

KrayMan

Demystifying Complexities

Japan Bulletin

Volume 2

Japan – India Business Insight

02 June 2017



Indo - Japan Deals and Trends...Relationship

Japan and India to strengthen military cooperation

Japan and India plan to strengthen their defense cooperation amid rising tension in the Asian region.

Indian Defence Minister Arun Jaitley told his Japanese counterpart, Tomomi Inada, in Tokyo that his country hopes to pursue a strategic partnership with Japan for regional peace and stability. The region is facing rising tension due to territorial rows in the South China Sea and nuclear and missile threats from North K. Prime Minister Shinzo Abe has sought to expand Japan's defence role and capability.

China has shown caution about possible danger from joint maritime exercises between India and the United States.

Japan is formally cooperating with US for military purpose and hosting about 50,000 American troops, has in recent years developed military cooperation with other countries, including Australia, France, Britain and the Philippines. Jaitley welcomed a planned trilateral naval exercise among the US, India and Japan in July as a way of strengthening cooperation in the Asia-Pacific.

Japan's Mori eyes India's realty space

Mori Building Company, one of Japan's largest real estate developers, is planning to enter India this year, with expected initial investment of up to \$100 million. This Tokyo based company is planning to develop commercial properties in India and could even tie up with a domestic player.

Due to the regulatory changes in the real estate sector after enforcement of Real Estate (Regulatory & Development) Act, RERA from May 1, 2017 in India, foreign players are finding it easy to operate here.

The Act aims to regulate the real estate sector and bring in transparency and help protect consumer interest. It will help establish state-level Real Estate Regulatory Authorities (RERAs) to regulate transactions related to both residential and commercial projects and ensure their timely completion and handover. This Act obliges the developer to park 70% of the project funds in a dedicated bank account. This will ensure that developers are not able to invest in numerous new projects with the proceeds of the booking money for one project, thus delaying completion and handover to consumers.

Due to change in legal framework the entry of foreign players in India is at strategic time.

Japanese retailers are looking to enter Indian Retail Space

A host of retailers from fashion and life-style brands, fast fashion brands, eye wear companies, companies dealing in cooking, grooming and beauty care are scouting for mall space in India's top cities.

Muji expects India to be its second largest international market after China. Companies which generally appoint franchisee for its brand will open company owned retail stores in India and later appoint sub-franchisee.

Japan's investment in India are getting diverse

Japanese investment in India has mainly been in automobile, electrical equipment, telecommunications, chemical and pharmaceutical sectors.

Japan being third biggest investor in India is investing in diverse sectors during FY 16-17 period and has invested in retail, textile, consumable durables, food and beverages and banking. MUJI retail brand of Japan has opened stores in Delhi and Mumbai. Japanese run restaurant has also seen a rise in Indian Metros. During 2016, maximum investments from Japan have happened in Haryana. This increase in investment is both in terms of number of companies and in establishments.

Japan is now focusing on the fasttracking 12 industrial parks to be set up by Japan across various Industrial States and this will also contribute to economic corridors that Japan plans to create in this country.

SoftBank investment made Paytm India's second most valuable startup

SoftBank has made investment of Rs. 9,000 crore in Indian Digital startup, One97 communications which owns a mobile payments provider Paytm. It is a part of \$1.4 billion investment plan of SoftBank in paytm.

Softbank is expected to buy shares in a secondary transaction of about \$400 million to gain a full 20% stake in the company. This will be purchased from one early investor SAIF partners making it the most lucrative early stage exit.

The Investment is part of Softbank's consolidation drive in India, where it is also in talks to invest in Flipkart.

SoftBank amassed \$4 billion stake in Nvidia

SoftBank Group Corp. now owns \$4 billion stake in Nvidia, making it the fourth largest shareholder in the graphics chipmaker. Nvidia Corporation is biggest maker of graphics chips used by computer gamers.

SoftBank founder plans to become the biggest investor in technology over the next decade and it is betting on emerging trends like artificial intelligence and renewable energy. Nvidia over the years has also become one of the leaders of the charge by chipmakers to provide the underpinnings of machine intelligence in everything from data centres to automobile.

In India, Nvidia focuses on partnering with top labs and researchers to apply deep learning and solving India's grand challenges. According to Nvidia, India is at intersection of talent, a vibrant start up ecosystem, strong IT services and an offshore industry to harness power of deep learning.

India, Japan joint venture to set up LNG import terminal in Sri Lanka

India and Japan will join hands to set up a \$250 million liquefied natural gas (LNG) import terminal in Sri Lanka. Petronet LNG Ltd, India's biggest gas importer, last year proposed to set up an up to 2 million tone LNG import facility on the coast of Sri Lanka to meet its energy needs. Sri Lanka, however wanted Japan also to have a role in it.

Kai Group sets up plant in India

Japan based kitchen equipment and personal care player Kai Group has started its Indian innings and is lining up Rs. 175 crore for next three years. The group has set up a plant at Neemrana in Rajasthan by putting in around Rs. 75 crore and is expecting sales of Rs. 100 crore over the same period. The 108-year-old group has come out with product range that includes kitchen knives, nail clippers and razors.

Japan's Economy

Japan's Consumer Price Index up for fourth straight month

Japan's official data release depicts country's consumer price index (CPI) for all items rose to 0.4 percent year-on-year in April. The country's core CPI, which excludes fresh food prices, also inched up by 0.3 percent year-on-year, but missing Reuters estimate of a 0.4 percent increase. The increase was largely due to higher energy costs.

Japan's economy grew more than expected in the first quarter to register the quickest pace in a year, preliminary data showed. But weak household spending and poor corporate pricing power have kept inflation around zero for almost two years.

Japan's April retail sales show surprise gain, household spending weaker than seen, unemployment steady

Japan's official data from the Ministry of Economy, Trade and Industry showed that its retail sales rose to 3.2 percent as against expected percentage of 2.3,

Earlier, data showed household spending in Japan fell 1.4 percent in April from a year earlier in price-adjusted real terms, according to government data, well below the expected 0.7 percent decline seen

At the same time, the country's jobless rate held steady at 2.8 percent in April, though the availability of jobs rose as the jobs-to-applicants ratio gained to 1.48 from 1.45 in March, data from the Ministry of Internal Affairs and Communications showed.

Japan's Real Estate Sector has seen an increased interest

Japan is hosting Olympics and Paralympics in 2020 and is expecting 40 million international tourists. For this, Japanese cabinet had recently cleared the way for full legalization of Airbnb-style short-term accommodations in Japan. Investment in hotels is set for rapid growth in the coming years, with a large number of new projects undertaken by hotel developers and institutional investors.

It is also Japanese culture and nature which is driving demand for luxury resorts in Japan. Foreign tourists in Japan tend to visit gateway cities that are well-known overseas. In 2015, Tokyo topped all other regions with the highest number of foreign visitor nights, followed by Osaka and the Japanese way of treating a guest is famous in the world for the blend of welcoming spirit with warmth, understanding, and above all respect. This is also a driving force for increase in interest in Real Estate Sector in Japan.

IMF raises Asia Pacific growth forecast to 5.5% for 2017

The International Monetary Fund has raised its growth forecast for the Asia Pacific region to 5.5 per cent in 2017, but warned that the near-term outlook for the region is "clouded with significant uncertainty", adding that medium-term growth faced difficulties from a slowdown in productivity growth in both advanced economies and China.

It raised its growth forecast for the region to 5.5 per cent for 2017, up from a pace of 5.3 per cent growth projected in October 2016.

It revised 2017 growth projections for China and Japan upward to 6.6 per cent and 1.2 per cent, respectively, based mainly on continued policy support and strong recent readings from indicators such as purchasing managers' indices.

Emerging Market in Japan

Moody's Investors Service reports depicts that Japan and Germany are prime candidates for robot revolutions. Increased automation and more use of Robot technology in these manufacturing power houses could help cushion current downward trend in growth. About three-quarters of total global sales of industrial robotics machinery are concentrated in five countries: China, Japan, the United States, South Korea and Germany with adoption concentrated on automotive and electronics sectors. Among these, the three Asian countries bought around half of global industrial robots since 2013, led by China.

Globalization is killing domestic employment but robotics could lead to the return of some jobs that were outsourced to lower labour-cost destinations. Still, the number of jobs that will return would be less compared to the livelihoods lost earlier.

Japan's Industrial Output rose 4% on month in April

Government data showed that Industrial production in April rose 4.0 percent from the previous month to its highest level since October 2008. The increase in Industrial production was mainly due to increased auto production amid an economic recovery. The biggest contributor to the sharp increase in April was the transport machinery sector, especially the production of passenger cars, mini cars and auto equipment.

The Ministry of Economy, Trade and Industry, however, kept unchanged its basic assessment that industrial production shows signs of improving. Manufacturers polled in the survey said they expect output to fall 2.5 percent in May but rise 1.8 percent in June.

The seasonally adjusted index of output at factories and mines stood at 103.8 against the base of 100 for 2010, the highest since 107.4 reported in October 2008. It followed a revised 1.9 percent fall in March, the ministry said in a preliminary report.

The April figure also showed the biggest gain since a jump of 4.2 percent registered in June 2011, three months after the Great East Japan Earthquake and tsunami disaster hit.

Yasuhiro Takahashi, senior economist at Nomura Securities, said the April figure is a good start to the April-June quarter, reflecting robust production plans put forward by Japanese companies.

Government says labor investment, reform key in economic policy blueprint

In an effort to boost its productivity, growth potential and to promote labour reform, Japan Government is proposing overview of an economic and fiscal policy blueprint. The government hopes to finalize the policy blueprint next month, which aims to address a series of challenges facing Japan such as enhancing child-rearing support, boosting sluggish consumption, revitalizing regional economies and changing work practices.

This is planned to counter deep-rooted culture of overwork, putting a binding cap on overtime hours and setting rules to eliminate discrimination between regular and non regular workers. The final document will be used to compile a budget for fiscal 2018 starting April.

Japan Inc hiring full time workers

Japan Inc. is increasing hiring of full-time employees as they scramble to secure workers, amid a labour shortage.

In the last few years, Japanese companies have used non regular employees increased 11% while regular employees grew just 0.7%. Since the wages for non regular positions are relatively low, the increase in the number of such hires has no major impact on wage growth.

Japan's seasonally adjusted ratio of job openings to applicants hit 1.48 in April, the highest in 43 years, according to data released by the Ministry of Health, Labor and Welfare on Tuesday. The ratio of full-time job openings to applicants, which is close to surpassing 1 for the first time at 0.97, is most indicative of the tight labor market.

But against the backdrop of a global economic recovery, hiring of full-time workers is now growing steadily. And experts are focusing on whether Japan will reach a critical juncture where an improved labor market accelerates the pace of wage growth.

Source: The Economic Times, Mint, The Japantimes

About Us

KrayMan Consultants LLP

KrayMan is an Accounting & Advisory Firm specializing in Assurance, Tax & Regulatory, Corporate Secretarial, Corporate Finance, Compliance & Outsourcing, Virtual CFO and Human Resources services

We handhold our Clients in international arena through memberships in two prestigious international associations with:

- **Prime Advisory Network (PAN)**, London - a network of Accountants and Lawyers with presence in 45+ countries.
- **Cross Border Associates (CBA)**, Germany specializing in M&A activities having presence in 80+ countries;

We have a team of dedicated professionals including (CAs, CS, MBAs and CMAs) who are truly committed in providing timely, professional and quality services to our Clients by going that extra mile.

Japan Business at KrayMan

The Japan-India investment entry is a key focus area for us. We are a one shop - stop solution for the advisory and compliance needs of Japanese companies in India.

We are a young, dynamic and a growing organization with relevant experience of working with Japanese Clients. We have a team of experienced and qualified professionals advising Japanese Clients on doing business in India.

We are largely assisting Japanese companies in India across sectors like manufacturing, trading & services. Our focus is to deliver High Quality Client Service.

Connect with us:

KrayMan Consultants LLP
170A, 11th Floor, Tower B1, Spaze i-Tech Park, Sector 49, Sohna Road,
Gurgaon – 122001 (India)
T: +91 124 4309418, Web: www.krayman.com

For any assistance please contact us at communications@krayman.com

Disclaimer

The information and opinions contained in this document have been compiled or arrived at from published sources believed to be reliable, but no representation or warranty is made to their accuracy, completeness or correctness. The information is only for general guidance and is not meant to be a substitute for professional, technical or legal advice in any manner.