



OPPORTUNITIES IN JAPAN'S DIGITAL HEALTHCARE MARKET FOR NORDIC STARTUPS AND GROWTH COMPANIES

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This report was jointly financed by:



Japanese companies are looking to foreign companies for digital healthcare solutions



- **Japan is one of the largest healthcare markets globally, presenting a large opportunity for Nordic health startups across all focus areas**

- Japan is the **3rd largest healthcare market** in the world – over 120 million people – and is **projected to grow 4% annually** from 2018 to 2024



- **Compared to other large healthcare markets, digitalisation of the sector is lagging in Japan**

- **Use of electronic medical records** hovers between **30% to 40% in Japan** compared to nearly **100% across the Nordics**

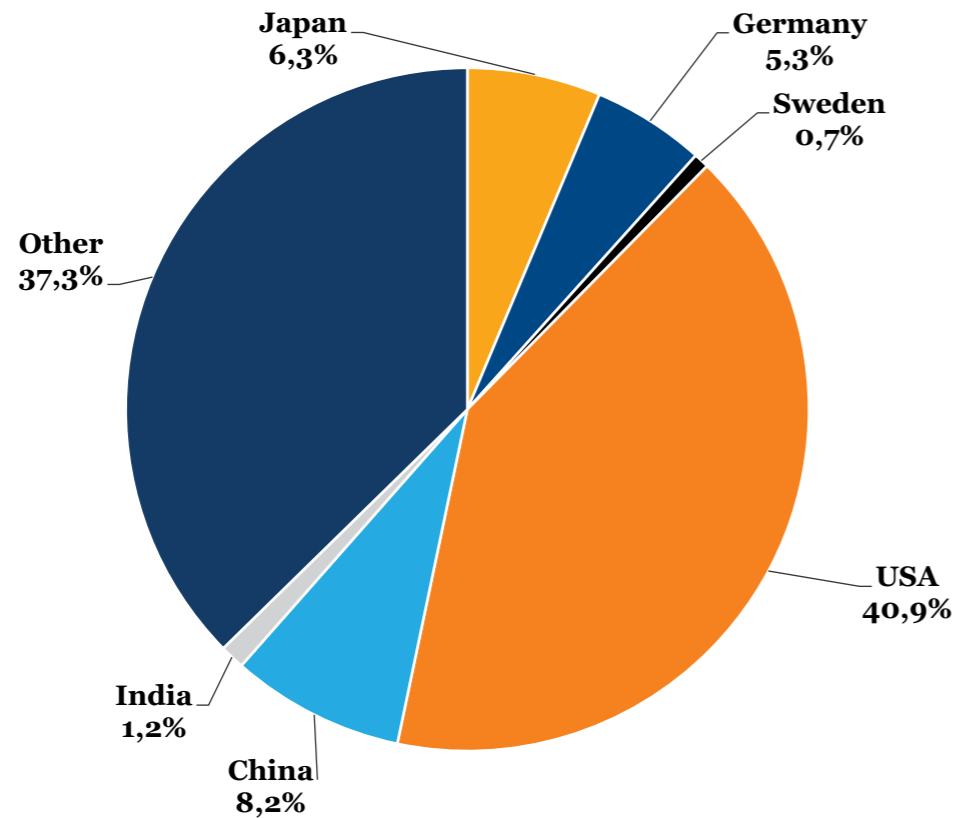


- **Growing appetite, both from private and public sectors for new digital solutions**

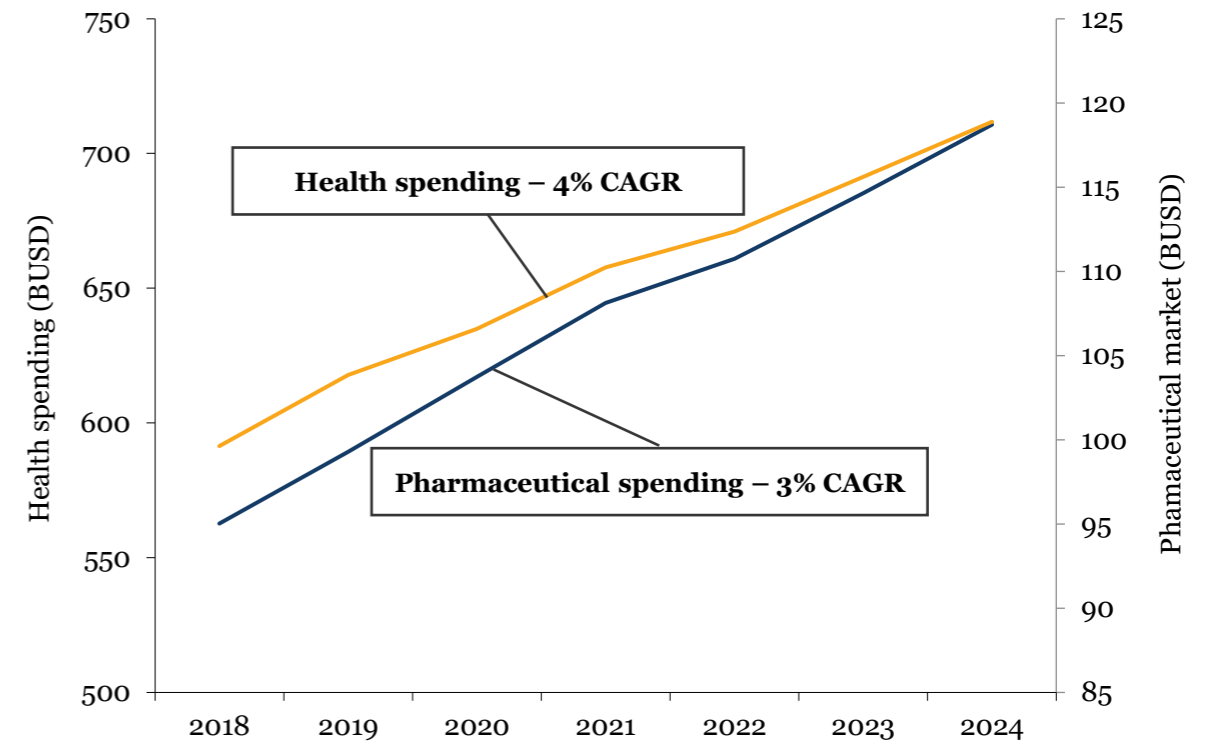
- **Life science** was a **top-10 most funded sector** by **Japanese VC firms** in 2020
- Many **new government initiatives** – e.g. Society 5.0 – are **focused on digitalising Japanese healthcare**

Japan's healthcare sector – the 3rd largest globally – presents a large opportunity for Nordic health startups across focus areas

Global healthcare spending, by country



Life science market - Japan

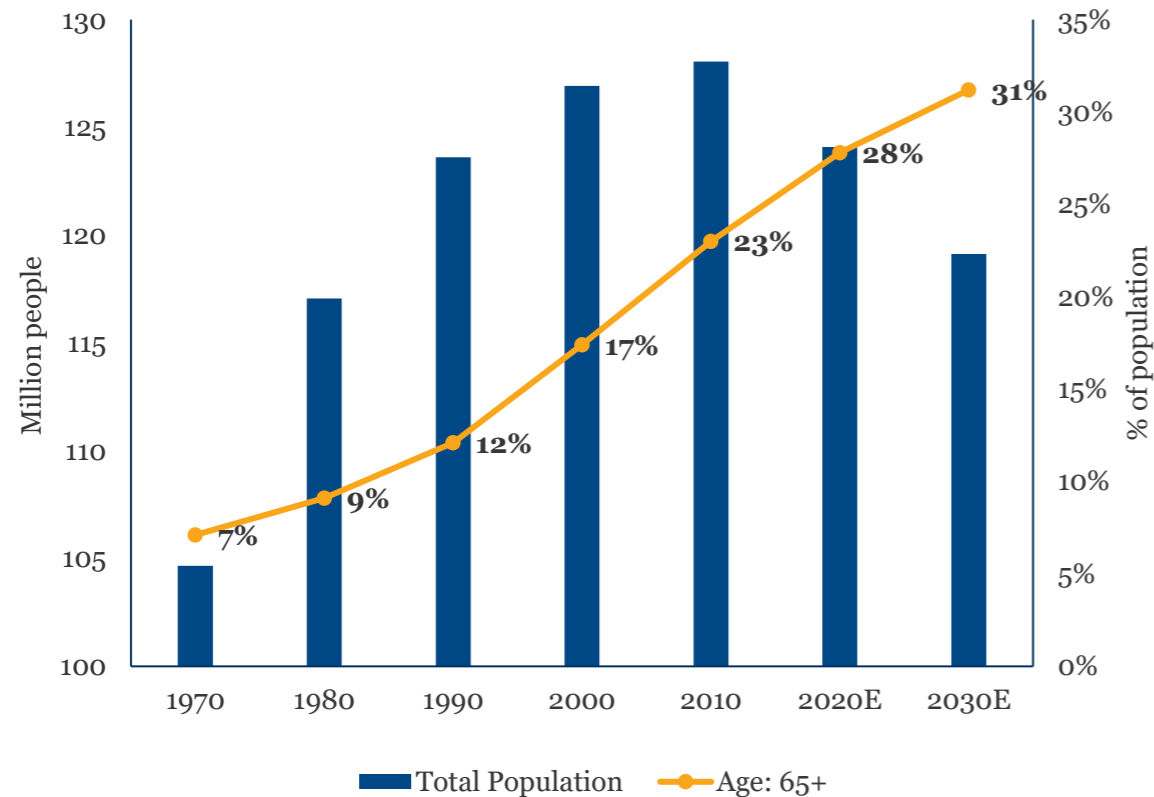


- **Japan is the 3rd largest healthcare market in the world** – over 120 million people – and is projected to grow 4% annually from 2018 to 2024
- **Medical expenditures have increased over 30% since 2000** and now constitute 11% of GDP

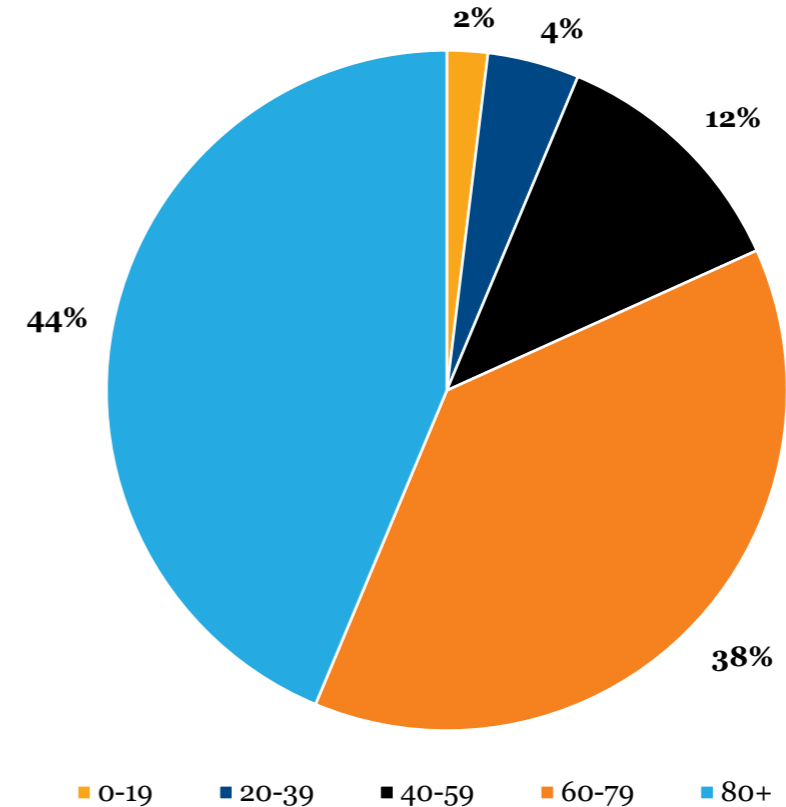
Source: MHLW statistics (2015); World Bank Group (2018) – healthcare market calculated using healthcare spending per capita and population data

Japan's hyper-ageing population drives growth of healthcare sector – novel population structure will require innovative solutions

Population development (million people and % of population)



% of total healthcare spending, by age cohort

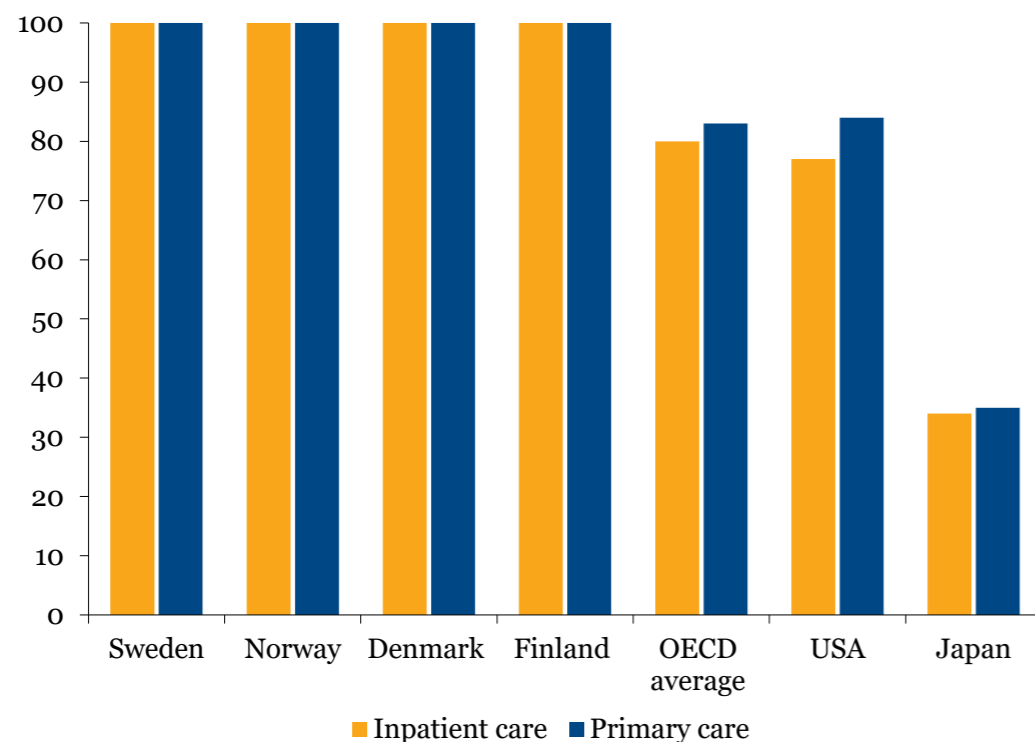


- **Japan's population has been ageing** for quite some time **and started to decrease** in 2010 due to low fertility rate
 - By 2030 approximately 1/3rd of the population will be 65+
- **Over 80% of healthcare spending is accounted** for by **adults 60 years or older**

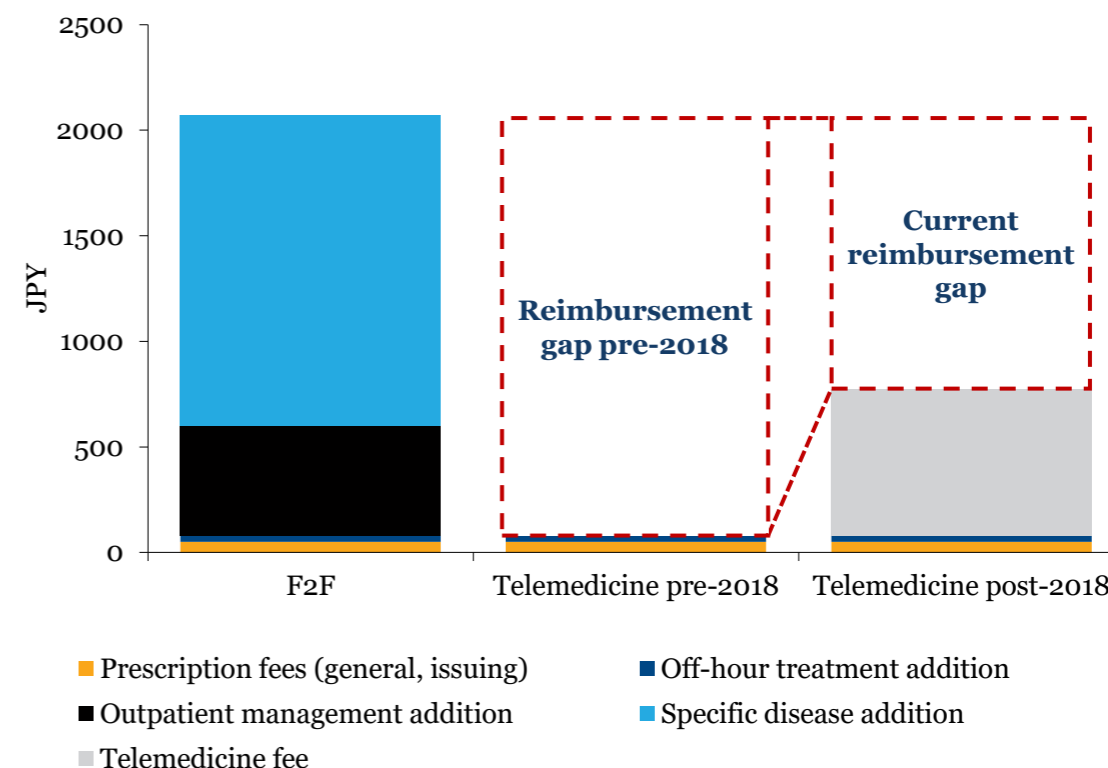
Source: MHLW statistics (2015); OECD statistics

Digitalisation level of the healthcare sector in Japan is much lower than in peer countries

Percentage of primary care physician offices and acute care hospitals using electronic medical records, 2016



Reimbursement structure – face-to-face versus telemedicine



- **Digitalisation of Japan’s healthcare sector is lagging** the Nordics
 - For example, **use of electronic medical records hovers between 30% to 40% in Japan** compared to **100% in Sweden**
- Introducing digital solutions to Japanese market requires creative business models due to lower reimbursement rates for e-health products/services
 - **Digital healthcare reimbursements* accounted for less than 0.1% of total healthcare expenditures** – approximately 120 BJPY

Source: OECD, Japan Cabinet Office, INITIAL

*Digital imaging/online consultations

Growing interest, both from private and public sector for new digital solutions – particularly from Nordic innovations due to reputation as leaders in digital health

“We are considering several Swedish digital health investments. As digitalisation is more advanced overseas, we think it would be good to bring overseas solutions to Japan”

Principal, Japanese VC Firm

“We want to provide more medical information for clinicians to make better informed decisions to provide better care”

Public Health Bureau Official, MHLW

“We recognise the high quality of Nordic startups and understand their good relationships with the public sector. Therefore, we would like to partner with them”

Head of Digital Accelerator, Japanese Pharmaceutical Corporation

- Many new initiatives are focused on digitalising Japanese healthcare
 - **Society 5.0:** Japan’s long-term plan to integrate cyberspace and physical space to create a human-centred society
 - **Digital Agency:** PM Suga committed to establishing a government agency focused on facilitating the country’s transition to a digital society
 - **My Number:** system similar to Nordic personal identification numbers to be used to share health data and improve patient care
- **Life science** was a **top-10 most funded sector** by Japanese VC firms
 - Over **200 MUSD of investments in 2020**

Japanese firms are interested in complementary diagnostics that add value to their core offering – other digital sectors gaining traction as well

Industry prioritisation matrix

		Level of interest		
		Weak	Medium	Strong
Category of Japanese companies	Pharma	<div style="border: 1px solid blue; padding: 2px; display: inline-block;">Medical imaging</div>	<div style="border: 1px solid blue; padding: 2px; display: inline-block;">Telemedicine</div> <div style="border: 1px solid gray; padding: 2px; display: inline-block;">Patient monitoring/ wearables</div> <div style="border: 1px solid orange; padding: 2px; display: inline-block;">Real world data /others</div>	<div style="border: 1px solid blue; padding: 2px; display: inline-block;">Complementary Diagnostics & Therapeutics*</div>
	Medical device	<div style="border: 1px solid blue; padding: 2px; display: inline-block;">Telemedicine</div> <div style="border: 1px solid orange; padding: 2px; display: inline-block;">Real world data /others</div>	<div style="border: 1px solid blue; padding: 2px; display: inline-block;">Medical imaging</div>	<div style="border: 1px solid blue; padding: 2px; display: inline-block;">Complementary Diagnostics & Therapeutics</div>
	IT	<div style="border: 1px solid blue; padding: 2px; display: inline-block;">Telemedicine</div>	<div style="border: 1px solid gray; padding: 2px; display: inline-block;">Patient monitoring/ wearables</div> <div style="border: 1px solid blue; padding: 2px; display: inline-block;">Complementary Diagnostics & Therapeutics</div>	<div style="border: 1px solid orange; padding: 2px; display: inline-block;">Real world data /others</div> <div style="border: 1px solid blue; padding: 2px; display: inline-block;">Medical imaging</div>
	Financial investors	<div style="border: 1px solid blue; padding: 2px; display: inline-block;">Medical imaging</div> <div style="border: 1px solid orange; padding: 2px; display: inline-block;">Real world data /others</div>	<div style="border: 1px solid blue; padding: 2px; display: inline-block;">Telemedicine</div> <div style="border: 1px solid gray; padding: 2px; display: inline-block;">Patient monitoring/ wearables</div>	<div style="border: 1px solid blue; padding: 2px; display: inline-block;">Complementary Diagnostics & Therapeutics</div>

Strength of Nordic offering: Strong Medium Weak

*Digital solutions that complement core offerings of traditional pharma/med tech companies

Japan's interest in the Nordic offering is demonstrated by recent partnerships between Nordic startups and Japanese partners



Coala Health

Country: Sweden

Description: Smart cardiac monitoring

Japan connection: Coala Health and Asahi Kasei Corp. are partnering to evaluate the use of the Coala Heart monitor for remote monitoring and management of patient suffering from heart failure



Sidekick Health

Country: Iceland/Sweden

Description: Digital therapeutics/gamified digital care

Japan connection: Sidekick Health and Japanese insurance conglomerate, SOMPO Digital Lab, are partnering on a pilot project focused on treating diabetes



Nightingale Health

Country: Finland

Description: Blood analysis

Japan connection: Nightingale is partnering with Kirin Holdings and Mitsui & Co. to launch the company's blood-testing service in Japan as well as develop novel wellness products



OncoImmunity AS

Country: Norway

Description: Norway-based bioinformatics company that develops proprietary machine learning software to support the fight against cancer

Japan connection: Acquired by NEC in 2019

For access to the full report, please contact your country's Trade Promotion Office or the Nordic Innovation House Tokyo

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