI Group). Main target areas are advanced material (non-organic), Addictive Manufacturing (AM), MI, carbon capture tech.
Nikon-SBI Innovation Fund	http://www.sbigroup.co.jp/news/2016/0704_10352.html	Corporate venture capital	Private fund launched by SBI Investment (SBI Group).
INTAGE Open Innovation Fund	http://www.sbigroup.co.jp/news/2016/1017_10450.html	Corporate venture capital	Private fund launched by SBI Investment (SBI Group).
House Foods Group Innovation Fund	http://www.sbigroup.co.jp/news/2018/0124_10957.html	Corporate venture capital	Private fund launched by SBI Investment (SBI Group).
SUBARU-SBI Innovation Fund	http://www.sbigroup.co.jp/news/2018/0710_11155.html	Corporate venture capital	Private fund launched by SBI Investment (SBI Group).
FUSO-SBI Innovation Fund	http://www.sbigroup.co.jp/news/2020/0313_11895.html	Corporate venture capital	Private fund launched by SBI Investment (SBI Group).
JGoodTech	https://jgoodtech.jp/pub/en/	Matchmaking platform	This business matchmaking platform is operated by SME Support Japan (SMRJ)
Future Industry Ventures Fund (SBI Holdings)	https://www.handelsblatt.com/technik/it-internet/technologie-softbank-ausgruendung-sbi-plant-millioneninvestments-in-europaeische-start-ups/25823036.html?ticket=ST-6107792-gK6DNJJf9n0ZMbrmqKu-ap5	Investment Fund	SBI Holdings has established its first office in Europe, in Berlin. The fund is interested in Industry 4.0 Sectors such as IoT, AI, Robotics, Mobility, DLT, Security, etc.
Scale-Up Osaka Program	https://www.startupbootcamp.org/accelerator/scale-osaka/	Acceleration Program	

ANNEX VIII – Participatory interviews



Table 17. Participatory research - Target-groups description

Group	Subgroup	Stakeholder
1. Member State Stakeholders	1A. Development Banks / Institutions	National Promotional Banks (NPBs)
		Regional Promotional Banks (RPBs)
		Guarantee institutions
	1B. Policy-level (but SME-related)	Trade Promotion Organisations (TPOs)
	1C. Private (SME-related)	Bilateral Chambers of Commerce present in Japan
	1D. Related financial intermediaries	Investment Funds which received public support
2. EU Stakeholders	2A. Policy-makers (DGs, Executive Agencies)	Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW)
		Directorate-General for International Cooperation and Development (DG DEVCO)
		Directorate-General for Economic and Financial Affairs (DG ECFIN)
		Directorate-General for Financial Stability, Financial Services and Capital Markets (DG FISMA)
		Executive Agency for Small Medium-sized Enterprises (EASME)
	2B. Financial institutions (multilateral banks)	European Investment Bank (EIB)
		European Investment Fund (EIF)
	2C. Associations/ Networks	Network of European Financial Institutions for Small and Medium Sized Enterprises (NEFI)
		European Association of Guarantee Institutions (AECM)
		European Association of Long-Term Investors (ELTI)
		The European Trade Association for Business Angels, Seed Funds and Early Stage Capital Market (EBAN)
		EEN – (Working Group on Access to Finance)
		European Trade Promotion Organisations Association (ETPOA)
		European Business Associations Worldwide Network (EBOWWN)
		European Business Council in Japan
		European Collaboration Clusters Platform (ECCP)
		Business Europe
D20 Long-term investors Club		
2D. Relevant private entities	Investment funds with relevance for the Japanese market	
	Other EU businesses with relevance to the aims of the research	
	3A. Policy-level	Japan External Trade Organisation (JETRO)



3. Japan Stakeholders		Japan International Cooperation Agency (JICA)
		Ministry of Foreign Affairs of Japan (MOFA)
	3B. Financial institutions/ Governmental Funds	Japan Bank for International Cooperation (JBIC)
		Nippon Export and Investment Insurance (NEXI)
		Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN)
		Japan Institute for Overseas Investment (JOI)
	3C. Associations/ Networks	Japan Investment Advisers Association (JIAA)
	3D. EU representation in Japan (Policy-level and Associations/ Networks)	EU External Action Service - EU Delegation in Japan
		EU-Japan Centre for Industrial Cooperation
		European Business Council in Japan
	3D. Potential capital providers	Business Angels
		Venture Capitalists (VCs)
Corporate Venture Capitalists (CVC)		
4. Businesses	4A. EU-Japan Business Collaborations	Joint Ventures
		MoUs
	4B. Others	Businesses in Japan with relevance for the aims of the research



Table 18. Conducted interviews (with no specific order)²¹⁵

	Name	Group	Subgroup	Contact	Date	Location	Method	Comments
1	Japan Bank for International Cooperation (JBIC)	3	3A	(Confidential)	12-02-2020	Tokyo, Japan	Presencial meeting	(Confidential)
				(Confidential)	12-02-2020	Tokyo, Japan	Presencial meeting	(Confidential)
2	Japan External Trade Organization (JETRO)	3	3A	(Confidential)	26-02-2020	Tokyo, Japan	Presencial meeting	(Confidential)
	Japan External Trade Organization (JETRO)	3	3A	(Confidential)	26-02-2020	Tokyo, Japan	E-mail	(Confidential)
3	Ministry of Foreign Affairs of Japan (MOFA)	3	3A	(Confidential)	11-03-2020	Tokyo, Japan	Presencial meeting	(Confidential)
		3	3A	(Confidential)	11-03-2020	Tokyo, Japan	Presencial meeting	(Confidential)
4	Toppako Capital	4	4B	(Confidential)	25-02-2020	Tokyo, Japan	Conference call	(Confidential)

²¹⁵ Several national institutions in every EU Member State have been reached through AECM, however not all of them responded. The ones that did have been included in the current table.



5	European Investment Fund (EIF)	2	2B	(Confidential)	12-02-2020	Louxiembourg, Europe	Conference call	(Confidential)
6	European Investment Bank (EIB)	2	2B	(Confidential)	26-02-2020	Louxiembourg, Europe	Conference call	(Confidential)
7	European Investment Advisory Hub (EIAH)	2	2B	(Confidential)	24-01-2020	Brussels, Europe	E-mail exchange	(Confidential)
8	EEN Access to Finance Working Group	2	2C	(Confidential)	30-01-2020	Brussels, Europe	Conference call	(Confidential)
9	DG GROW – Access to Finance for SMEs (Unit H3)	2	2A	(Confidential)	30-01-2020	Brussels, Europe	E-mail	(Confidential)
10	DG GROW (Unit A4)	2	2A	(Confidential)	30-01-2020	Brussels, Europe	E-mail	(Confidential)
11	DG DEVCO	2	2A	(Confidential)	20-01-2020	Brussels, Europe	E-mail	(Confidential)
12	EASME (Unit A1, COSME)	2	2A	(Confidential)	22-01-2020	Brussels, Europe	E-mail	(Confidential)
13	EASME (Unit A1, COSME)	2	2A	(Confidential)	24-01-2020	Brussels, Europe	E-mail	(Confidential)
14	EASME	2	2A	(Confidential)	24-01-2020	Brussels, Europe	E-mails Exchange	(Confidential)



15	EASME	2	2A	(Confidential)	24-01-2020	Brussels, Europe	E-mails Exchange	(Confidential)
16	EASME	2	2A	(Confidential)	30-01-2020	Brussels, Europe	E-mails Exchange	(Confidential)
17	EEAS - Tokyo	3	3D	(Confidential)	5-12-2019	Tokyo, Japan	Presencial Meeting	(Confidential)
18	European Association of Guarantee Institutions (AECM)	2	2C	(Confidential)	24-02-2020	Brussels, Europe	E-mails Exchange	(Confidential)
19	Network of European Financial Institutions for SMEs (NEFI)	2	2C	(Confidential)	11-02-2020	Brussels, Europe	E-mail	(Confidential)
20	Business Europe	2	2C	(Confidential)	14-03-3030	Brussels, Europe	E-mail	(Confidential)
21	Business Europe	2	2C	(Confidential)	14-03-2020	Brussels, Europe	E-mail	(Confidential)
22	Nordic Ninja	4	4A	(Confidential)	21-02-2020	Finland	Conference call	Investing in EU start-ups in the Nordic and Baltic region
23	Primo Fund (Primomiglio)	2	2D	(Confidential)	17-02-2020	Italy	Conference call	Investing in the space startups in Italy and the EU



24	Yuso	4	4A	(Confidential)	29-01-2019	Belgium	Conference call	(Confidential)
25	Azuri Technologies, Ltd.	4	4A	(Confidential)	03-02-2020	UK	Conference Call	(Confidential)
26	City Beats (Social Coin)	4	4A	(Confidential)	13-02-2020	Spain	Conference Call	(Confidential)
27	WSENSE	4	2D	(Confidential)	12-03-2020	Italy	Conference Call	(Confidential)
28	FI Group – FI Group Japan K.K.	4	4B	(Confidential)	18-03-2020	Tokyo, Japan	Presencial meeting	(Confidential)
29	Austria Wirtschaftsservice Gesellschaft mbH (AWS)	1	1A	(Confidential)	4-03-2020	Austria	E-mail	(Confidential)
30	Finnvera	1	1A	(Confidential)	26-02-2020	Finland	E-mail	(Confidential)
31	KfW Development Bank	1	1A	(Confidential)	04-02-2020	Germany	E-mail	(Confidential)
32	NRW Bank	1	1A	(Confidential)	06-05-2020	Germany	Conference call	(Confidential)



33	Malta Development Bank (MDB)	1	1A	(Confidential)	12-02-2020	Malta	Conference call	(Confidential)
34	Croatian Bank for Reconstruction and Development (HBOR)	1	1A	(Confidential)	13-02-2020	Croatia	Conference call	(Confidential)
35	Sociedades de Garantia Reciproca (CESGAR)	1	1A	(Confidential)	26-02-2020	Spain	E-mail (through AECM)	(Confidential)
36	FRC S.C. Fondul Roman de Contragarantare S.A.	1	1A	(Confidential)	25-02-2020	N/A	E-mail (through AECM)	(Confidential)
37	Mutualité des PME	1	1A	(Confidential)	25-02-2020	Louxe mbour g	E-mail (through AECM)	(Confidential)
38	PMV/ z-Waarborgen nv	1	1A	(Confidential)	06-03-2020	Belgium	E-mail (through AECM)	(Confidential)
39	L'Européenne de Cautionnement (EDC)	1	1A	(Confidential)			E-mail (through AECM)	(Confidential)
40	Invega	1	1A	(Confidential)	25-02-2020	Lithuania	E-mail (through AECM)	(Confidential)



41	Bpi France / InvestHorizon	1	1A	(Confidential)	10-04-2020	N/A	E-mail (through AECM)	(Confidential)
42	European Cluster Collaboration Platform (ECCP)	2	2C	(Confidential)	12-05-2020	N/A	Conference Call	(Confidential)
43	European Innovation Council (EIC Pilot)	2	2C	(Confidential)	23-03-2020	Belgium	E.mail	(Confidential)
44	The European Trade Association for Business Angels, Seed Funds and Early Stage Capital Market (EBAN)	2	2C	(Confidential)	08-05-2020	N/A	E-mail	(Confidential)
45	Japan Finance Corporation	3	3B	(Confidential)	30-04-2020	N/A	Conference call	(Confidential)
46	D20 Long-Term Investors Club	2	2C	(Confidential)	07-05-2020	N/A	Conference call	(Confidential)
				(Confidential)				
47	JBIC IG Partners	3	3D	(Confidential)	06-05-2020	N/A	E-mail exchange	(Confidential)



48	Drone Fund	3	3D	(Confidential)	07-05-2020	N/A	E-mail exchange	(Confidential)
49	UK Department of International Trade (UK DIT)	1	1A	(Confidential)	04/05/2020	N/A	E-mail exchange	(Confidential)
50	European Trade Promotion Organisations Association (ETPOA)	2	2C	(Confidential)	05-05-2020	N/A	E-mail Exchange	(Confidential)
51	Deepcore Inc.	3	3D	(Confidential)	11-05-2020	N/A	Conference call	(Confidential)
52	InnovFin Space Equity Fund	3	3D	(Confidential)	14-05-2020	N/A	E-mail	(Confidential)
53	ESCALAR	2	2B	(Confidential)	15-05-2020	N/A	E-mail	(Confidential)
54	Italian Trade Agency	1	1A	(Confidential)	12-05-2020	N/A	E-mail	(Confidential)
55	Basque Trade & Investment	1	1A	(Confidential)	12-05-2020	N/A	E-mail	(Confidential)

56	Flanders Investment and Trade (FIT)	1	1A	(Confidential)	12-05-2020	N/A	E-mail	(Confidential)
57	SBI Investments	3	3D	(Confidential)	25-05-2020	N/A	Conference call	(Confidential)
58	EUREKA Network	2	2B	(Confidential)	25-05-2020	N/A	Conference call	(Confidential)
59	Techtour	2	2B	(Confidential)	2-06-2020	N/A	Conference call	(Confidential)

Table 19. Attended seminars

Name	Organisation	Date	Location	Link	Attended
European Business Organisations Worldwide Network (EBOWWN) Tokyo Meeting	European Business Organisations Worldwide Network (EBOWWN)	3-12-2019	Tokyo, Japan	N/A	Yes
EU-JAPAN Business Collaborations in Third Markets	EU-Japan Centre for Industrial Cooperation	12-12-2019	Tokyo, Japan	https://www.eu-japan.eu/events/eu-japan-business-collaborations-third-markets	Yes
欧州研究ユニット主催 - Sustainable connectivity and quality infrastructure: New level of EU-Japan partnership	Waseda University	12-01-2020	Tokyo, Japan	https://www.waseda.jp/inst/oris/news/2019/12/24/3163/	Yes
海外投資セミナー2020 : わが国の海外直接投資動向 FDI Seminar 2020: Recent Trends of Japanese FDI	Japan Bank for International Cooperation (JBIC) and Japan	28-01-2020	Tokyo, Japan	https://www.joi.or.jp/modules/seminarreport/index.php?page=article&storyid=621	Yes



		Institute for Overseas Investment (JOI)				
	<i>Seminar on Japanese Investments for Overseas Infrastructure (JOIN)</i>	Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN)	21-02-2020	Tokyo, Japan	http://www.join-future.co.jp/english/news/20200303_01.html	Yes
	<i>Seminar on Innovative Financing Instruments to Support European Private Investment in Third Countries</i>	Business Europe	25-02-2020	Brussels, Belgium	https://www.businesseurope.eu/publications/business-europe-headlines-no-2020-07	No, Materials provided by e-mail
	<i>Stakeholder engagement on the EIB Group's Climate Bank Roadmap 2021-2025: Turning ambition into reality</i>	EIB	23/26-03-2020	WEBINAR	https://www.eib.org/en/about/partners/cso/consultations/it-em/cb-roadmap-stakeholder-engagement.htm	No, Materials provided by e-mail
	AsiaBerlin Webinar	AsiaBerlin (initiative by the Berlin Senate Department for Economics)	28-05-2020	WEBINAR	https://startupgermany.org/events/asiaberlin-japan/	Yes

ANNEX IX – INCJ’s overseas management resources scheme

Table 20. INCJ investments through its overseas management resources scheme. *Source: Own elaboration from INCJ²¹⁶*

Name	Date	Country	Industry	Details on the type of investment
Ambry Genetics Corporation	2017	US	Health/ Medicine	Joint acquisition between INCJ (60%) and Konica Minolta (40%)
Harmonic Drive AG	2016	Germany	Industrial Machinery	Joint acquisition between INCJ and the Japanese company Harmonic Drive Systems Inc. Harmonic Drive Systems Inc., who already held shares of Harmonic Drive AG, ended up becoming the whole shareholder of Harmonic Drive AG.
Edotco Group Sdn Bhd	2016	Malaysia	Infrastructure (Telecommunications infrastructure)	Growth investment (in view of promoting the creation for future opportunities for joint investments with Japanese companies)
KBI Biopharma	2016	US	Health/ Medicine	Joint acquisition between INCJ, JSR Corporation (JSR) and CMIC Holdings C. (CMIC)
Broomco/ Chaucer Food Group	2016	UK	Consumers goods/ retail	Joint acquisition between INCJ and Nagatanien Holdings Co.
Administração e Gestão de Sistemas de Salubridade (AGC)	2014	Portugal	Infrastructure (Water services)	Joint acquisition of 100% with Marubeni Corporation. INCJ's entire holding has been transferred to Marubeni Corporation on the 7 May 2019.
Nistica, Inc.	2014	US	Electronic devices	Joint acquisition between INCJ, Fujikura and NTT Electronics. INCJ's shares have been sold to Fujikura in 2017.
Oji Fibre Solutions (Carter Holt Harvey Limited Group)	2014	Australia and NZ	Materials/ Chemicals	Acquisition
Sunrise Healthcare Service	2013	Cambodia	Health/ Medicine	Joint investment with Kitahara Medical Strategies International (KMSI). INCJ's holdings have been sold to Sonnedix Italia S.r.l. in 2016.
Solar Holding S.R.L.	2013	Italy	Infrastructure (solar energy)	Total joint acquisition between INCJ, Solar Ventures and Mitsubishi Corporation.
Transphorm, Inc.	2012	US	Electronic devises	Joint equity investment with another Japanese company Nihor Inter Electronics (a INCJ portfolio company)
Wireless Glue Networks Inc.	2013	US	Energy	Joint investment with the Japanese TokyoElectric Co. and the US venture capital firm Clean Pacific Ventures Management LLC. INCJ's shares have been sold to Synaptca Networks Inc. in 2016.
Seajacks	2012	UK	Infrastructure (offshore wind power)	Joint acquisition between INCJ, Marubeni Corporation and the private equity corporation Riverstone Holdings LLC.
Landis + Gyr	2014	Switzerland	Energy	Joint acquisition between INCJ and Toshiba.
AguasNuevas	2010	Chile	Infrastructure (water management)	Joint acquisition between INCJ and Marubeni Corporation. INCJ's shares have been sold to MG Leasing Corporation, a joint corporation between Marubeni Corporation and Mizuho Leasing Company Limited in 2020.
Trility	2010	Australia	Infrastructure (water treatment)	Joint acquisition in Private Public Consortium between INCJ, Mitsubishi Corporation, JGC Corporation and Manila Water Company.

²¹⁶ INCJ official webpage. Source: <https://www.incj.co.jp/>

ANNEX X – Implementation of the EU-Japan Interinstitutional Working Group

The **EU-Japan Interinstitutional Working Group** (Figure 17) would be a body composed of representatives of the EU-Japan Centre for Industrial Cooperation, JBIC, JETRO, JICA and JOIN. It would aim to provide support to both the **EU SME Finance Helpdesk**²¹⁷ and to the **EU-Japan Third Country Business Helpdesk**²¹⁸ proposed in this report, notably relying on the establishment of a regular channel of communication between the EU-Japan Centre for Industrial Cooperation and key institutional stakeholders in Japan. Ideally, this Working Group should meet every three months to discuss financing and non-financing opportunities (e.g. priority sectors and third markets) for EU-Japan business collaborations.

The main priorities of the Working Group are to align ambitions and define a common strategy to its EU and Japanese parties, list opportunities, discuss concrete projects and support tools, and coordinate promotional and political initiatives. Indeed, besides the regular meetings, the Working Group is expected to organise joint activities, such as seminars/training sessions, as well as facilitate matchmaking between EU and Japanese companies. The matchmaking service should be provided either on a case-by-case basis with the EU-Japan Centre for Industrial Cooperation briefing its Japanese counterparts on a couple of particularly promising business plans at each meeting, either by collaborating on organising comprehensive business missions.

On the financial level, the Working Group should support EU SMEs in connecting with financial providers and Japanese partners to become eligible to apply for financial instruments provided by Japanese institutions. On the non-financial level, the Working Group should support companies looking for a Japanese partner with whom they can jointly operate in third markets and/or existing EU-Japan partner companies in exploiting opportunities in third markets.

In terms of internal preparation for the meetings of the Working Group, the position of the EU-Japan Centre for Industrial Cooperation should be based on a regular follow-up with the “**Advisory Stakeholders**” that are:

- The European Commission, in view of receiving inputs for the overall strategy and progress;
- The European Investment Bank, to follow-up on the progress of the MoUs with JBIC, JICA and NEXI);
- Governmental and non-governmental trade promotion organisations (national or EU public departments and agencies working on topics related to trade and/or EU-Japan relations, industry and trade associations and chambers of commerce), in view of promoting the helpdesks and exchanging on local opportunities in coordination with local Japanese institutional and corporate stakeholders.

Table 22 provides a stakeholder mapping, including contact points, for the implementation of the EU-Japan Interinstitutional Working Group.

²¹⁷ Please see the [Policy Recommendations to the EU-Japan Centre for Industrial Cooperation](#) section in the current report.

²¹⁸ See my colleague Masami Marbot's report on “EU-Japan Business Partnerships in Third Countries.” Available at: <https://www.eu-japan.eu/minerva-past-reports-20142019#>

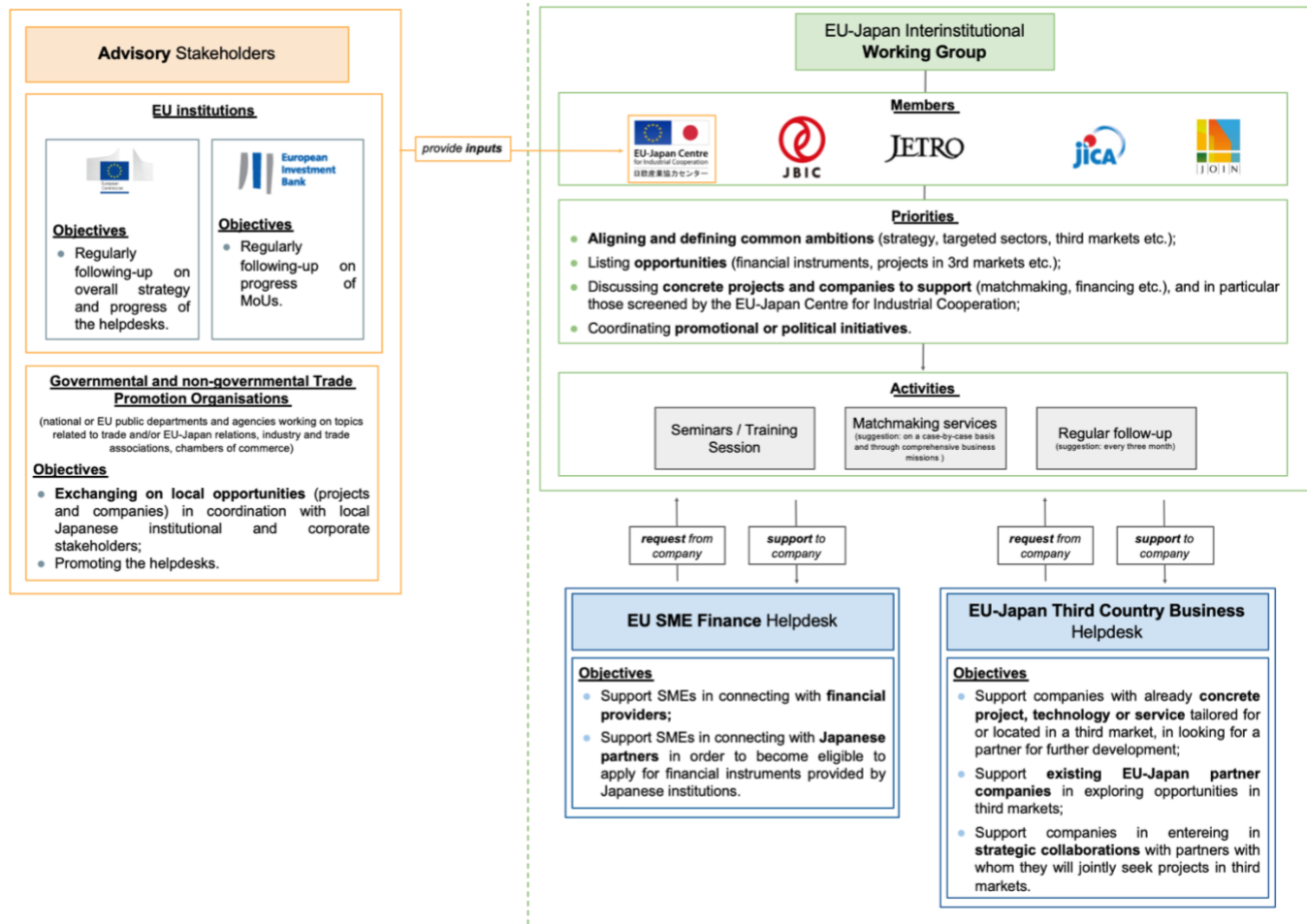


Figure 17. Interinstitutional Working Group



Table 21. Institutional stakeholder mapping for the EU-Japan Interinstitutional Working Group

Stakeholder	Type	Location	Contact point (confidential)	Relevance for the EU-Japan Centre			Comments / Key message (confidential)
				EU SME Finance Helpdesk	EU-Japan Third Market Collaboration Helpdesk	Potential for joint activities	
Japan External Trade Organization (JETRO)	Governmental	Tokyo, Japan	(Confidential)	✓	✓	Support in matchmaking	(Confidential)
		Tokyo, Japan	(Confidential)		✓	Support in promotional activities and matchmaking	(Confidential)
Ministry of Foreign Affairs of Japan (MOFA)	Governmental	Tokyo, Japan	(Confidential)		✓	Support in interinstitutional cooperation	(Confidential)
			(Confidential)		✓	Support in interinstitutional cooperation	(Confidential)
			(Confidential)				



Japan Machinery Center for Trade and Investment (JMC)	Business Association	Tokyo, Japan	(Confidential)	✓	✓	Support in promotional activities and matchmaking	(Confidential)
			(Confidential)				
			(Confidential)				
Japan Chamber of Commerce and Industry/Tokyo Chamber of Commerce and Industry	Business Association	Tokyo, Japan	(Confidential)	✓	✓	Support in promotional activities and matchmaking	(Confidential)
			(Confidential)				
Japan Bank for International Cooperation (JBIC)	Governmental/ Financial institution	Tokyo, Japan	(Confidential)	✓	✓	Financial support for EU-Japan business partnerships (loans and equity)	(Confidential)
			(Confidential)				
Japan International Cooperation Agency (JICA)	Governmental/ State Aid	Tokyo, Japan	(Confidential)	✓	✓	Financial support for EU-Japan business partnerships in third markets	(Confidential)



						(available at the local level via calls for tender and under very specific conditions)	
Nippon Export and Investment Insurance (NEXI)	Governmental	Tokyo, Japan	(Confidential)	✓		Financial Support for EU-Japan business partnerships in third markets.	(Confidential)
Japan Overseas Infrastructure Investment (JOIN)	Governmental	Tokyo, Japan	(Confidential)	✓	✓	Financial Support for EU-Japan business partnerships in third markets.	(Confidential)
Japan Investment Advisers Association (JIAA)	Japan/ Non-governmental	Tokyo, Japan	(Confidential)	✓		Informing the EU-Japan Centre about potential investors in Japan	(Confidential)



European Investment Bank (EIB)	EU Institutions	Luxembourg	(Confidential)	✓	✓	Informing the EU-Japan Centre about the progress of the MoUs with JBIC, JICA and NEXI	(Confidential)
The European Trade Association for Business Angels, Seed Funds and Early Stage Capital Market (EBAN)	Non-governmental	Brussels, Belgium	(Confidential)	✓		Connecting the EU-Japan Centre with smart capital and angel investors.	(Confidential)
EEN Access to Finance Working Group	Non-governmental	EU level, Several locations	(Confidential)	✓		Providing the EU-Japan Centre with relevant information on future EU funding programmes	(Confidential)
DG GROW – Access to Finance for SMEs (Unit H3)	EU Institutions	Brussels, Belgium	(Confidential)	✓		Providing the EU-Japan Centre with relevant	(Confidential)



						information on future EU funding programmes	
European Innovation Council Accelerator/ EIC Fund	Non-governmental	Brussels, Belgium	(Confidential)	✓		Providing the EU-Japan Centre with relevant information on grants and equity providers	(Confidential)
Network of European Financial Institutions for Small and Medium Sized Enterprises (NEFI)	Non-governmental	Brussels, Belgium	(Confidential)	✓		Providing the EU-Japan Centre with relevant information on national financing support schemes and stakeholders specialized in SME finance	(Confidential)
D20 Long Term Investors Club	Non-governmental	Brussels, Belgium	(Confidential)	✓		Connecting the EU-Japan Centre with investors	(Confidential)



European Guarantee Institutions Association (AECM)	Non-governmental	Brussels, Belgium	(Confidential)	✓		Providing the EU-Japan Centre with relevant information on national financing support schemes (guarantee/loans)	(Confidential)
Development Bank of Japan (DBJ)	Governmental	Tokyo, Japan	(Confidential)	✓		Financial support for SMEs (loans and equity)	(Confidential)
JBIC IG Partners	Non-governmental	Tokyo, Japan	(Confidential)	✓		Connecting the EU-Japan Centre with investment funds in Japan	(Confidential)
Tokyo Metropolitan Small and Medium Enterprise Center	Non-governmental	Tokyo, Japan	(Confidential)	✓		Connecting the EU-Japan Centre with financing support for EU SMEs in Japan	(Confidential)
SBI Investments	Non-governmental/ CVC	Tokyo, Japan	(Confidential)	✓		Connecting SMEs with private capital	(Confidential)

ANNEX XI – Suitability of financing instruments

	Type of financing instrument	Profile and stage of firm
Low risk/ return	Asset-Based Finance <ul style="list-style-type: none"> Asset-based lending Factoring Purchase order finance Warehouse receipts Leasing 	<ul style="list-style-type: none"> Start-ups Firms with limited credit history and lack of collateral Fast growing and cash-strapped firms Firms with solid base of customers but high investments in intangibles High-risk and informationally non-transparent firms Firms changing their capital assets frequently Producers and traders of commodities
	Alternative Debt <ul style="list-style-type: none"> Corporate bonds Securitised debt Covered bonds Venture debt Private placements Crowdfunding (debt) 	<ul style="list-style-type: none"> Large to mid-size firms with stable earnings and relatively low cash flow volatility Firms responding to reporting requirements linked to issuance Firms undertaking investment or seizing growth opportunities Firms that do not wish dilution of ownership and control Smaller companies with limited visibility in public markets (<i>private placements</i>) Firms lacking collateral or credit history (<i>debt crowdfunding</i>)
Medium risk/ return	"Hybrid" Instruments <ul style="list-style-type: none"> Subordinated loans/ bonds Silent participations Participating loans Profit participation rights Convertible bonds Bonds with warrants Mezzanine finance 	<ul style="list-style-type: none"> Young high-growth firms seeking cheaper expansion capital than VC and less dilution of control Established firms with emerging growth opportunities Firms undergoing transition and restructuring Firms seeking to strengthen capital structure Firms with well-established and stable earning power and market position
High risk/ return	Equity Instruments	
	<i>Business angel investments</i>	<ul style="list-style-type: none"> Firms in their seed and early investment stage Innovative ventures requiring investment and business-building skills
	Private equity <ul style="list-style-type: none"> <i>Crowdfunding (equity)</i> <i>Venture capital</i> 	<ul style="list-style-type: none"> Firms in their seed, early and late investment stage High-growth-potential firms, with capacity for high returns in a short time frame
	<ul style="list-style-type: none"> <i>Other private equity</i> 	<ul style="list-style-type: none"> Mature businesses undertaking restructuring or ownership change Distressed businesses with potential for rescue
	Public equity <ul style="list-style-type: none"> <i>Specialised platforms for public listing of SMEs</i> 	<ul style="list-style-type: none"> Young, innovative and high-risk small firms Firms with highly structured governance and management systems, and extensive disclosure

Figure 18. Suitability of financing instruments for different firm profiles and stages. Source: OECD, 2018²¹⁹

219 OECD. 2018, p. 11. "Enhancing SME access to diversified financing instruments." Discussion Paper, 2018 SME Ministerial Conference. Available in: <https://www.oecd.org/cfe/smes/ministerial/documents/2018-SME-Ministerial-Conference-Plenary-Session-2.pdf>