

## Progress in Building a “Silicon Valley” Ecosystem in Kansai

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### Beginnings

I am Jack Moorman from Silicon Valley. In my over fifty years in the San Francisco Bay Area, I have worked at more than a dozen technology companies – in almost half of them I have been founder, co-founder, or been the “turn-around” person.

In 2013 I co-founded the nonprofit US-Japan Medtech Frontiers (USJMF) with Dr. Fumiaki Ikeno of Stanford Biodesign, Masazumi Ishii of AZCA, Inc., and Casey McGlynn of the law firm Wilson Sonsini Goodrich & Rosati.

The idea then and now was how to help develop a Silicon Valley style ecosystem in Japan. What makes Silicon Valley the powerhouse of technological innovation and company creation?

### The Secret of Silicon Valley Silicon Valley

- 1) The secret to Silicon Valley success is technological innovation applied to company creation.
- 2) Company creation is funded by investors who believe in a portfolio strategy and look for a liquidity event in 5 to 10 years.
- 3) Companies are created with laser focus (until they pivot) while investors assume that only some of their investments will earn a return.
- 4) The Silicon Valley entrepreneur multiplier effect is the financial reward system for entrepreneurs (and their teams) when a liquidity event occurs. This creates more entrepreneurs who want to start or join another new company.
- 5) There is an accessible, diverse, and robust network of individuals, companies, and service providers who can supply any of the needs of the company until the need is filled internally. This includes every need from temporary employees to specialty experts to small volume manufacturing to key opinion leaders and advisors.
- 6) Full-time employees are available to hire with excellent skills and a desire to work in an early-stage company. These potential hires understand the risks and rewards.
- 7) There are facilities, particularly incubators and accelerators, that match the needs of the company and offer additional advantages such as introductions to investors, labs and shops, financial support, training, and close connections with other entrepreneurs.

### Kansai Now

#### Innovation and Company Creation

Japan has a long tradition of innovation. From the Sony Walkman and robotics to cutting-edge biotech and consumer electronics, the country has produced world-changing technologies. Japanese companies consistently rank among the world’s most respected for their product quality and manufacturing discipline. Japan ranks third globally in patent volume and first on a per capita basis. Invention is not the limitation.

#### Venture Capital Investment

In just the last few years there have been great strides made in moving technological innovation into company creation. For example, MedVenture Partners has been joined by the Osaka University Venture Fund and others in making early-stage investments.

#### Training Entrepreneurs

In 2015, Prime Minister Abe visited Stanford and announced the creation of the Japan Biodesign Program at Osaka, Tokyo, and Tohoku Universities. Since then, dozens of entrepreneurs have emerged, and need-driven innovation has expanded beyond medtech.

#### Creating Robust Networks

Unfortunately, networking still lags what is needed. Two things are needed for it to be successful and both of those are difficult in Japan. One is for potential entrepreneurs to introduce themselves to someone who does not know them. The second is the need to follow up an introduction over time to maintain the relationship. The problem in Japan is compounded by the different levels of hierarchy and whether it would be impolite to make a self-introduction.

#### Entrepreneurs and Team Financial Incentives

Although stock options for employees have been relatively rare in the past, Venture Capital investors will increasingly insist that such incentives are required.

#### Ten Barriers to Overcome

**Barrier One: The Absence of Exemplars** Entrepreneurship thrives on stories. In Japan, aspiring medtech founders had few role models. Without visible success cases, it was hard to imagine taking the leap. In Silicon Valley, every founder can point to the legends who came before them.

**Barrier Two:** The Long Horizon of Medtech Developing a medical device requires years of trials, regulatory approvals, and reimbursement battles. In Silicon Valley, investors accept these timelines.

**Barrier Three:** Downside Risk For a university graduate in Japan, turning down a job at a respected corporation to join a startup was seen as reckless. If the startup failed, returning to a stable path was nearly impossible. The personal and family risks created a chilling effect.

**Barrier Four:** The Team Problem No founder can do it alone in medtech. Teams must combine regulatory experts, engineers, clinicians, and strategists. In the U.S., stock options Keep teams together during lean years.

**Barrier Five:** Missing Facilities Startups need labs, shops, and incubators. In 2013, Japan had few such spaces. U.S. universities and accelerators, by contrast, offered entrepreneurs both infrastructure and community.

**Barrier Six:** It Takes a Village Startups need lawyers, mentors, accountants, prototype builders, and marketers. In Silicon Valley, this ecosystem exists as a service marketplace. In Japan, networks were thinner and closed. Social tools like LinkedIn were discouraged, limiting personal connections.

**Barrier Seven: The SME Model and Investor Mismatch** SMEs in Japan prioritize stability and continuity over exits. Investors, however, look for IPOs or acquisitions. This mismatch meant that many SMEs avoided outside investment altogether.

**Barrier Eight: Speaking the Language of Investors** Entrepreneurs often lacked the skills to pitch effectively. Communicating risk and opportunity in financial terms was not a common practice.

**Barrier Nine: Limited Funding Alternatives** In the U.S., startups can access diverse funding sources—angels, grants, incubators, partnerships. Japan’s system remained narrower and bureaucratic.

**Barrier Ten: The Aftermath of Success** In Silicon Valley, successful entrepreneurs recycle wealth into the next generation as angels or mentors. In Japan, exits were rare, and even when they occurred, recycling was minimal.

**Impact of US-Japan Medtech Frontiers (USJMF)** Beginning in November 2014 USJMF held its first annual set of events. The two flagship events were an exclusive senior executive symposium strongly supported by the US Embassy in Tokyo and an all-day conference that welcomed all-comers to a different city each year. For the two years of the pandemic, webinars were held and then in 2022 the in-person events resumed. USJMF is now a continuing program with the Japan Society of Northern California (JSNC) The annual events and their follow-up during the rest of the year contributed to breaking down the barriers.

- 1) Each year entrepreneurs from all over the world came to Japan to present their stories, to meet potential Japanese entrepreneurs, and to encourage collaboration with Japanese companies, universities, and other organizations.
- 2) Keynote speakers and panelists gave concrete examples of how they were able to speed up the development process and how service providers and consultants could be utilized

to reduce expenses, speed up market entry, and increase the chances of success. Software and hardware tools were featured.

- 3) The person-to-person introduction process was emphasized. Networking was facilitated by bilingual medtech experts. Name tags were in both English and Japanese. + interpreters were used and hard copies of all the slide decks handed out. The exchange of business cards was emphasized with follow-up encouraged.
- 4) Difficult and controversial topics were presented by keynote speakers and panelists with strong views and examples of success. For example: disruptive innovation; using unmet needs instead of building on strengths to create successful innovative products; and recognizing the difference between creating products and creating companies; and the business cultural differences between Silicon Valley and Japan.
- 5) Presentations and panels by venture capitalists (VCs) on the path to achieving a liquidity event.
- 6) Support for the Japan Biodesign Program through events, introductions, advice, and short-term placement is US startups as interns.

### **Changes in the World Despite these barriers, Japan began to evolve.**

**Role Models**  
In 2015, Prime Minister Abe visited Stanford and announced the creation of the Japan Biodesign Program at Osaka, Tokyo, and Tohoku Universities. Since then, dozens of entrepreneurs have emerged, and needs-driven innovation has expanded beyond medtech.

**Patient Investors**  
Japanese VCs and corporate investors have become more patient, learning from international investments. More are now more willing to accept the long horizons and the risks of medtech.

**Reducing Career Risk**  
Entrepreneurship is becoming more acceptable. University graduates are increasingly open to joining startups. Doctors and academics have used their positions as safety nets while founding companies.

**Team Incentives**  
Incentives are improving. Stock options and performance-based packages are becoming more common as investors demand aligned teams.

**Facilities and a network of support for Entrepreneurs**  
Japan and in particular Kansai now have a growing network of incubators and accelerators. In Kansai, Nakanoshima Qross stands out for future medicine and industrialization. Kobe (Port Island) for clinical research infrastructure and rental labs. Saito (International Culture Park) for drug discovery and regenerative medicine. KENTO (Northern Osaka Health and Biomedical Innovation Town) for health and medical clusters. Higashi-Osaka for development and manufacturing. Regulatory and commercialization support is also available, including the critically important PMDA consultation and market access guidance.

**Networking**  
Although less fluid than Silicon Valley’s, Japanese networking has improved with accelerators, professional meetings, and digital platforms. Entrepreneurs now have more tools to help build the “village” around them. In Kansai, Monozukuri Business Information-center Osaka (MOBIO) offers technical consultation,

exhibitions, and matchmaking.

### Funding

Government programs have expanded early-stage funding, particularly through universities such as Osaka University Venture Capital. The challenge now lies in scaling to “Series B” venture capital, where competition is intense and standards higher.

### Success and Beyond

Each success must seed the next generation. Entrepreneurs should recycle their expertise and experience as mentors, angels, advisors, or investors to grow the ecosystem [1-10].

### Barrier Seven Revisited: SME Innovation Solutions

SMEs are critical to Japan’s economy, employing nearly 70% of the workforce. Yet innovation remains difficult for many of them due to limitations in capital, talent, and a low risk tolerance.

### Potential solutions include:

- Expanding access to capital through pooled funds, co-investments, and credit guarantees.
- Funding shared innovation labs, incubators, accelerators, etc.
- Sponsoring non-profits that promote entrepreneur training such as the Japan Biodesign Program
- Sponsoring non-profits that promote “pitch events” such as Medtech Innovator
- Establishing consortia to align SMEs with national unmet needs such as healthcare.
- Promoting cultural change through storytelling, role models, and policy incentives.
- Encouraging collaborative innovation via international partnerships.
- Become a service provider such as a Contract Development and Manufacturing Organization (CDMO)
- Acquiring companies, projects, and intellectual property (IP)

### Conclusion: The Work Ahead

Progress has been uneven, but ecosystems grow like gardens, not buildings. They require patience, persistence, and resilience. Japan should not aim to replicate Silicon Valley exactly, but rather to build an ecosystem grounded in its own strengths and culture. The stakes are high. Japan faces an aging population, a smaller workforce, rising healthcare costs, and rapid technological change. For some SMEs the choice is stark: remain a supplier of components or find new businesses have a chance to grow.

The barriers to building a Japanese Silicon Valley for medtech are formidable. But the need is real, and so is the opportunity. The question is not whether barriers exist. It is whether Japan has the will to overcome them.

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