
The Rising of Japanese Startups in Southeast Asia

By Kaori Iwasaki
Senior Economist
Economics Department
Japan Research Institute

Summary

1. A startup can be defined as a company established with the aim of achieving rapid growth. There has been a surge in the number of startups in Southeast Asia, and some of these new companies are being launched by Japanese entrepreneurs (Japanese startups). In addition to improvements in Southeast Asia's business environment, there are several other reasons for this trend. First, while Japan is suffering from shrinking markets due to population decline, Southeast Asian markets are expected to expand. Second, Southeast Asia has fewer regulations and vested interests than Japan, leaving more room for newcomers.
2. Japanese startups can be divided into four categories based on Japan's role in their growth plans. The first category consists of startups designed to use Japan as a stepping-stone to local growth, and the second of startups with the potential to achieve growth by acting as a bridge between Japan and local markets. A third category is made up of startups targeted toward growth in local markets without reference to Japan. The goal for startups in the fourth category is to achieve growth on a global basis, including Japan.
3. Many of these Japanese startups are based in Singapore. This is because other Southeast Asian countries may not offer environments where businesses and investors can operate with confidence. Many Japanese startups are launched by highly-educated and talented young people. One reason for this pattern appears to be the fact that the psychological barriers to moving overseas have been lowered by globalization. Other reasons include a growing sense of economic and social suffocation in Japan, as well as frustration with seniority-based promotion and other Japanese-style human resource management methods.
4. Many startups in Southeast Asia can be likened to time machines, in the sense that they are based on business methods that have been successful in more developed countries, but with fine-tuning to reflect local conditions. As this process continues, it starts to generate highly original new value, and in this sense startups can be seen as bringing innovation to Southeast Asia.
5. Japanese entrepreneurs cannot readily gain the same understanding of local conditions as local people. They offset this handicap by reaching to locals to fill both executive and staff positions. In addition to making full use of the abilities of these locals, Japanese entrepreneurs also absorb extensive knowledge from them.
6. The emergence of Japanese startups in Southeast Asia has major implications. First, it indicates that Southeast Asian markets, economies and societies are entering a new stage of development, and that this has resulted in the addition of a new layer to the relationship between Japan and Southeast Asia. Second, it also points to the possibility that a new group of highly self-reliant and ambitious people are emerging from among Japanese youth, who have a reputation for being stability-oriented and inward-looking, and that these people are highly motivated to take on new challenges in other countries.

Introduction

Numerous Japanese companies have expanded into Southeast Asia, but recently there are signs of a totally new trend, whereby young Japanese are moving to Southeast Asia as individuals and launching their own startups. In this article, we will investigate and discuss startups founded by Japanese individuals (“Japanese startups”) in Southeast Asia, including the nature and characteristics of their business activities, as well as the aims of the founders themselves. This is a recent phenomenon, and there are no relevant statistics. For this reason, this article will focus mainly on qualitative analyses of information obtained through interviews. Further details regarding these interviews can be found at the end of the article.

This article consists of two parts: a general analysis, and case studies. In the first part, we will provide an overview of Japanese startups in Southeast Asia, including specific examples. In Section 1 we will look at the factors behind the emergence of Japanese startups in Southeast Asia, taking into account circumstances in both Southeast Asia and Japan. In Section 2, we will divide Japanese startups into four categories, based on the role of Japan in their activities, and examine the characteristics of companies in each category. We will also attempt to discover any common traits in the founders of these startups. In Section 3, we will argue that in-depth localization is a common characteristic of all types of startups, and that this is one of their strengths. In Section 4, we will discuss the emergence of Japanese startups as a sign of change in the relationship between Japan and Southeast Asia, and possibly as evidence of the appearance of a new youth demographic in Japan.

In the case studies, we will examine seven representative companies, including the motives behind their establishment, their specific strengths, their localization initiatives, and their future prospects, with the aim of providing a clear picture of Japanese startups in Southeast Asia.

I. General Analysis

1. Japanese Startups in Southeast Asia

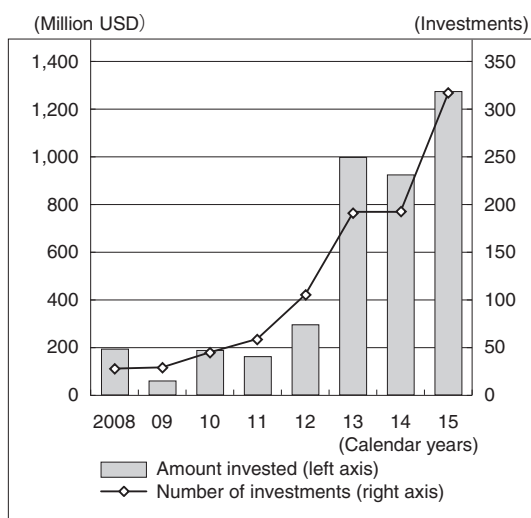
(1) Startup Boom in Southeast Asia

While there is no universally accepted definition of the word “startup”, Paul Graham, the prominent American venture capitalist and entrepreneur who founded Y Combinator, defines it as “a company designed to grow fast.”⁽¹⁾ Mr. Graham has also stated that “fast growth” here does not imply that a specific threshold needs to be exceeded, but rather that an entrepreneur has made an expression of intent. We will use Mr. Graham’s definition of a startup throughout this article.

Southeast Asia is currently seeing an upsurge in the number of startups. While the number is still low by world standards, the current uptrend is remarkable when compared with the low level of activity in the past. This trend is also attracting interest from venture capitalists, and in 2015 venture capital investment in Southeast Asia amounted to almost US\$1.3 billion (Fig. 1). While this represents just 1% of world venture capital investment (Fig. 2), Southeast Asia’s total is already higher than Japan’s figure of ¥73.8 billion (approximately US\$610 million).

One reason for the boom in startup launches in Southeast Asia is the expansion of business opportunities in the region for several reasons. First, steady economic growth is boosting consumer purchasing power, leading to the emergence of a middle class. Second, the rapid spread of the Internet and smartphones has been accompanied by an increase in related business demand. Third, there are still many social and economic issues in this region, which mean that there are also business opportunities relating to the solution of those issues. The fact that the number of existing players is still low is providing additional impetus for

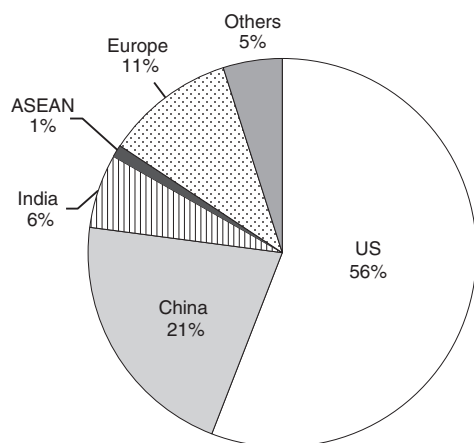
Fig. 1 Venture Capital Investments in ASEAN



Notes: The figures do not include add-ons, subsidies, mergers, share purchases via stock markets, or venture debt.

Source: Preqin Private Equity Online (<https://www.preqin.com/docs/reports/Preqin-Private-Equity-SVCA-April-2016.pdf>, accessed on May 23, 2016)

Fig. 2 Country/Region Shares of World Venture Capital Investment (2015)



Source: KPMG, CB Insights, "Venture Pulse Q4 2015," January 19, 2016

the entry of startups. Another significant factor is the increasing number of young people studying abroad such as in the United States, who have experienced the startup culture and seen convenient products and services that are not available at home. There are countless examples of these people returning to their home countries to launch startups.

Not only are local people launching startups

in Southeast Asia. There has been an increase in the mobility of people within and beyond the region, and an open culture without reference to nationality or ethnicity is starting to form, especially among the highly educated in urban areas. This pattern is emerging not only in Singapore and Malaysia, which have always been multi-ethnic countries, but also in other Southeast Asian countries. Another consequence is the increasing use of English as the *lingua Franca* for business, with the result that language barriers have been significantly reduced. This tendency is especially marked among engineers and other professionals working in Internet-related areas, who need to learn English since most of the latest knowledge originates from the U.S.

In addition to this global environment, another source of impetus for startups by foreigners in Southeast Asia is the fact that foreigners tend to notice business opportunities relating to problems that local people may have not noticed, or local products and services that are available in their home countries but not in the host countries. Some of those foreigners are Japanese, although this number is relatively small.

(2) The Presence of Japanese Startups

If we look not just at startups but at all new companies established, we find that Japanese entrepreneurs have been setting up businesses in Southeast Asia for quite a while. However, a significant feature of recent trends is the fact that the customer profiles targeted are broader than in the past.

In the past, Japanese businesses launched in Southeast Asia mostly catered to Japanese residents and Japanese-owned companies. Examples include grocery stores catering to Japanese expatriates and their families, as well as legal and accounting firms providing services for Japanese companies. This was a reflection of the small size of local markets. Over the past decade, however, sustained economic growth and the resulting rise in purchasing power have led to the emergence of

startups targeting local markets.

In recent years the range of businesses targeting local markets has expanded considerably. While most companies are committed to doing business with local customers in the areas where they were established, we are also seeing the emergence of companies that strive to expand their customer bases nationwide or across Southeast Asia or Asia as a whole. Based on the definition cited earlier, these companies can be called “startups” in the sense that they are committed to rapid growth. Reasons for this include the dramatic reduction of business development costs and geographical constraints due to advances in digital technology.

Startup ecosystems in Southeast Asian countries other than Singapore are still clearly inferior to the environment in Japan. Like other foreign entrepreneurs, Japanese entrepreneurs are establishing startups in Southeast Asia despite this disadvantage because of their awareness of expanding business opportunities in the region, together with the fact that Southeast Asia is more advantageous than Japan in two respects: business growth poten-

tial, and regulatory systems and vested interests.

2. Characteristics of Japanese Startups

(1) Four Categories, Based on Relationship to Japan

Japanese startups can be divided into four categories in terms of their plans to achieve rapid growth while interacting with Japan, including Japanese companies and individuals. First, there are startups designed to use Japan as a stepping-stone to local growth. Second, there are startups that aim to act as a bridge between Japan and local markets. Third, there are startups committed to local growth without reference to Japan. Fourth, there are startups that focus on growth on a global basis, including Japan (Table 1).

Table 1 Categorization of Main Japanese Startups in Southeast Asia

Type	Company	Head Office	Main Areas of Activity	Business Activities
① Growth by using Japan as a stepping-stone	TalentEx Pte. Ltd.	Singapore	Thailand	On-line recruitment
	Empag Pte. Ltd.	Singapore	Thailand	Home delivery of vegetables sourced directly from growers
	HubAsia Co., Ltd.	Thailand	Thailand	Business matching for companies in Thailand
② Growth by acting as a bridge between Japan and local markets	HIPSTORES Pte. Ltd.	Singapore	Thailand, Taiwan, Vietnam, Japan	Operation of e-commerce and cross-border influencer marketing platforms
	BuzzCommerce Pte. Ltd.	Singapore	Thailand, Japan, China, Taiwan	Cross-border promotion/e-commerce for cosmetics and health foods
③ Growth in local markets without reference to Japan	Pricebook Co., Ltd.	Japan	Indonesia	Operation of electrical appliance price comparison site
	VIP Plaza International Pte. Ltd.	Singapore	Indonesia, Malaysia	Operation of fashion flash sale site
	Spicy Cinnamon Pte. Ltd.	Singapore	Vietnam, Taiwan	Provision of smartphone chat apps
	YOYO Holdings Pte. Ltd.	Singapore	Philippines	Provision of apps for free mobile Internet use
	Omise Holdings Pte. Ltd.	Singapore	Thailand, Japan, Singapore, Indonesia, Malaysia	On-line payment services
	BuzzElement Sdn. Bhd.	Malaysia	Malaysia	Operation of O2O platform using positioning data
④ Growth on a global basis, including Japan	Astroscale Pte. Ltd.	Singapore	Singapore	Space debris cleaning
	Newlegacy Hospitality Pte. Ltd.	Singapore	Thailand	Hotel operation

Notes: Omise has recently become a Category ② company (Growth by acting as a bridge between Japan and local markets) in addition to Category ③.

Source: Compiled by JRI based on documentation and interviews with business owners

Startups in the first category try to use Japan as a stepping-stone to local growth by stabilizing their business bases through transactions with local Japanese-owned companies and Japanese expatriates, while laying foundations for growth in local markets. These companies find it easier to attract customers among Japanese-owned companies than in the local business community, especially in business-to-business (B2B) markets. This is because the ability to do business with people that speak Japanese and understand Japanese business practices is extremely valuable to Japanese companies. However, total reliance on Japanese-owned companies limits the size of a company's customer base, thereby reducing the scope for growth. The strategy of securing sufficient earnings for survival by building relationships with Japanese corporate customers while committing to the development of local markets is probably the most logical choice for a Japanese startup.

One of the startups in this category is TalentEx (Case Study 1), an online recruitment business operating in Thailand. With a recruitment website specializing in Japanese-speaking personnel as its cash cow, TalentEx is better able to operate a recruiting website for Thai people. This company also recently developed the capability to provide personnel management services on a SaaS basis. Another example of this type of startup is Empag (Case Study 2). Since February 2016, this company has operated a vegetable home delivery service in Thailand using produce sourced directly from growers. Empag was quickly able to build a customer base among local Japanese companies and expatriates, and at present aims to step up its efforts to attract Thai customers. Another business that can be included in this category is portal site B-Search, which was established in June 2016 by Hubasia, in collaboration with DTK AD. B-Search provides business matching services in Thailand, targeting both local and Japanese companies as customers. Initially it launched its website in Japanese to target Japanese customers, followed by the launch of a Thai-language version the next month.

The second category consists of startups that aim to achieve growth by acting as a bridge between Japan and local markets. The main activity

of companies in this category is to help Japanese companies to develop markets in Southeast Asia. In addition to their detailed knowledge of local markets and regulations in Southeast Asia, these companies also have their own networks. Another advantage is their ability to speak Japanese and understand Japanese business practices. However, serving Japanese companies alone are not enough to build client bases and ensure rapid growth. That is why many startups in this category do not limit themselves to the bridging between Japan and local markets. One example of this is HIPSTORES (Case Study 3), founded by Hiroyuki Okamoto. HIPSTORES operates a cross-border influencer marketing platform, "Withfluence". In addition to Japanese companies, it has also built a track record of business transactions with companies in Thailand, China, and several Eastern European countries. Another example is Buzz Commerce, which engages in cross-border promotion of food, including health foods, and cosmetics. It is engaged in on-line word-of-mouth marketing and cross-border e-commerce, including not only flows of goods from Japan to Thailand, but also two-way trading between Japan and Thailand, as well as between Thailand and China. Buzz Commerce is now working alongside the Ministry of Science and Technology of Thailand to expand sales channels for highly value-added Thai-made health foods by using the Internet to market the products in Japan and China.

Startups in the third category are committed to local growth without reference to Japan, based on the perception that rapid growth can be achieved by focusing on local market development in the countries where they are based. While these startups may receive financing from Japanese investors, they do not feel the need to maintain a relationship with Japan, or with local Japanese companies. Startups in this category are often business-to-consumer (B2C) industries targeting local customers. Examples include Pricebook (Case Study 4), which operates a price comparison website for home appliances in Indonesia, VIP Plaza (Case Study 5), which operates a fashion flash sale website, also in Indonesia, BuzzElement, which provides an online-to-offline (O2O) plat-

form utilizing positioning data in Malaysian shopping malls, and Spicy Cinnamon (“Cinnamon”), which offers smartphone applications in Asia. There are also a number of business-to-business (B2B) startups scattered across Southeast Asia, such as Omise (Case Study 6), which is involved in online payment services for local companies, and YOYO Holdings, which provides free mobile Internet apps in Southeast Asia.

Pricebook’s founder, Tomonori Tsuji, clearly asserts that his startup is a local company that just happens to be run by a Japanese person. VIP Plaza’s founder, Tesong Kim, says that the nationality of a corporate client is irrelevant, and that to focus exclusively on Japanese companies would limit the scope of his business.

The fourth category consists of startups that aim to achieve growth on a global basis, including Japan, by targeting global markets, rather than just Southeast Asia or Japan. A good example of this type of startup is Astroscale. Astroscale is a R&D startup that plans to carry out projects to clean up space debris. Potential customers include related government agencies in countries that have active space development programs, such as the United States, Russia and China. Astroscale’s founder, Mitsunobu Okada, decided to base his company in Singapore, in part because he was living in Singapore at the time, but also because Singapore is strongly committed to political neutrality and is equally friendly with the United States, Russia and China. Another factor was easy access to the three aerospace giants Airbus, Boeing and Lockheed Martin, which all have offices in Singapore. Other advantages include the availability of talented people from around the world, and support provided by the Singaporean government⁽²⁾. Another startup in this category is Newlegacy Hospitality (Case Study 7), which has opened a hotel in Thailand and has plans to open more hotels throughout Southeast Asia and South Asia. Its potential customers are tourists from around the world, including Japan.

These four categories are intended only as general groupings, and not all startups will fit neatly into one or another of them. For example, Omise has been placed in the third category, which con-

sists of startups committed to local growth without reference to Japan. However, because Omise has recently begun providing online payment services for Japanese companies entering Southeast Asia as well as operating solely in Japan, it is evolving into a hybrid type that fits both the second category (acting as a bridge between Japan and local markets) and the fourth (operate globally).

(2) Most Startups Based in Singapore

Many of the startups in Southeast Asia, including those established by Japanese, are based in Singapore. For a number of reasons, other Southeast Asian countries do not always provide environments in which companies and investors can operate with confidence. Legal systems may not be well developed, and even where legal systems are in place, they are often not administered efficiently. Also, the rights of investors are not always adequately protected. In contrast, Singapore offers many important advantages. It already has world-class business and investment infrastructure, and companies can be established quickly and at low costs. In addition, regulations concerning foreign investment are extremely liberal, money can be remitted overseas easily, and the corporate tax rate is low. Singapore also provides concentrated access to information concerning Southeast Asian countries. A wide range of professionals are available, and all corporate documents are created in English. The fact that documents are in English is a very important advantage for startups that aim to raise funds from foreign investors or sell to foreign companies.

Many of the startups discussed in this article have located their head offices in Singapore (Table 1 above). When asked about his reasons for doing this, HIPSTORES founder Hiroyuki Okamoto explained that it was easier to implement capital policies as well as easy access to funds from investors. He also mentioned the low corporate tax rate in Singapore. Omise founder Jun Hasegawa said that Singapore was the obvious choice when taxation and legal systems were tak-

en into account. The founder of Cinnamon, Miku Hirano, explained that it was easy for foreigners to establish companies from a legal perspective, and that because all contracts were written in English, there were no exit barriers. Tesong Kim originally based VIP Plaza in Indonesia, but he found that it took a long time to obtain approval for investment from overseas venture capital firms, and that there was also a risk that applications might simply be rejected after long delays. He therefore relocated his company to Singapore, where there are no such problems.

Pricebook's head office was established in Japan. This decision was influenced by the fact that the company received investment funds from a Japanese venture capital firm when it was first established. When asked why he chose not to base Pricebook in Indonesia, Tomonori Tsuji pointed to the obstacles relating to time, money, legal affairs, and country risk.

(3) Young and Bright Founders

We will next look at the characteristics of the Japanese individuals who have launched startups in Southeast Asia. Like people who launch startups in Japan, they tend to be very positive and full of energy and ambition. They are all talented young individuals, and many are graduates from top-notch universities. Background factors that have led to the emergence of these people are not limited to the fact that psychological barriers to moving overseas are lower than in the past as a result of globalization. In addition, many people feel increasingly stifled both economically and socially in Japan. There has also been a shift away from the traditional pattern of joining a Japanese company immediately after graduating from university and working for that company until retirement. Moreover, many people feel frustrated by the management style of Japanese companies, especially the systems of promotion based on years of service.

TalentEx founder Yojiro Koshi believes that even large companies are no longer immune from

the risk of bankruptcy, and that rather than staying with one company, it is safer to start one's own company and survive through one's own efforts. Another young person joined a major trading company but found that it would take too long to reach a position with a certain level of responsibility. He became concerned about the risk that he would be unable to develop his skills adequately while waiting for promotion, and so he resigned and established a startup in Southeast Asia.

Many of the Japanese who found startups in Southeast Asia have previously had some form of involvement with other countries. Some are the children of former expatriates who have returned to Japan, while others have studied or worked overseas. There are also people who have worked for foreign-owned companies in Japan. Conversely, people who have a strong entrepreneurial spirit but have absolutely no previous involvement with overseas countries are unlikely to consider starting a business overseas. Even if they do consider such a step, they would probably be unable to act on it because of concerns about lifestyles and languages.

3. Advantages of Startups

(1) Commitment to Localization

We will temporarily leave the topic of Japanese startups in order to examine startups in general and the significance of their presence in Southeast Asia.

One characteristic of startups in Southeast Asia is that there are few R&D-type companies at present, although there are some exceptions, such as the space debris removal business Astroscale. The main reason for this is that Southeast Asia's R&D infrastructure is still weak, with the result that those wishing to launch this type of startup are more likely to choose the United States or Japan. Many of the startups in Southeast Asia instead use a business model that can be likened to a time

machine, in the sense that they introduce and deploy business models that have proved successful in more developed countries. There are still many areas of business that are already well-established in developed countries but as yet uncommon in Southeast Asia.

Of course, these startups do not simply introduce business models from developed countries completely unchanged. Instead they make significant modifications based on local conditions. Basically, anyone can use a simple “time machine” approach to business, which means that global enterprises with strong market recognition and substantial financial resources are at an advantage. Startups lack these resources but can partially offset this disadvantage by making effective use of digital technologies, such as the Internet and social media. Even more important, however, is the provision of added value. One effective tool for that purpose is localization. Major global companies commonly expect local people to adapt to their ways, whereas startups try to adopt local ways and adjust their approach to the local environment. In addition, because startups are able to make decisions quickly and are extremely flexible, they can quickly fine-tune their activities according to local conditions.

Localization can be a powerful tool for coping with the many challenges that arise in Southeast Asia. Companies that can move quickly to establish business infrastructure adapted to local conditions in Southeast Asian countries can become competitive enough to prevent inroads by late-comers, even major global corporations.

In this sense, it would be wrong to conclude that startups in Southeast Asia are not innovative. Innovation can be defined as “the creation of value in new ways.” In this context, “new ways” encompasses not only technologies, but also ideas and processes. Most startups in Southeast Asia have not created revolutionary technologies but have rather taken existing business models and tailored them to local circumstances by adding new ideas. Through this process, products and services evolve in unique ways, resulting in the provision of new value that is not simply the result of copying from developed countries. In other words, this

approach leads to innovation.

(2) Full Utilization of Local Resources

We will now return to the topic of Japanese startups. Given the importance of localization for startups, have Japanese startups been disadvantaged by the fact that their founders are foreigners? One effective way to mitigate such disadvantages is to bring in local people as executives and staff. In other words, the keys to successful localization are to utilize local people as effectively as possible, and to absorb as much knowledge as possible from them.

Some Japanese startups in Southeast Asia have local people as co-founders. There are also companies that have mainly local workforces, and while they employ foreigners from neighboring countries, they have almost no Japanese employees. Although startups may be forced to take this approach to minimize labor costs, it has also proven to be a very effective means of achieving localization. In addition, local people are more likely to act on their own initiative if a company has mainly local staff. This aspect helps to foster independent behavior. If a Japanese startup has multiple Japanese employees, and if those people hold important posts, local employees may see themselves as mere hirelings and will be discouraged from acting independently. However, employees will not automatically start to take the initiative simply because a company has a mainly local workforce. They need to be encouraged in that direction.

Basically, a startup needs to approach its business activities as a collaborative effort by founders and employees working together as a united team. At the recruitment stage, this requires the selection of people who can share the company’s philosophy and goals. After recruitment, it is essential to maintain close communications with these people.

Instead of requiring local employees to comply with all aspects of Japanese business methods, startups need to learn local methods and incorporate them into their human resource management.

At the same time, things that are not negotiable must be clearly identified, and all staff must be fully aware of them. Many Japanese entrepreneurs struggle to achieve this balance.

4. Implications of Japanese Startups

(1) A New Stage in Japan's Interactions with Southeast Asia

The emergence of Japanese startups in Southeast Asia has major implications, specifically in relation to the following two factors. First, the startups are indicative of a new stage in Japan's interactions with Southeast Asia. Second, they could signal the emergence of a new demographic among Japanese youth.

What are the specific signs of a new phase in Japan's new interactions with Southeast Asia⁽³⁾? The fact that Japanese entrepreneurs have chosen to establish startups in Southeast Asia indicates that the region has achieved a certain level of maturity, both in terms of markets, and also economically and socially. As stated previously, a startup is a company established with the aim of achieving rapid growth. An environment in which rapid growth can be achieved must have a number of characteristics. First, there must be a customer base made up of people whose income level allows them to afford the products and services offered by the company. Second, there must be access to digital technology, such as the Internet and social media, to offset a lack of recognition and capital. Third, there must be sources of finance to support a business started from scratch until it becomes self-sufficient. Companies established for reasons other than rapid growth can be started up in locations where these requirements are unavailable, but such locations would be challenging for startups. The emergence of startups in Southeast Asia can be seen as a sign that the region has reached a stage of development at which regional

markets, economies, and societies are able to provide the necessary environment.

From the Japanese side, Southeast Asia was traditionally been seen as an export production base with access to low-cost labor, and most Japanese companies moving into the region were manufacturers. As the region's importance as a market grew, the influx of manufacturers accelerated, with more and more manufacturers establishing production operations to supply local markets. In the 2000s, there was a conspicuous increase in the establishment of non-manufacturing operations, including GMS outlets, supermarkets, convenience stores, and restaurant chains. The objectives of individuals who moved to Southeast Asia during this period were employment with Japanese-owned companies, or the establishment of self-employed businesses or small and medium enterprises (SMEs) for which rapid growth was not an absolute priority. More recently, however, individuals have started to move to Southeast Asia with the aim of establishing startups. We are now seeing a totally new way of engaging with the region. People from Japan are moving to Southeast Asia with the aim of making their mark in some way in their host countries without being confined to specific industries, and as individuals rather than as companies. This pattern reflects the expansion and deepening of Southeast Asian markets, as well as the spread of the Internet and social media, which have created fertile soil for startups capable of using these resources.

The emergence of Japanese startups in Southeast Asia signals a new stage in the region's economic development. It is also indicative of the formation of a new layer in Japan's interaction with Southeast Asia. This change is likely to lead to the formation of a deeper and more stratified relationship between Japan and Southeast Asia.

(2) Emergence of a New Youth Demographic

A second reason for the significance of Japanese startups in Southeast Asia is the fact that they

could indicate the emergence of a new youth demographic in Japan. In the past, talented young Japanese with a strong sense of independence and a determination to get ahead would seek employment with foreign-owned companies that had strict policies of promotion based on ability, or they would switch to such companies mid-career. In recent years, young people of this type have had the additional option of starting up their own companies, not only in Japan, but also overseas, and especially in Southeast Asia. Most of these people are neither eccentric nor unconventional and are fully capable of adapting to the Japanese social environment. While they appear ordinary, however, they have a strong sense of challenge and are willing to go overseas to fulfill their ambitious aspirations.

Recently there has been frequent discussion about the introverted personalities of young Japanese and their preference for stability. However, talented and dynamic young people with the opposite values are emerging, albeit in small numbers, from the shadow of this stereotype.

The achievements of these young people in Southeast Asia are expected to have a positive influence on the entrepreneurial environment in Japan. Although entrepreneurial activity among young Japanese is increasing, the number of young entrepreneurs is still small in absolute terms. In addition, the value that society places on entrepreneurship is still not especially high.

One key to the improvement of the entrepreneurial environment in Japan would be growth in the number of successful entrepreneurs. Japan is already producing entrepreneurs, but if the numbers can be increased so that they are no longer perceived as peculiar, but rather as a familiar presence, young people will start to look up to them. As opportunities to engage in entrepreneurial activities expand, society is also likely to view such activities more positively. If entrepreneurs who have succeeded in Southeast Asia can become role models, this would lead not only to the improvement of the entrepreneurial environment in Japan, but also an increase in the number of young people who go overseas. Changes such as these would eventually break down the aforementioned

stereotype of Japanese youth.

The fact that talented and independent young people with a strong determination to improve themselves are moving to Southeast Asia must also be seen as an indication that employment with Japanese companies is relatively unattractive to them. Of course, some of these people have a strong sense of independence and would rather start up their organizations through their own efforts than work within existing organizations. However, there are also some who reject employment with Japanese companies due to the lack of opportunities to develop their own capabilities and skills. For example, promotion in Japanese companies is slow, and it takes many years to reach a position of responsibility. They are aggressive people, and they are people with the potential to succeed on a global level.

Innovation and globalization are essential to the sustainable growth of the Japanese economy going forward. These people can play a key role in these processes, and Japan as a whole will suffer a major loss unless Japanese companies provide places for them.

Because of the emphasis on homogeneity, Japanese companies, and Japanese society in general, have not always been welcoming to people of this type. The time has come to think about what is needed to allow those people to achieve their full potential, and to take action.

II. Case Studies

1. TalentEx

Type 1: Using Japan as a stepping-stone to local growth (Fig. 3)

Yojiro Koshi noticed that on-line recruitment, which is already commonplace in developed countries, was still in its infancy in Thailand. In 2014 he co-founded the Singapore-based company TalentEx with Miwa Iwasaki. Mr. Koshi had previous experience in human resource recruitment when

Fig. 3 Profile of TalentX

—Company name— TalentEx Pte. Ltd.
—Business activities— Operation of “JobTalents” and “WakuWaku” on-line recruitment sites Operation of “HappyHR”, a SaaS-type human resource management system
—Year established (Head Office)— 2013 (Singapore)
—Main area of activity— Thailand
—Owners— Yojiro Koshi (co-founder, CEO)
—Co-founder— Miwa Iwasaki (CTO)
—Summary of owner’s CV— · Born in Tokyo in 1984 · Childhood in the United States · Joined JMA Consultants after graduating from the University of Tokyo (Faculty of Letters) in 2009 · Joined Nobot (now Mediba) in 2011 · Involved in establishment of Mediba’s office in Thailand · Left Mediba in 2013 Established TalentEx in October 2013
—Investors— · Moo Nattavudh, Co-founder and CEO, Ookbee · Charn Polapat, Co-founder, Ookbee · Joe Sangboon, Co-founder, Ookbee

Source: Compiled by JRI based on documentation and interviews with business owners

in charge of the establishment of the Thai office of mediba, a KDDI subsidiary. That work gave him a first-hand understanding of the numerous difficulties involved in hiring personnel in Thailand. Specifically, there are few companies in this area of business in Thailand. Screening processes are inadequate, with the result that employers are forced to deal with applicants who are unsuitable for the positions offered. Charges are levied for the advertising of vacancies, and employers incur expenses even if they cannot find people to hire. In some cases, applicants are unable to obtain sufficient information about prospective employers and are not even aware of the business activities of the companies to which they are applying.

TalentEx began to operate a recruitment site called “JobTalents” for Thai IT workers. Features of this site include a wider range of information about companies seeking workers, enhanced placement accuracy, such as the use of skill tests to screen applicants, and the distribution of vacancy information using Facebook and LINE. The site also offers a low-cost service, since users pay only for successful placements. The company

achieved profitability on a monthly basis a year after its launch. As Mr. Koshi ran the business, however, he became aware that doing business with Japanese-owned companies offered a short-cut to strengthen its income base. In 2015, he added a new recruitment site, “WakuWaku”, specializing in people with experience of study in Japan and graduates of Japanese courses at Thai universities. “WakuWaku” is now used by over 400 Japanese-owned companies including a number of large corporations. “WakuWaku” has contributed significantly to the stability of the company’s income base, while expanding the company’s freedom to develop the local market.

TalentEx also responded to the lack of fully developed human resources management systems in Thailand. In the summer of 2016, it launched “HappyHR”, a human resource management service based on the SaaS⁽⁴⁾ concept. “HappyHR” is targeted primarily toward local companies. In addition to providing wage-related services, including automatic wage calculation and payment, the system also offers welfare services, such as insurance and loans for employees. Once “HappyHR” is operating successfully in Thailand, TalentEx aims to expand the system across the whole of Southeast Asia.

2. Empag

Type 1: Using Japan as a stepping-stone to local growth (Fig. 4)

Co-founded by Yusuke Saito and Masaru Ishizaki in 2014, the Singapore-based company Empag operates “Emfresh”, a vegetable home delivery service using produce sourced directly from growers. Emfresh was launched in Thailand in February 2016. There are a number of problems in this area in Thailand. First, unnecessary transaction costs are incurred due to the many intermediaries between producers and consumers. Second, cold chains (refrigerated distribution systems) are not fully developed in Thailand, and there are many open-air markets, which means that it is difficult to keep produce fresh until it reaches the con-

Fig. 4 Profile of Empag

—Company name— Empag Pte. Ltd.
—Business activities— Operation of “Emfresh” grower-to-household vegetable delivery service
—Year established (Head Office)— 2014 (Singapore)
—Main areas of activity— Thailand
—Owners— Yusuke Saito (co-founder, CEO)
—Co-founder— Masaru Ishizaki (COO)
—Summary of owner’s CV— · Born in 1987 · Completed postgraduate international program in agriculture at the University of Tokyo (Co-founded Manabo, an educational startup in 2012 while completing postgraduate studies) · Joined A.T. Kearney in 2013 · Left A.T. Kearney in 2014 · Established Empag in June 2014 · Active initially in Singapore and Cambodia, now in Thailand
—Investors— · REAPRA

Source: Compiled by JRI based on documentation and interviews with business owners

sumer. Third, although Thailand has food safety regulations, compliance is not consistently enforced. At a time when awareness of food safety is growing in Thailand, Empag’s founders hatched the idea of supplying consumers with fresh, safe vegetables by sourcing produce from contracted growers with high quality standards, and delivering it directly to customers at their homes or offices. The company quickly succeeded in building a customer base among Japanese-owned companies and Japanese expatriates. It is now working to strengthen that customer base, while also approaching Thai companies and households.

This business opportunity was not the sole reason for Mr. Saito’s establishment of the Empag vegetable delivery service. A more important motivation was his desire to contribute to the development of agriculture in Southeast Asia. In this sense, Empag is a socially responsible company focused on the solution of social problems. Its avowed mission is to create innovation and contribute to progress in the globally important areas of agriculture and food⁽⁵⁾. In many Asian countries, people working in agriculture are still unable to enjoy the full benefits of new technology, and their living standards are low. Empag is deter-

mined to play a role in the solution of this problem. Mr. Saito observed the poverty of farmers at first-hand while working as an intern in India during his postgraduate studies. He became determined to work in some way to improve their lives.

When Empag was first established, Mr. Saito set up the business in Cambodia and began to provide a crop harvesting service there. However, the business subsequently foundered as the demand for harvesting services dwindled due to drought-related crop failures and the rapid spread of agricultural machinery. He then moved the business to Thailand and launched “Emfresh”, initially with the goal of reforming distribution systems. Through “Emfresh”, Empag aims to create a sales channel for Thailand’s best farmers. It also wants to improve farm incomes by reducing the involvement of intermediaries. These are expected to result in the development of a new agricultural value chain in Thailand.

3. HIPSTORES

Type 2: Achievement of growth by acting as a bridge between Japan and local markets (Fig. 5)

HIPSTORES Pte. Ltd., the Singapore-based company that operates the “HIPSTORES” e-commerce platform, was founded in 2015 by Hiroyuki Okamoto and two co-founders: Keiichi Honma (CTO), and Sirintra Leenutaphong of Thailand (COO). As part of the set-up process, the founders obtained BOI registration.

By using “HIPSTORES”, a person wishing to engage in e-commerce can easily create an on-line store with one click and without the need to log-in. The main targets are small merchants and individual traders. Thailand has many on-line store creation services catering to these groups, but there are various problems, including a limited degree of freedom, and outmoded designs. This situation inspired Mr. Okamoto to establish HIPSTORES.

Before establishing HIPSTORES, Mr. Okamoto was in charge of overseas business development

Fig. 5 Profile of HIPSTORES

—Company name—	HIPSTORES Pte. Ltd.
—Business activities—	Operation of “HIPSTORES” e-commerce platform and “Withfluence” cross-border influencer marketing platform
—Year established (Head Office)—	2015 (Singapore)
—Main areas of activity—	Thailand, Taiwan, Vietnam, Japan
—Owners—	Hiroyuki Okamoto, (co-founder, CEO)
—Co-founders—	Keiichi Honma (CTO) Sirintra Leenutaphong, COO
—Summary of owner’s CV—	<ul style="list-style-type: none"> · Born in Aichi Prefecture in 1984 · Entered acoustic engineering college in 2003 · Internship followed by full-time employment in marketing and sales with Behringer Japan in 2004 · Launch of Japanese subsidiary of Mezi Media, Inc. (U.S., now Value Click Brands, Inc.) in 2005 · Moved to IREP Co., Ltd. in 2006 to work in overseas business development and R&D · Graduated in management studies from Aoyama Gakuin University in 2010 · Moved to Vietnam and established Sunrise Advertising Solutions in 2010 · Established HIPSTORES in Thailand and Singapore in 2015 · Established Withfluence, Inc. in Japan in 2016
—Investors—	Owners, Digital Garage, angel investors

Source: Compiled by JRI based on documentation and interviews with business owners

for a digital marketing agency in Tokyo. He subsequently co-founded Sunrise Advertising Solutions to distribute newsletters to Japanese expatriates in Vietnam. He moved to Thailand in search of bigger challenges. In 2016, he launched “Withfluence” in Thailand and Japan as a cross-border influencer marketing platform focusing mainly on Asia. At the same time he established Withfluence, Inc. in Tokyo.

Influencer marketing is a marketing method that uses highly influential people (influencers) in specific communities and segments to introduce products and services and disseminate positive messages on social media, such as Facebook, Instagram, and YouTube. Influencers have a particularly strong influence on the consumption behavior of young people, and the method is attracting worldwide interest as an approach that is more effective than traditional advertising. Management of “Withfluence”, recruitment of influencers, and marketing support are handled in Thailand by HIPSTORES, and development and supply opera-

tions by Withfluence, Inc. in Japan.

Mr. Okamoto launched “Withfluence” after perceiving business opportunities based on two factors. First, marketing in Asia is difficult for foreign companies because of language and preference differences in each country. Second, influencers are becoming increasingly significant with the spread of social media in Asia. Over 2,000 influencers are registered on the platform, and the service consists of matching influencers to the requirements and priorities of companies and other corporate customers, and running marketing campaigns. On completion of each campaign, the customer can view and analyze data based on quantitative measurements via a dashboard. The service is used by a wide range of corporate customers based in Japan, Thailand, China, Europe and elsewhere. Its track record includes a whitening lotion campaign in Southeast Asia for a Japanese cosmetics company, a campaign undertaken for a Chinese smartphone app company with the aim of expanding the business by increasing the number of installations in Southeast Asia, and a campaign for a Japanese local government to raise awareness of Japanese tourist attractions in Thailand.

4. Pricebook

Type 3: Growth in local markets without reference to Japan (Fig. 6)

Established in 2013 by Tomonori Tsuji, Pricebook Co., Ltd. has its head office in Japan. It operates “Pricebook”, a price comparison website for electrical appliances in Indonesia. Pricebook is based on the business model used by Kakaku.com, Inc., which operates the “Kakaku.com” website in Japan.

The price comparison website business model is still in its infancy in Indonesia, and there are no dominant players. Mr. Tsuji saw this situation as a business opportunity. It has since achieved steady growth thanks to user support for a number of key features. First, while most price comparison sites in Indonesia cater only to on-line stores and products, Pricebook handles both on-line and off-lines

Fig. 6 Profile of Pricebook

—Company name— Pricebook Co., Ltd.
—Business activities— Operation of “Pricebook” electrical appliance price comparison site
—Year established (Head Office)— 2013 (Japan)
—Main area of activity— Indonesia
—Owners— Tomonori Tsuji (CEO)
—Summary of owner’s CV— · Born in Osaka in 1987 · Lived in Moscow from age one to five, attended school (4th year elementary to 3rd-year junior high school) in New York · Graduated in economics from the University of Tokyo in 2011 · Joined Itokuro, Inc. (Internet advertising agency) in 2011 · Moved to a company in Singapore in 2012 · Left in 2013 · Established Pricebook in Tokyo in September 2013 · Relocated operations to Indonesia in November 2013
—Investors— · IncubateFund · Global Brain · IMJ Investment Partners · Hirokazu Mashita

Source: Compiled by JRI based on documentation and interviews with business owners

stores and products and is able to meet the needs of the many consumers who still buy electrical appliances off-line in brick-and-mortar stores. Second, detailed attention to maintenance ensures that the information provided on “Pricebook” is more accurate than on competing sites. Third, Pricebook acts as an intermediary between sellers and buyers by linking users who show interest in a particular store directly to that store if it is on-line, or enabling them to send short message service (SMS) inquiries to off-line stores.

“Pricebook” has localized itself that it is no longer similar to “Kakaku.com”. This is the result of the company’s efforts to cope with a wide range of issues that are specific to the business environment for electrical appliances in Indonesia.

First, there are no widely used common product codes in Indonesia, which means that it is essentially impossible to identify the type of product or its manufacturer mechanically. Pricebook’s comparisons are therefore based on product identification by human eye. Also, most retailers lack effective inventory management systems and are

unable to monitor stock items and quantities accurately. Because product data cannot be extracted and made available on-line, retailers are unable to attract on-line customers. Pricebook helps retailers to overcome this problem by providing them with the means to disseminate accurate and up-to-date sales data. It also helps them to improve their operating efficiency by providing support for inventory purchasing and management. In addition to using retailer networks to supply advertised products, the company has also established a new income source in the form of charges paid by retailers for the use of its system. Because most electrical appliance retailers have mall outlets rather than street-front stores, Pricebook is also building relationships with malls as part of its efforts to sign up more retailers. The company’s five sales staff report front-line information and needs that they discover to Mr. Tsuji. Mr. Tsuji plans to accelerate the development of Pricebook’s matching business, including collaboration with financial service companies and other partners to arrange credit and capital for retailers and consumers.

Pricebook is not currently interested in expansion into other Southeast Asian countries. It is more focused on becoming number one in Indonesia. This is partly because there is ample room for development in Indonesia’s vast market. Another reason is that one source of Pricebook’s competitiveness is its ability to build off-line relationships with brick-and-mortar retailers. Mr. Tsuji believes that it would be extremely costly to build those relationships from scratch in other countries.

5. VIP Plaza

Type 3: Growth in local markets without reference to Japan (Fig. 7)

Tesong Kim, a member of Japan’s Korean community, co-founded VIP Plaza International Pte. Ltd. with Yoga Sades Sugeharto and Dita Fabiola in Indonesia in 2013. The company, which is based in Singapore, operates “VIP Plaza.com”, a fashion flash sale⁽⁶⁾ website. Before establishing VIP Plaza, Mr. Kim was involved in the launch of

Fig. 7 Profile of VIP Plaza

—Company name— VIP Plaza International Pte. Ltd.
—Business activities— Operation of “VIP Plaza” fashion flash sale site
—Year established (Head Office)— 2013 (Singapore)
—Main areas of activity— Indonesia, Malaysia
—Owners— Tesong Kim (co-founder, CEO)
—Co-founders— Yoga Sades Sugeharto, COO Dita Fabiola, VP of Merchandising
—Summary of owner’s CV— · Born in Tokyo in 1985 · Graduated from Waseda University in 2008 · Joined Rakuten, Inc. in 2008 · Involved in establishment of Rakuten’s Indonesian operation in 2010 · Left Rakuten in 2013 · Established VIP Plaza in September 2013
—Investors— · CyberAgent Ventures · YJ Capital

Source: Compiled by JRI based on documentation and interviews with business owners

Rakuten’s Indonesian operation in 2010. As a result of that experience, he became aware of several factors that gave him the idea for the business. First, although many players are already jostling for position in Indonesia’s e-commerce market, the flash sale concept seen in developed countries is still new, and there is little competition. Second, as e-commerce markets in developed countries mature, fashion-related items tend to make up an increasing percentage of sales.

VIP Plaza’s slogan is “Now Everyone Can Buy”. Its strategy is to offer brand-name goods to Indonesia’s emerging middle class at affordable prices, and to attract repeat business by selling products over a limited period and constantly adding new products to its site. The success of this strategy has resulted in rapid growth, and the company now employs over 200 staff.

VIP Plaza uses Indonesian-style human resource management for its staff, who are mostly Indonesians. When Mr. Kim was setting up Rakuten’s Indonesian base, he employed the same human resource management methods as used in Rakuten’s Tokyo head office. For example, workers would be required to set targets at the start of each period and submit reports about their progress. Indonesian staff were unable to adapt to this

approach, and the staff turnover rate (resignations in that year/number of employees at the start of the year) in the first year was over 100%. As a result of this experience, Mr. Kim realized that Japanese-style methods would not work in Indonesia.

Apart from human resource management, two other key localization measures are evidence in VIP Plaza’s business operations.

First, 80% of the products sold are local brand items. VIP Plaza aims to provide fashion brands at affordable prices in Indonesia, where income levels are still low. It would not be able to sell Japanese brands, for example, given their high prices and low recognition. The priority for VIP Plaza is to supply products that Indonesians will want at low prices. That is why it sells mainly local brands.

Second, the company has adapted its logistics systems to match conditions in Indonesia. Indonesia has no high-quality courier services with nationwide networks along the lines of Yamato Transport and Sagawa in Japan. VIP Plaza therefore uses different types of home-delivery contractors according to need. For example, some contractors offer wide coverage but have only two types of services (regular and express), while others have a wide range of services but limited coverage outside of Jakarta.

One aspect that VIP Plaza has not localized is the use of cash on delivery payment, which is popular in Indonesia. This is because people who choose cash on delivery frequently refuse to accept the goods and simply return them. This situation seldom occurs in Japan, but in Indonesia the return rate with cash on delivery items can be as high as 40%. VIP Plaza has decided not to provide this service, which it sees as obstacle to profitability.

VIP Plaza is planning to expand into other Southeast Asian countries. In 2015 it took the first step toward this goal by establishing a base in Malaysia. The company chose Malaysia as its first target for overseas expansion because of the high probability of success, based on the fact that Malaysia has well-developed infrastructure, and the fact that e-commerce is popular there.

6. Omise

Hybrid of Type 3 (growth in local markets without reference to Japan) and Type 2 (achievement of growth by acting as a bridge between Japan and local markets)

Omise Holdings Pte. Ltd. is a fintech startup based in Singapore. It provides services based on its Omise Payment settlement service, primarily in Thailand. It was co-founded in 2013 by Jun Hasegawa and Ezra Don Harinsut, who is from a Thai-New Zealand background. The two met in Tokyo, and when Mr. Harinsut returned to Thailand, Mr. Hasegawa also traveled there and set up the company with him.

Mr. Hasegawa was initially planning to launch an e-commerce platform in Thailand. However, he ran into problems when he began to set up payment functions. He found that it would take several months to create a payment system, and that even then there would be security problems. Ser-

vices that are commonplace in developed countries were not available, while the charging structures were complex and difficult to understand. Mr. Hasegawa saw this as a business opportunity. He retained “Omise” as the company name but changed its business area to payment services. “Omise Payment” was launched in January 2015.

“Omise Payment” offers a number of advantages to online merchants. First, the payment system can be introduced quickly and easily. Second, the system provides a world-class security environment that is compliant with PCI DSS and other standards. Third, there are features that enhance customer convenience, such as a one-click check-out function. Fourth, the charge structure is extremely transparent. When the business was first launched, its customers were small and medium-sized e-commerce companies in Thailand. However, in 2016 it also began to approach large corporations, including banks, airlines and telecommunications companies in an effort to speed up the growth of its turnover, and its customer base has grown to around 3,000 companies.

Omise launched a Japanese subsidiary, Omise Japan, which began to offer services in June 2016. The Japanese subsidiary offers a wide range of services, not only for companies with global operations, but also for those engaged in business operations within Japan.

Omise aims to expand throughout Southeast Asia and is currently making preparations for the introduction of its services in Singapore, Indonesia, and Malaysia. This strategy is based on the view that not only Thailand, but most other Southeast Asian countries have poor online payment environments, and that because payment systems differ from country to country even within the region, the creation of a system that can encompass of the countries would be major advantage for Omise. The company employs around 60 staff with 11 different nationalities.

Omise’s preparations for expansion throughout Southeast Asia are tempered by its awareness of the risk that competitors could easily catch up if it relies solely on its technological advantage. For that reason, the company has identified three key strengths: thorough localization in each country,

Fig. 8 Profile of Omise

—Company name— Omise Holdings Pte. Ltd.
—Business activities— Provision of “Omise Payment” on-line payment service
—Year established (Head Office)— 2013 (Singapore)
—Main areas of activity— Thailand, Japan, Singapore, Indonesia, Malaysia
—Owners— Jun Hasegawa (co-founder, CEO)
—Co-founder— Ezra Don Harinsut, COO
—Summary of owner’s CV— · Born in 1981 · Graduated from high school and traveled to the U.S. in 1999 · Established startups in the U.S. and Japan · Moved to Thailand in 2013 and established Omise in June of that year · Launched “Omise Payment” on-line payment service in 2015 · Established Japanese subsidiary, Omise Japan, in May 2016
—Investors— · East Ventures: Seed, Series A · Sinar Mas Indonesia: Series A · SMDV (Indonesia): Series A (Lead), Series B · 500 Tuk Tuk (500 Startups): Series A · Golden Gate Ventures (Singapore): Series B · Ascend Capital (Thailand): Series A · Ascent Venture Group: Series B · SBI Investment: Series B (Lead)

Source: Compiled by JRI based on documentation and interviews with business owners

powerful partners, and advanced payment technology. As far as localization is concerned, Omise aims to differentiate itself from global players, which generally specialize in credit card payments, by adapting to payment methods that are common in each country. As for partners, because the financial sector is a regulated industry, and because human networking (the “know who” factor) is vital in Southeast Asia, Omise is building partnerships with companies in major conglomerates that are influential in the host countries.

In July 2016, Omise raised capital totaling \$17.5 million (approximately ¥1.75 billion) with SBI, a subsidiary of SBI Holdings, as the lead investor. This brought the total amount of capital raised since the founding of Omise to over \$25 million (approximately ¥2.5 billion), which is one of the highest figures for any fintech startup in Southeast Asia⁽⁷⁾.

7. NewLegacy Hospitality

Type 4: Global growth, including Japan (Fig. 9)

NewLegacy Hospitality was founded in 2015 by Rei Matsuda. In 2016 it opened Kokotel, a hotel in Thailand. Japan offers a wide selection of hotels to suit every budget, and even relatively low-priced hotels provide a certain standard of service. However, while Southeast Asia has luxury hotels and low-priced youth hostels, between these two extremes there are few economy hotels offering safe, comfortable accommodation at reasonable prices. Kokotel aims to fill this vacuum. The rapid growth achieved by economy hotels in China provided additional impetus for the establishment of the company.

After deciding that he wanted to go into the hotel business, Mr. Matsuda obtained a joint degree in hotel management at Cornell University in the United States and Nanyang Technological University in Singapore. He searched for opportunities while working in Singapore and was eventually able to start up a business.

As he prepared to open a hotel in Thailand, Mr. Matsuda realized that hotel management text-

Fig. 9 Profile of NewLegacy Hospitality

- Company name—
NewLegacy Hospitality Pte. Ltd.
- Business activities—
Operation of Kokotel (hotel)
- Year established (Head Office)—
2015 (Singapore)
- Main areas of activity—
Thailand
- Owner—
Rei Matsuda (founder, CEO)
- Summary of owner's CV—
 - Born in 1976
 - Graduated from Keio University (Faculty of Policy Management) in 1999
 - Joined IT company in 2000
 - Joined Dream Incubator, Inc. in 2002
 - Graduated with an MBA from Imperial College London in 2008
 - Graduated in hotel management from Cornell University and Nanyang Technological University in 2009
 - Joined a Japanese-owned company in Singapore in 2009
 - Returned to Dream Incubator as Singapore corporate representative in 2011
 - Established NewLegacy Hospitality in Singapore in 2015
 - Opened first hotel, Kokotel Surawongin Bangkok in 2016
- Investors—
· REAPRA

Source: Compiled by JRI based on documentation and interviews with business owners

books from the West were not relevant to the situation there. For example, the rental approach is rarely used in the Western hotel industry because of the relatively high risks involved. In Thailand, however, the construction of buildings above a certain size takes a long time, in part because of the approval process. Speed was a priority for Mr. Matsuda as he prepared to open Kokotel, so he decided to rent an existing building and refit it as a hotel.

Mr. Matsuda's ambitions are not limited to the establishment of a single hotel. He wants to transform the hotel industry in Southeast Asia, including its power structures, by opening 80 hotels in Thailand and neighboring countries by 2021, and by expanding the chain to 1,000 hotels throughout Southeast and South Asia by 2026.

End Notes

1. Paul Graham's website (<http://www.paulgraham.com/growth.html>), accessed May 30, 2016
2. "Astroscale: The space sweepers in Singapore," *Metaplaneta*, August 11, 2015 (<http://www.metaplaneta-sg.com/astroscale/>). Accessed June 16, 2016
3. I received valuable insights on this aspect from my colleague, Keiichiro Oizumi, Senior Economist of Japan Research Institute.
4. Software as a Service (SaaS) is a type of software, or a way of using software, that allows users to access the functions they need as and when they need them.
5. Empag website (<http://jp.empag.sg/>), accessed September 8, 2016
6. This is a sales method involving sales of products at discounted prices or with coupons over a limited period.
7. *Nihon kara Ajia e, Onrain Kessai no Omise ga 1750 Man-doru (yaku 17.5 Oku-en) Chotatsu, Tonan'ajia Chiiki no Fintekku Saidai Kibo Chotatsu-gaku ni* [From Japan to Asia—On-line payment company Omise raises \$17.5 million (about ¥1.75 billion), the biggest amount for a fintech company in Southeast Asia], *The Bridge*, July 21, 2016 (<http://thebridge.jp/2016/07/online-payment-omise-raised-17-5m-to-expand-sea>), accessed on August 29, 2016)

Interviewees, Interview Dates

◎ Japanese Startups

- Astroscale Pte. Ltd.
Mr. Yasunori Yamazaki (Head of Brand Management),
June 23, 2016
- Empag Pte. Ltd.
Mr. Yusuke Saito (CEO and Co-founder), Mr. Masaru
Ishizaki (COO and Co-founder), July 26, 2016
- HIPSTORES Pte. Ltd.
Mr. Hiroyuki Okamoto (Co-founder, CEO), July 22,
2016
- HubAsia Co., Ltd.
Mr. Kazuki Kamiya (CEO), July 29, 2016
- Newlegacy Hospitality Pte. Ltd.
Mr. Rei Matsuda (CEO), July 26, 2016
- Omise Holdings Pte. Ltd.
Mr. Jun Hasegawa (CEO/Founder), July 28, 2016
- Pricebook Co., Ltd.
Mr. Tomonori Tsuji (CEO), August 11, 2016
- Spicy Cinnamon Pte. Ltd.
Ms. Miku Hirano (CEO), August 8, 2016
- TalentEx Pte. Ltd.
Mr. Yojiro Koshi (Founder & CEO), July 29, 2016
- VIP Plaza International Pte. Ltd.
Mr. Tesong Kim (Co-founder & CEO), August 11, 2016

◎ Investors

- Mr. Yorihiro Kato (investor, industrialist), July 8, 2016
- Mr. Takeo Matsuda (CFO, REAPRA Pte. Ltd.), August
12, 2016

◎ Others

- Business Pixel Sdn. Bhd.
Mr. Naoe Miyata (Business Development Manager,
ServisHero, CEO and Co-Founder, Coin Back), July 28,
2016
- CrossCoop Singapore Pte. Ltd.
Mr. Motofumi Shoji (Managing Director), August 12,
2016
- Vivid Creations Pte. Ltd.
Mr. Haruyuki Ono (COO), Ms. Sawako Ishihara (Senior
Project Manager/Business Development), August 12,
2016
- Ishin Group

Mr. Tomoyoshi Akashi (Chairman & Representative Di-
rector), Mr. Michio Matsuura (Managing Director), July
5, 2016

○ Waseda University

Professor Jusuke Ikegami (Associate Professor/Senior
Researcher, WBS Research Center, Research Institute
of the Faculty of Commerce), July 1, 2016