



Estonia and Japan — together towards Innovation

Väino Reinart
Ambassador of the Republic of Estonia to Japan

Estonia is often viewed as the most advanced country in the world in terms of digitalization. While this is absolutely true and we are indeed a country where establishing a business can take only hours or even minutes, Estonia is a place that breeds innovation and stands at the global top for Unicorn companies per capita. This is exactly the area where cooperation with Japanese companies and investors can be beneficial for both countries.

It is no secret that 99% of Estonia's public services are online and therefore it provides a very attractive business environment for investors and companies. Besides that, according to the PISA results, basic education in Estonia is one of the strongest in the world. Combine that with a clear and stable legislative environment, simple tax system, startup visa program, accessible funding and collaborative founder network, and it is easy to see why the small country in Northern Europe punches above its weight and has become one of the most successful and innovative startup ecosystems in the world.

Growing interest from Japanese investors and companies

All this has not gone unnoticed by the Japanese companies

and there is growing cooperation between Japanese corporate investors, the government bodies, Estonian venture capital firms, and startup companies. For example, in 2015 Rakuten, a global e-commerce company acquired Estonian company Fits.me and later invested in language learning platform Lingvist. This was followed by investments into Funderbeam, Lift99, Jobbatical, Clanbeat, Xolo and many more by the Japanese fund Mistletoe.

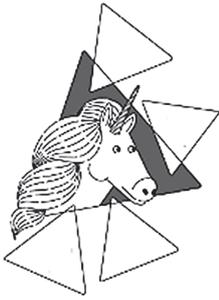
In 2018 the Japan Bank for International Cooperation along with three large technology corporations Honda, Panasonic, and Omron established a 100 million euro fund along with BaltCap to invest in Nordic and Baltic technology firms. So far Estonian companies Veriff, Bolt and Realeyes have received investments. In addition to that, Estonian venture capital firms have become attractive partners for Japanese corporate venture capital funds. For example, Tera Ventures, an Estonian venture capital firm that is investing in early-stage startups has secured an investment from Japanese corporation Itochu and several other large Japanese corporations.

Marubeni Corporation, which established its office in Tallinn to access Estonian and European startups, invested in Skeleton Technologies in 2021 and became the

Väino Reinart assumed his duties as Ambassador of Estonia to Japan in November 2018. Prior to his present posting in Tokyo Ambassador Reinart served as Undersecretary for Trade and Development Cooperation of the Ministry of Foreign Affairs. Under the Estonian Presidency of the European Union in 2017 he also served as Chairman of the Trade Policy Committee of the European Union. From 2007 to 2011 Ambassador Reinart served as Ambassador to the United States of America, Canada, and Mexico. From 2002 to 2007 Ambassador Reinart served as Permanent Representative of Estonia to the European Union.



Global top for Unicorns per capita



Bolt

2013 🚀 2018

playtech
SOURCE OF SUCCESS

1999 🚀 2007

skype™

2003 🚀 2005

wise

2010 🚀 2015

pipedrive™

2010 🚀 2020

ZEGO

2016 🚀 2021

ID.me

2010 🚀 2021

exclusive distributor for its ultracapacitor technology. These kinds of mutually beneficial and often strategic partnerships are exactly where innovative business opportunities with global reach are created.

Small, but great wit

— 山椒は小粒でもぴりりと辛い

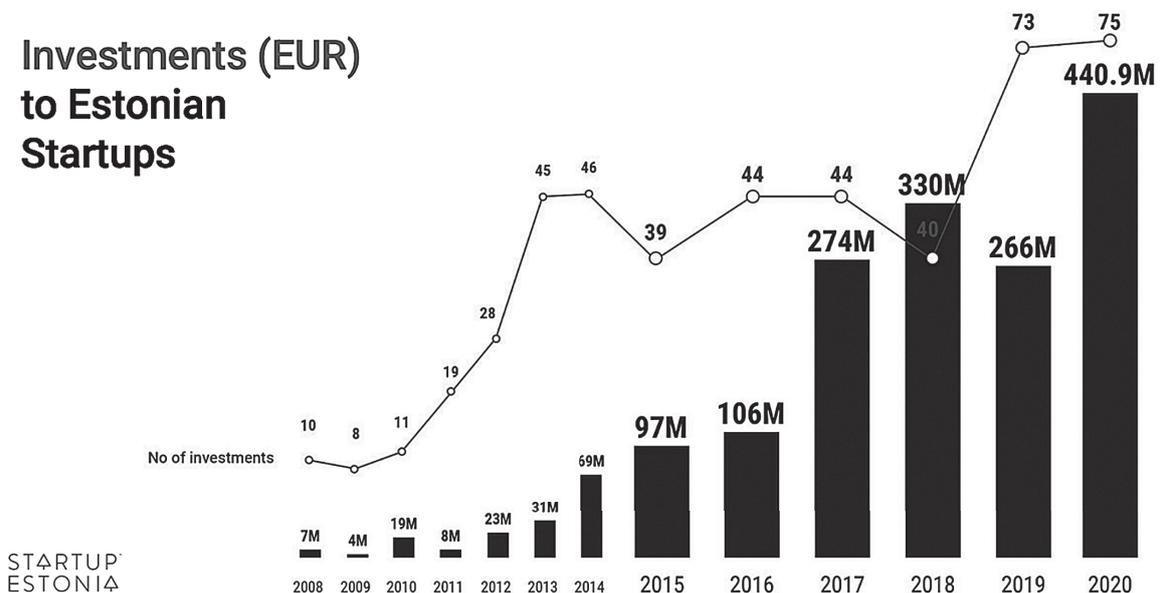
So why Estonia? For 1.3 million people, Estonia has a whopping 1300 startups which speak volumes about the Estonian entrepreneurial spirit. What makes us special is that the Estonian startup ecosystem is pragmatic and quality orientated - it is technology-based, geared towards solving real problems and providing really essential services. Since the market itself is quite small, the business models have to be scalable, repeatable and global from day one. It is no wonder that Estonian startups have

received a record amount of funding during the COVID19 period and that the need for their products and services has only accelerated.

The “Skype effect”

Skype, created by the Estonian developers, became an inspiration for many young Estonian entrepreneurs, and the spillover effect that Skypes’ sale to eBay in 2005 had on the ecosystem can’t be underestimated. Estonian founders network is a tightly knit and supportive community that is closely connected to the global networks, bringing out the best in the “small is beautiful” mindset. We have around 150 organizations and events supporting our startup ecosystem and innovation, from cultivating the startup mindset up until establishing a company and scaling it up.

Investments (EUR) to Estonian Startups



STARTUP ESTONIA



Latitude59 has attracted a considerable number of Japanese participants.
Credit: Kristi Sits

Estonia also connects with the world through flagship startup and technology events like Latitude59 and Startup Day. Latitude59 has over the years attracted a great number of Japanese participants, sponsors, and presenters from JETRO to Shibuya City Office, Fukuoka City, and Japanese companies like Toppan Printing and Marubeni.

Estonia - a natural partner for Japan.

As Japan's large corporations are more and more looking for open innovation opportunities outside their own structures and country, Estonia and in a wider perspective, Northern Europe with its innovative and entrepreneurial societies, but also stable and reliable political and economic landscapes have become a natural partner. I believe this is what the Japanese investors and companies value.

Quite often Japanese big companies are looking for new technologies and business opportunities that could support their own main activities and business. Since the solutions that Estonian companies are offering are quite often grown out of solving real issues in real life, the solutions are often very relevant to Japanese corporations. Japanese investors also seem to value companies and products that have been already tested in the real market and Estonia is a good environment for doing exactly that, as things happen in a quick and agile way - something that does not go quite as smoothly in Japanese corporate culture.

Strategic partnerships and investments also benefit Estonian companies as it opens up new markets and cooperation opportunities with the most successful global companies that would otherwise be difficult to access. Marubeni Corporation, Nordic Ninja, and Tera Ventures are all very good examples of cooperation that can benefit both sides not only financially but also from a strategic perspective.

I believe that there are more and more opportunities like these lying ahead as the Estonian startup ecosystem is going to continue to develop and provide innovative solutions for Japanese companies. I sincerely welcome everyone from Japan to Estonia to experience our digital and innovative society first hand and build meaningful and long-lasting relationships between the two countries.

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