



2010 - H1/2020

Japanese Investments in Israeli High-Tech Companies

SEPTEMBER 2020

Background

Japan is the world's third largest country by GDP, with over 3,500 public corporations, and is ranked first worldwide in outbound investments in 2019, which are valued at 249 billion USD.

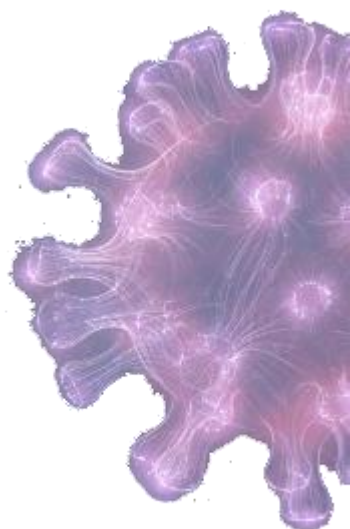
Economic relations between Israel and Japan have experienced unprecedented growth over the past decade. The two nations set up the Japan Israel Innovation Network (JIIN) in May 2017 to promote economic cooperation, and signed an "open skies" agreement and other bilateral agreements, including an Israel-Japan tax treaty. In addition, a Free Trade Agreement between the two countries is under discussion. The presence of Japanese companies in Israel has surged dramatically from only 26 in 2014 to more than 90 in 2019. Japanese investors actively participate in investments in the Israeli high-tech scene and are searching for innovative technologies, products and solutions.

Based on these achievements, we commenced work on this report, with 2020 expected to be a record year in Japanese activity in Israel. At that time, El-Al had already announced that it would launch direct flights to Japan beginning April 2020, given the growth in the economic activity and tourism between the two countries. Furthermore, the Tokyo 2020 Olympic Games were expected to focus the world's attention on Japan and provide an additional boost to its economy.

In the wake of the outbreak of the COVID-19 pandemic in early 2020, the Japanese economy shrank at an annual rate of 3.4% in the first three months. Accounting for this decline is the fact that Japan, which is heavily reliant on the export of its goods, experienced a steep drop in consumer demand from countries

severely impacted by coronavirus lockdowns. Also tourism, which has long been a driving force of the Japanese economy, has been hit hard by the pandemic, not to mention the much-anticipated Tokyo 2020 Summer Olympics Games, which are now postponed to summer 2021. A report by the [NHK](#) based on research conducted by Professor Emeritus Katsuhiko Miyamoto of [Kansai University](#), estimates the cost of delaying the 2020 Olympics by one year at US \$ 5.8 billion. Needless to say, El-Al has indefinitely postponed the launch of its direct flights to Japan.

The coronavirus also affected the activities of Japanese investors in Israel, with face-to-face meetings and business trips on hold for the foreseeable future. On the other hand, many Japanese companies and investment funds already established a solid presence and relations in Israel, and therefore their activities continue intact. The expectation on both sides is that the relationship between Israel and Japan will continue to flourish despite the challenges presented by the COVID-19 virus.



Key Insights



From 2010, Japanese investment deals in almost all types of Israeli high-tech companies have continued to grow.



The number of investment deals and their values increased after 2015, following visits of Prime Minister Netanyahu to Japan in May 2014 and Japanese Prime Minister Abe's visit to Israel in January 2015.



From 2017, there is a steady increase in the number of Japanese investors active in Israel and a growing diversity in the types of investors, including car manufacturers, financial institutions, insurance companies and VCs, many of which were "first-timers" in Israel.



2019 was a peak year during which Israeli high-tech companies raised over US \$ 1.5 billion in investment deals involving Japanese investors.



The number of investment deals involving Japanese investors in the second half of the decade has nearly tripled compared to the first half of the decade.



In the second half of the decade, the participation of Japanese investors in early investment rounds increased, compared with the first half of the decade.



Japanese investors have recently started to lead investment rounds of mature Israeli companies.



Based on information for the first half of 2020 only, Japanese investors' activity in Israeli high-tech companies remained at least at the same level as in 2019.



In the second half of the decade, Japanese investors focused on companies operating in the sectors of information technology, enterprise software and life sciences (medical equipment and pharma). Following the COVID-19 outbreak, Japanese investors' interest in med-tech and digital health is expected to increase. AI companies are a high priority investment target for Japanese investors.

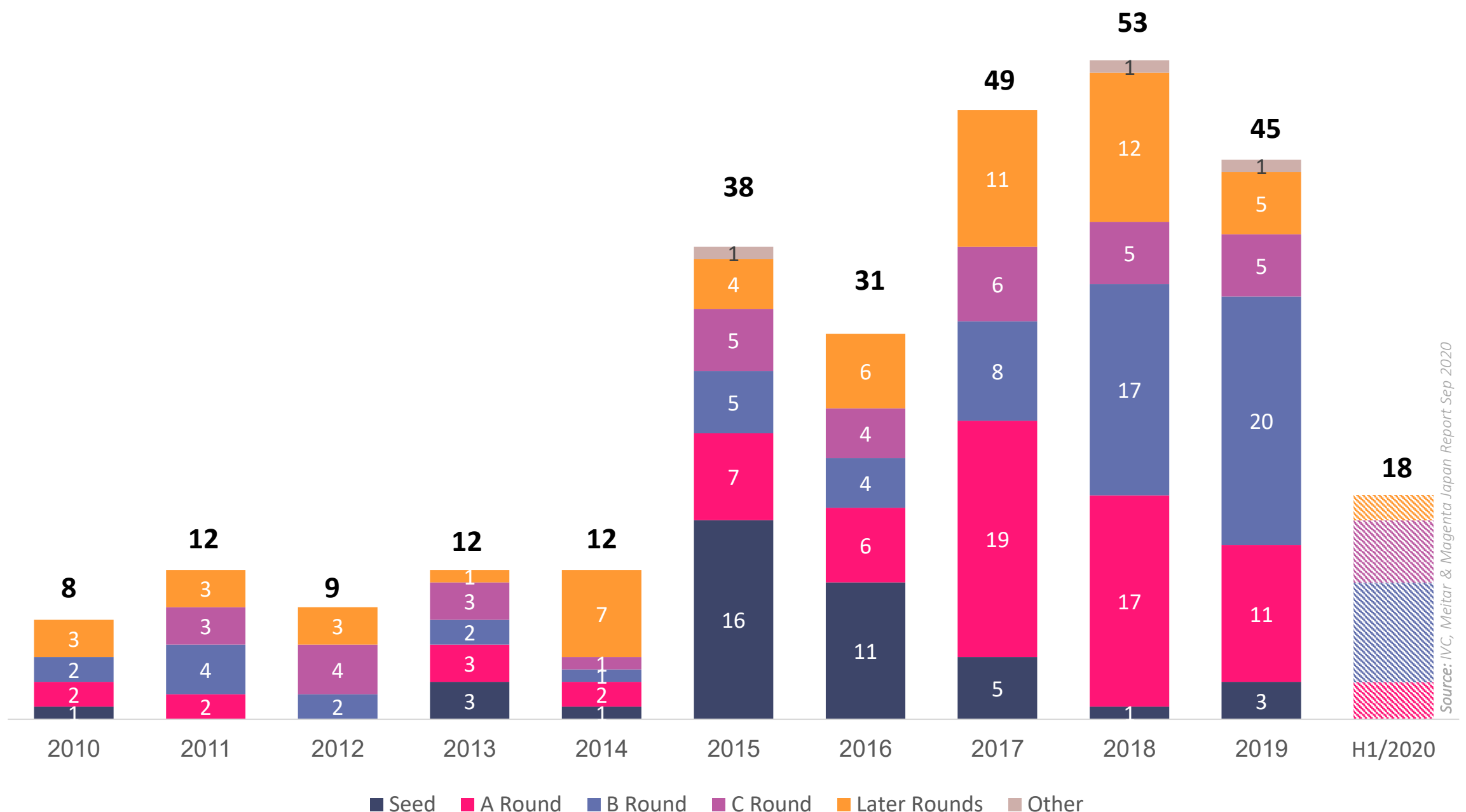


Japan is still relatively new to the M&A market in Israel. Over the last decade, only 10 Israeli companies were acquired by Japanese entities, with the acquisition of Neuroderm by Mitsubishi Tanabe in 2017 for an aggregate amount of US \$ 1.1 billion being the largest M&A transaction by a Japanese company in Israel.

Number of Investment Deals Involving Japanese Investors* 2010–H1/2020

287 CAPITAL-RAISING DEALS

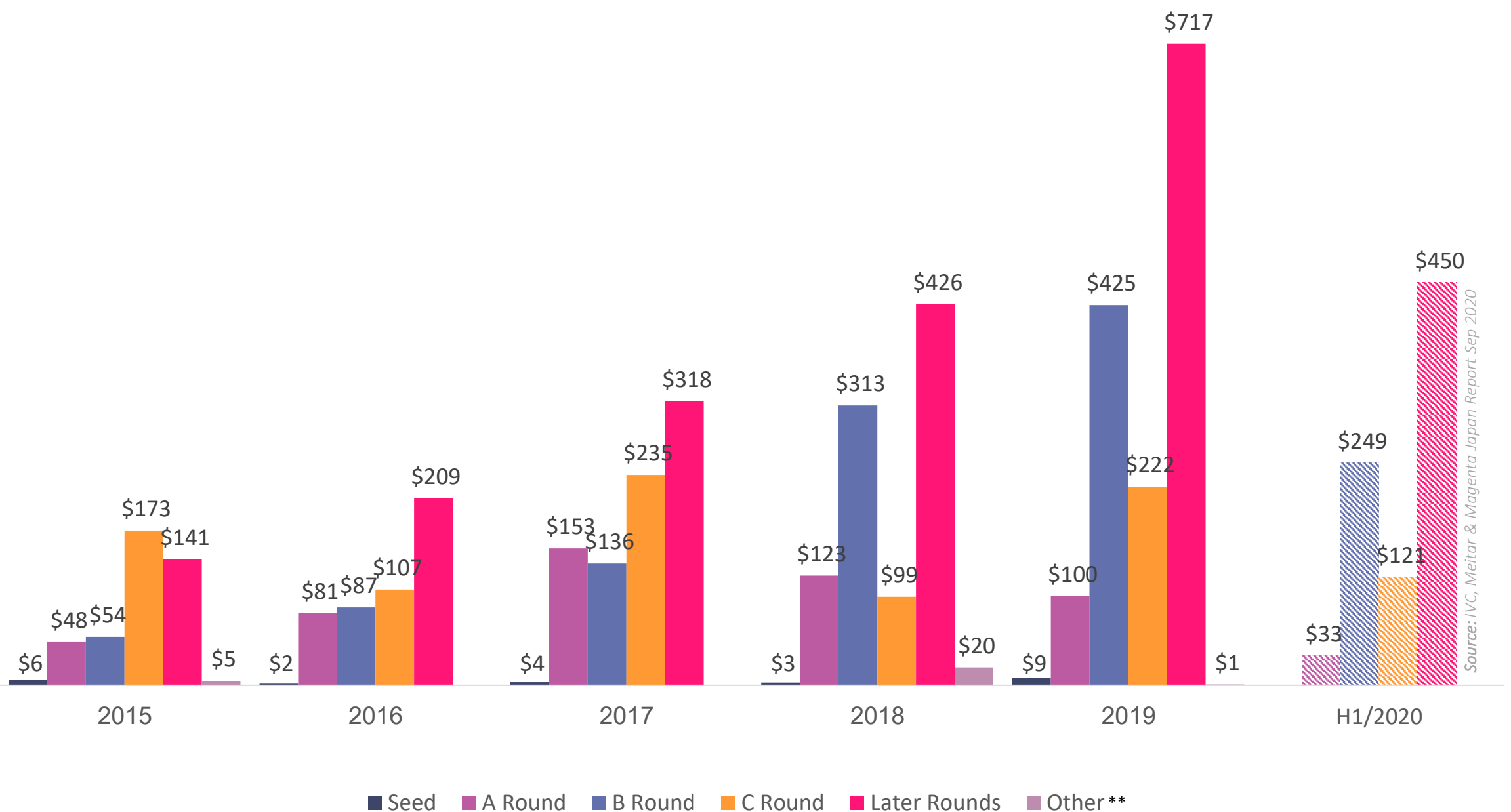
- The number of deals during H1/2020 decreased from the average number of deals in H1 in the last five years (25 deals).
- The number of deals in the second half of the decade is almost triple compared to the first half of the decade.
- An increase in participation in investments in early stage companies.



Value of Deals Involving Japanese Investors * 2015–H1/2020 (\$m)

TOTAL INVESTMENT AMOUNT IS \$5.8 BILLION
TOTAL VALUE OF LATER ROUNDS \$2.3 BILLION

- During 2019, Israeli high-tech companies raised over \$1.5 billion in deals involving Japanese investors.
- An increase of 266% in 2019 compared to 2015.
- Investments in later rounds increased by 500% in 2019 compared with 2015.



* Capital-raising deals of high-tech companies, excluding investments in funds.

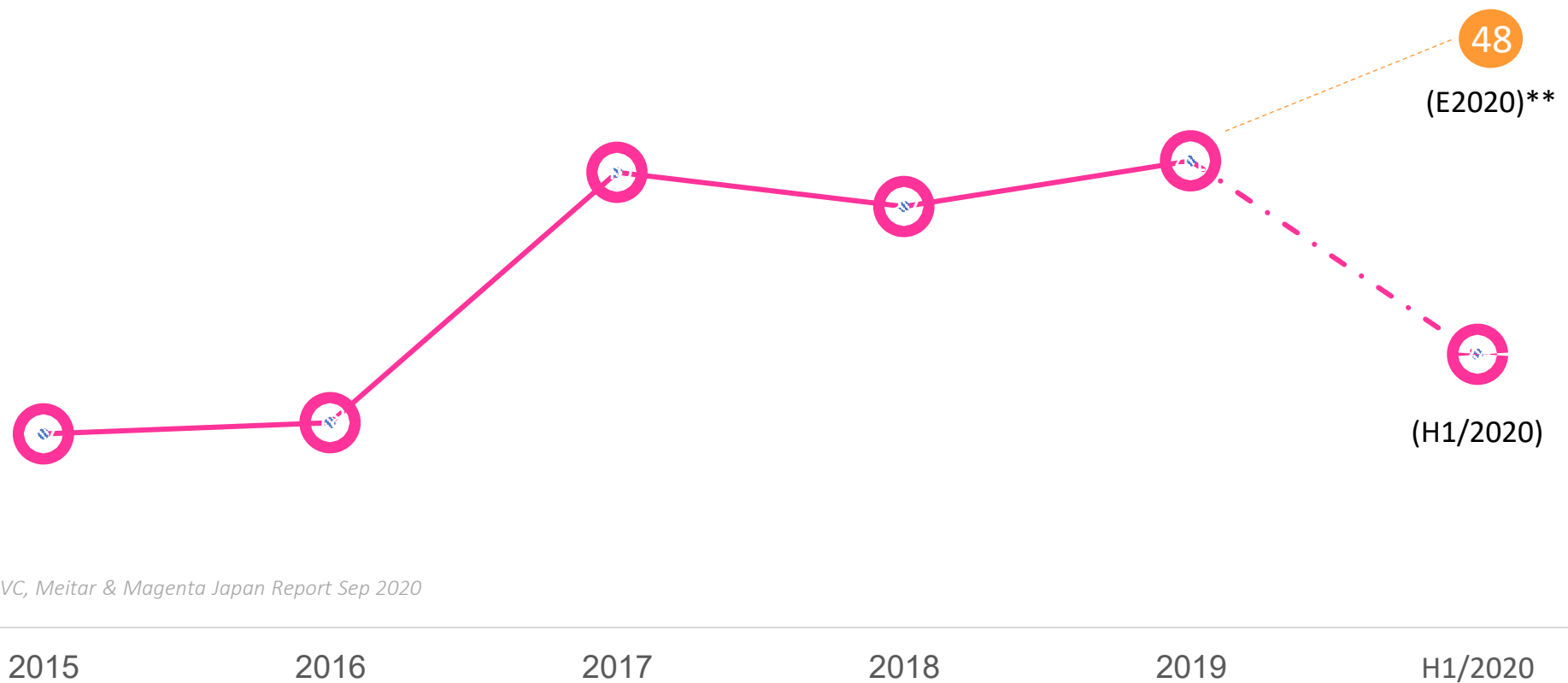
** "Other" refers to PIPE deals, Bridge and Venture Lending.

Number of Japanese Investors* 2015–H1/2020

Number of Japanese investors in Israel has increased since 2017, many of them “first-timers”.

From 2017, there has been increasing diversity in the types of Japanese investors, including car manufacturers, financial institutions, insurance companies and VCs.

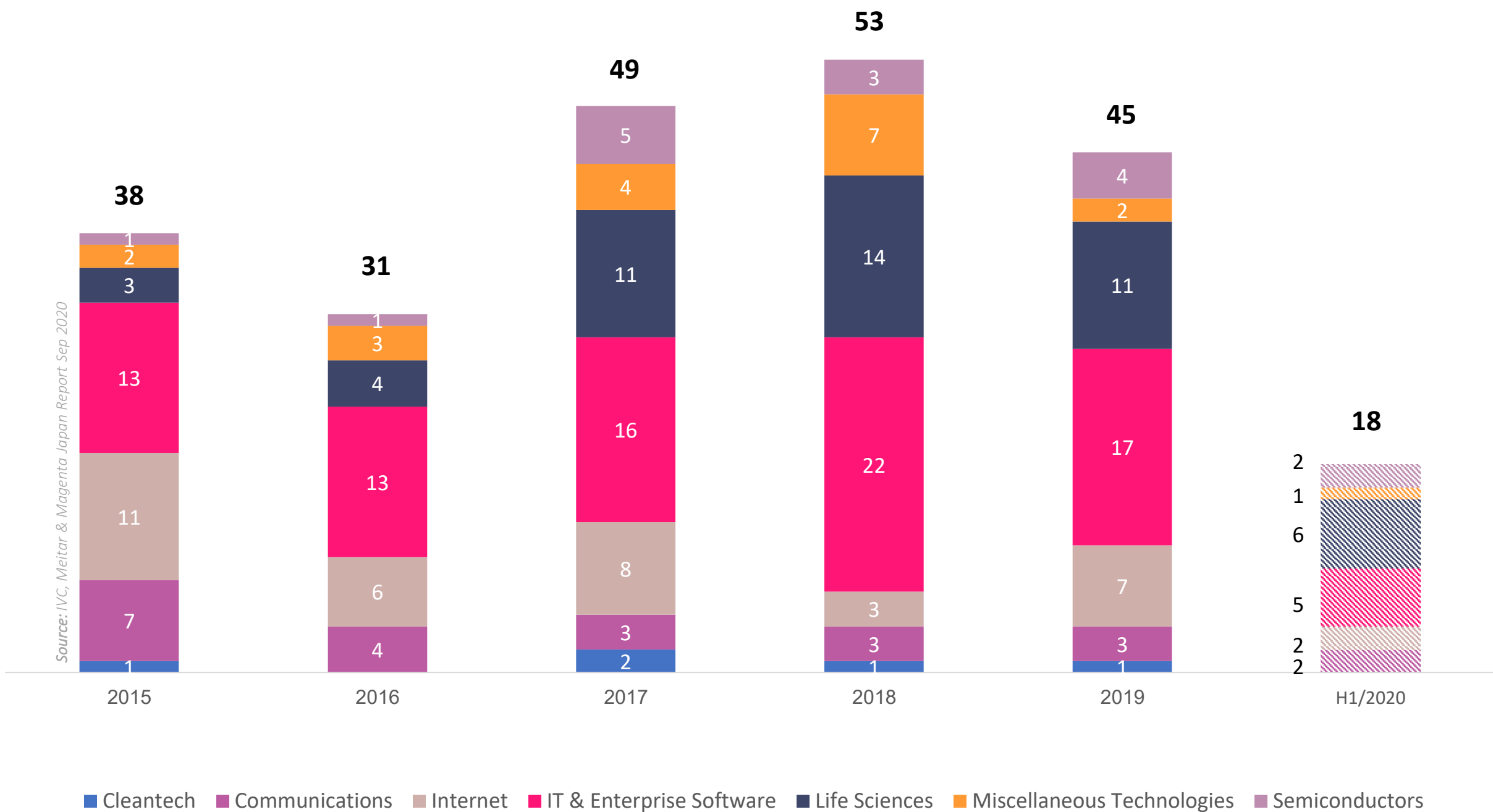
Based on H1/2020, the upward trend in the number of Japanese investors appears to be continuing.



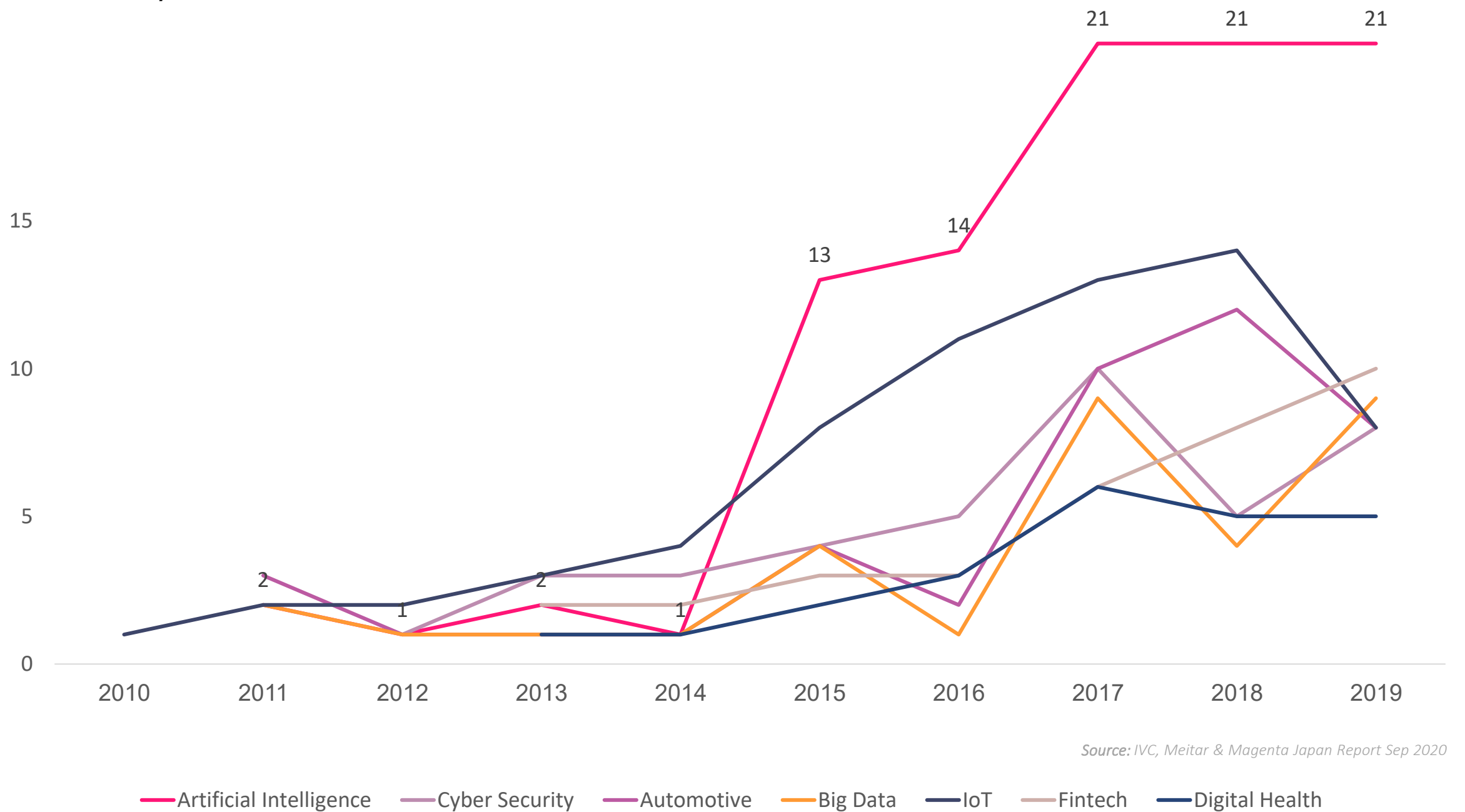
Source: IVC, Meitar & Magenta Japan Report Sep 2020

Capital-Raising Deals* Involving Japanese Investors by Sectors 2015–H1/2020

Since 2015, investments were focused in two main sectors: IT & Enterprise Software and Life Sciences.



Capital Raising Deals* Involving Japanese Investors by Leading Verticals 2010-H1/2020



AI companies are a high priority investment target for Japanese investors.

* Capital-raising deals of high-tech companies, excluding investments in funds.

SERVICE



LIFE-SCIENCES

HIGH-TECH



Major Japanese Investors Operating in Israel



GENERAL TRADING & INVESTMENT

Recent Investments Led by Japanese Investors

Lemonade*

April 2019

Raised Fourth Round of
\$300 million

Led By

 **SoftBank**
Group



cybereason

August 2019

Raised Fifth Round of
\$200 million

Led By

 **SoftBank**
Group

EMENDO

BIO THERAPEUTICS

January 2020

Raised Second Round of
\$61 million

Led By

 **AnGes**

HAILO

Empowering Intelligence

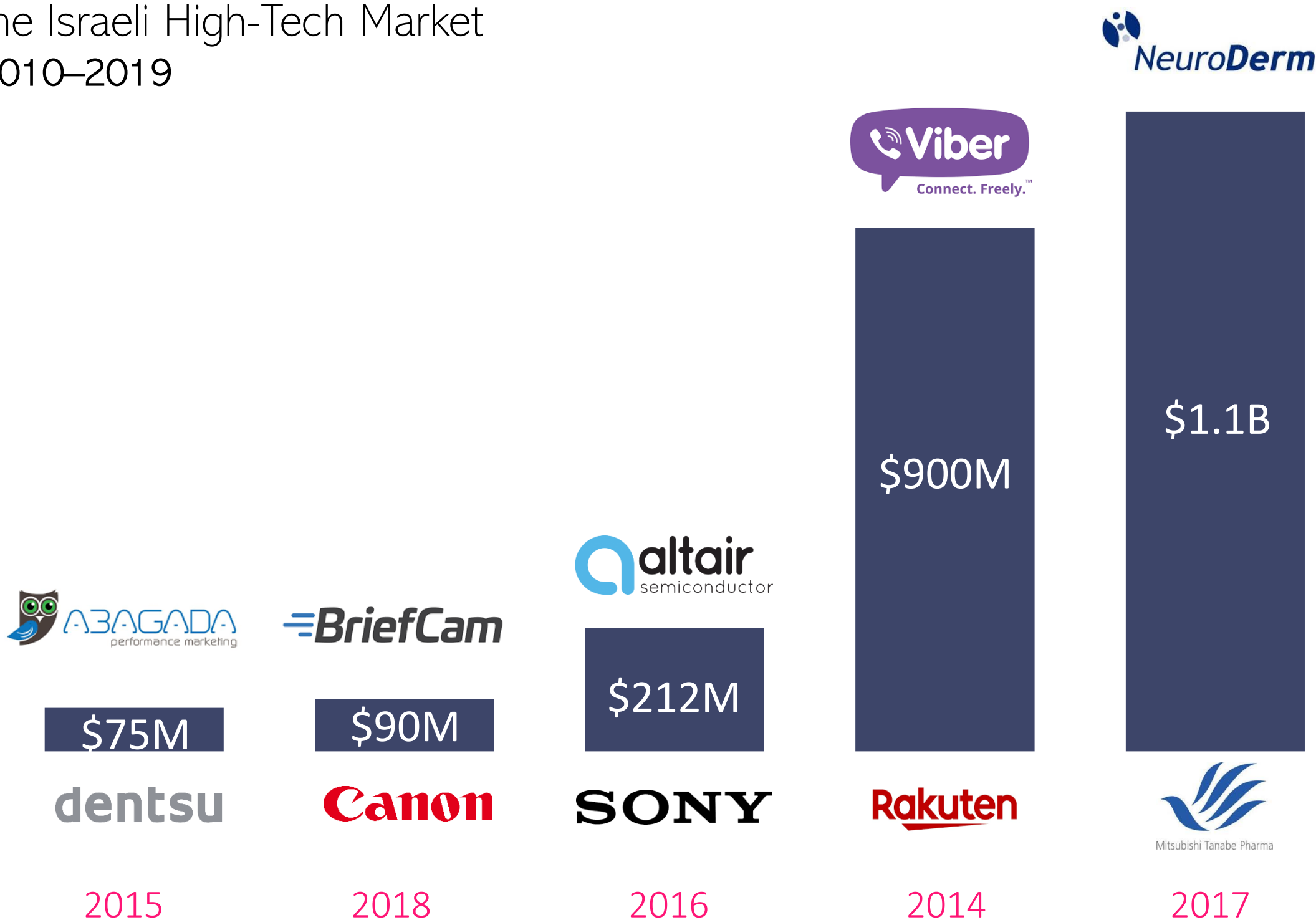
March 2020

Raised Second Round of
\$60 million

Led By

 **NEC**

Largest Japanese Acquisitions in the Israeli High-Tech Market 2010–2019



In the years 2010–2019, there were 10 M&A deals and buyouts of Israeli companies by Japanese acquirers, with a total value of \$2.34 billion.

The acquisition of NeuroDerm by **Mitsubishi Tanabe** is the largest M&A deal in Israel by a Japanese entity.

About This Report

- This report contains information derived from the IVC-Online Database.
- Deal numbers and values may vary across our annual reports due to continuous updates of historical numbers in the IVC database.
- The report covers investment deals of Israeli high-tech companies in which Japanese entities took part, excluding investments in funds. Some deals may include more than one investor.



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About Meitar



Meitar | Law Offices is Israel's leading international law firm and the undisputed leader in the technology sector.

Meitar has one of the most experienced and highly-regarded corporate and securities practices in Israel, advising public and private companies, private equity firms and financial sponsors, investment banks, government entities, and individuals in almost every sphere of corporate transactions and litigation. The experience of our lawyers, and the international network of experts we have built over the years, has enabled Meitar to remain one of the top corporate and securities law firms in Israel. We have consistently handled Israel's largest, innovative and challenging corporate transactions, including public and private mergers & acquisitions, public offerings and other financing transactions.

Meitar is an active player in the Japan-Israel scene, leveraging three decades of proven experience in bridging the geographic and cultural divide between Israel and Asia. Meitar's hands-on experience and wide

network allow us to assist Japanese entities doing business, or wishing to do business, in Israel and to help them expand their economic and commercial ties in the region.

Meitar's record of successful transactions includes representing Japanese investors in investments in Israeli technology companies, in listing the first Japanese company on the Tel-Aviv Stock Exchange and in establishing Israeli investment funds, as well as representing Israeli companies in transactions with Japanese entities, including investments, M&A transactions, joint ventures and other commercial agreements.

Meitar is unique among Israel's largest law firms in the number of partners who have worked for major international law firms, including in Japan. The law firm maintains close working relationships with leading firms in Japan and conducted seminars in Tokyo in cooperation with major Japanese law firms and accountancy firms.



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About Magenta



Magenta Venture Partners is a venture capital firm focused exclusively on Israeli and Israel-related early stage technology startups across multiple categories, including Enterprise Software, IoT, Industry 4.0, Automotive, Mobility, AI, Fintech, Agritech and Digitalization.

We seek to partner with the best Israeli entrepreneurs and work with them towards building significant global companies. We do this by leveraging our unique global network to open the right doors, sharing from our own and our community's operational experience as well as by helping secure further financing.

Magenta Venture Partners is backed by prominent Japanese institutional and strategic investors, including Mitsui & Co. Ltd., all with strong global reach in multiple domains across a wide range of industries. The fund is led by four seasoned professionals with significant global experience in high-tech, startup investment and corporate business development.



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About IVC



Founded in 1997, IVC is the leading data source and business information company in Israel's high-tech industry.

We help our clients understand the market, make connections and identify opportunities with access to the latest news, trends and developments.

From venture capital and private equity funds to industry leading companies and emerging startups across Israel's varied high-tech sectors, we cater to the varied business information needs that make up the Israeli high-tech ecosystem.

We bring more than 20 years of experience of gathering and analyzing data, serving the IVC community. Our dedicated team of industry researchers and analysts has deep knowledge and hands-on experience working with Israel's high-tech sector.

Our management, professional sales and marketing teams drive IVC's commitment to excellence and client service. We enable a wide range of local and global clients, including entrepreneurs, local and foreign investors of all types and service providers such as lawyers and accountants, to get to know the Israeli high-tech ecosystem better.

(Registered Database #366723)



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