

**KrayMan**

*Demystifying Complexities*

# Japan Bulletin

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**Japan – India Business Insight**

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# Business Insight: India

## Modi-Abe relationship encouraging Japanese companies to invest in India: Toppan Printing chief Shingo Kaneko

Toppan Printing, a packaging and printing solutions company with sales of \$13 billion has entered into India by striking an alliance with Analjit Singh's Max Group.

According to Toppan's President Shingo Kaneko India has a great potential. The growth rates here for the consumer goods sector are as high as 18% compared to global average of around 4%. Moreover, India's democracy and stable policies makes it less risky to invest here compared to China where investors are not certain about the stability of policies.

India and Japan are politically very close and both have a long history. In recent times Mr. Modi and Mr. Shinzo Abe have forged a good relationship that is why, according to Toppan, it is a good time to come to India.

## Japanese investors look to bet their money on Indian startups

Small Japanese investors have again shown their interest in niche technology based start-ups. The new investors from Japan are cherry picking small investors and are more likely to spare smaller sums of \$ 1-5 million for companies they decide to back. REAPRA Ventures and Asuka Corporation are the latest Japanese early stage investors besides Incubate Fund, GREE Ventures, Mistletoe Capital and other funds that have recently started investing in the country.

Japanese entrepreneur Shuhei Morofuji, founder of REAPRA Ventures wants to take Indian companies to Southeast Asian markets and has said that India will be a major market for 30 investments planned this year and REAPRA will invest \$1 million per deal.

Data from researcher Tracxn show that during 2015 and 2016, Japanese Investors participated in domestic startup investment deals worth \$2.39 billion.

The fresh capital flow from these funds into India comes at a time when the overall value and volume of investments in domestic early-stage ventures have dropped. The number of venture capital deals fell 21% to 405 in 2016, and the total capital invested fell 28% to \$1.4billion, according to data from Venture Intelligence.

## Mizuho Financial Group has identified sectors for focused investing approach

Mizuho Financial Group has been tasked by the Japanese government to find investment opportunities in India. According to its report titled Visualizing India in 2013 it has identified potential industrial sectors such as electronics, automobiles, energy, transportation and social infrastructure. This comes against the backdrop of Japan pledging around \$33 billion in investments in 2014-19 to boost India's manufacturing and infrastructure sectors. In December 2015, Japanese Prime Minister Shinzo Abe said his government has made available a special financial package of over \$12 billion for Japanese companies wanting to invest in India.

Japan is among the top five sources of foreign direct investment in India, with the automobile and pharmaceutical sectors being among the biggest beneficiaries of Japanese investments over the past few decades. Prominent investors include Suzuki Motor Corp., Mitsubishi Motors, Toyota Motor Corp., Nissan Motor Co. Ltd, Daiichi Sankyo Co., JFE Steel Corp and Nippon Life Insurance Co.

Japanese investors have been looking at new opportunities in India such as the clean energy sector.

## **SoftBank takes Snapdeal closer to Flipkart sale but yet to seal terms**

The board of directors of Jasper Infotech Pvt Ltd, which runs struggling online marketplace Snapdeal moved a step closer to agreeing to a distress sale to bigger rival Flipkart Ltd even as a conflict between the company's largest investor SoftBank Group Corp and three key shareholders remains unresolved.

Until now, the other investors were holding out on a sale to Flipkart, hoping that the company could find other suitors, increasing the sale price, even find new investors.

Snapdeal has seen its valuation shrink and industry watchers believe the potential deal could be struck at a heavily discounted rate

Another bigger Snapdeal rival Paytm, run by One97 Communications has dropped out of the race to buy Snapdeal even though it has expressed in buying Snapdeal's payments arm Freecharge in a cut-price deal.

## **SB Energy of the SoftBank Group commissions first solar power plant under the Solar Parks scheme of the Jawaharlal Nehru National Solar Mission**

SB Energy Holdings Limited ("SB Energy"), has announced the commencement of commercial operation of its 350 MW solar power plant located in Andhra Pradesh. It is the first operational solar power plant delivered under the Solar Parks scheme of the Jawaharlal Nehru National Solar Mission. The plant commenced its operations on March 29, 2017 and completed 51 days ahead of the scheduled date agreed in the PPA.

350MW photovoltaic solar power plant at Ghani Sakunala Solar Park, Kurnool District, Andhra Pradesh is the world's seventh largest plant.

SB Energy is currently a wholly-owned subsidiary of SoftBank Group Corp. The power plant has been designed and developed by SB Energy using the latest technology and will supply power at an agreed upon tariff of Rs. 4.63/ kWh. It has the capacity to produce electricity for over 7 lakh Indian households and is connected to the grid at 400K/V.

In support of the solar and renewable energy mission of the Government of India, SB Energy is committed to build 20GW of capacity.

## **DataWeave gets Series-A from large Japan ad tech company FreakOut**

DataWeave has raised an undisclosed amount of series-A funding from investors led by one of Japan's largest ad tech companies, FreakOut Group, which has acquired a strategic stake in the business intelligence startup based in Singapore and Bengaluru.

While DataWeave's technology analyses online consumer behavior, FreakOut Group's technology analyses consumers' offline behavior using Smartphone data. Also, by leveraging FreakOut Group's network, DataWeave will be able to expand their business in Asia, including Japan.

FreakOut Holdings has shown intention to invest in Indian startups with high-level technology and potential for worldwide business expansion

# Business Insight: Japan

## Idemitsu Kosan, a Japanese refiner has new future with OLED Display

Idemitsu Kosan better known for its chain of gas station is transforming its future. The company is pioneer in OLED technology. This technology has held out the promise of better screens for decades. OLED displays can be thinner, more energy efficient and produce deeper black colors because organic pixels can glow on their own, while LCDs require a backlit panel. They can also be made on flexible plastic for a wider variety of shapes and applications. The challenge has been in creating long-lasting, bright screens at low enough prices.

As Apple Inc. prepares to introduce a new smart phone with an OLED screen, a Japanese refiner is about to join the list of transformation of future like other suppliers. Wider adoption of the advanced displays that offer crisper images and use less battery power, is putting the spotlight on the Japanese supplier that up until now had virtually no stake in iPhone sales..

## Think tanks expect Japan's GDP rose 2% in January-March

The economy is projected to have grown at an annualized rate of 2.0 percent in the January-March period from the previous quarter in price-adjusted real terms, according to the average estimate of 10 private-sector think tanks, research institute.

The Cabinet Office is scheduled to release preliminary GDP data for January-March on May 18.

According to the think tanks, the growth of personal consumption is expected to accelerate as the negative effect from higher vegetable prices due to poor weather has waned. Increased exports on the back of overseas economic recovery will also contribute to the overall growth. By contrast, corporate capital investment is seen falling, after a sharp increase in the previous quarter. Many think tanks estimate that public investment will post the first growth in three quarters due to stimulus measures undertaken in recent past.

## BOJ fears housing bubble amid surging loans to build apartment buildings

The Bank of Japan is keeping a watch on the steep growth of bank loans to finance the construction of apartment buildings and other rental homes. The BOJ is concerned that the active lending may cause an oversupply of rental homes and an increase in vacancies, resulting in defaults by borrower landlords.

After the scope of inheritance tax was expanded and the exemptions on inheritance tax were cut significantly in the fiscal 2015, a surging number of wealthy individuals began constructing rental homes on vacant land they owned, in order to lower their appraisal values for the inheritance tax.

Loans for rental homes rose 21.1 percent from the previous year to ¥3.786 trillion in 2016, the highest level since 2010, the earliest year for which comparable data is available.

The BOJ, therefore, plans to focus on loans for apartment buildings in its on-site inspections of banks during fiscal 2017, which started April 1, 2017.

## Japan logged first trade surplus in six years in fiscal 2016 at ¥4 trillion

Japan posted its first trade surplus in six years in fiscal 2016, standing at ¥4.01 trillion, as the value of imports fell sharply amid persisting low oil prices.

It was the first annual surplus on a fiscal year basis since the March 2011 Fukushima nuclear disaster, which prompted Japan to import more fossil fuels as its nuclear power plants. But lower energy prices have helped take pressure off Japan's trade balance.

Imports for the year to March 31 tumbled 10.2 percent from a year earlier to ¥67.52 trillion, for the third consecutive year of decline, as crude oil and liquefied natural gas imports continued to slide. Exports dropped 3.5 percent to ¥71.52 trillion, reflecting decreased shipments of cars and steel.

With the yen showing an average 10 percent appreciation against the dollar, Japan also saw the value of its exports drop for the year to March 31, 2017.

## Investment funds target firms focusing on job, work environment reform

With the government's drive to create more flexible and effective working environments, investment companies have been setting up funds to invest in companies focusing on job market reforms, including the promotion of women in the workplace.

Fund managers believe that business performance will improve at companies dedicated to labor reforms in response to changes in society, and therefore their stock prices will rise.

The success of such funds could give a boost to government initiatives advocated by Prime Minister Shinzo Abe as part of his economic policies that are aimed at balancing people's lifestyles and ways of working. The fund also invests in companies that actively promote better employee health and diversify their workforce by hiring more foreign staff and people with disabilities.

## Kuroda says BOJ purchase pace to continue for some time

The Bank of Japan will continue with very accommodative monetary policy and maintain the current pace of asset purchases for some time, Gov. Haruhiko Kuroda said.

While Japan's economy is doing better than thought a few months ago, the inflation rate is still quite sluggish. He said the exchange rate could affect inflation in the short term and that if the yen appreciates, there is a chance of a delay in hitting his 2 percent price goal.

## Bank of Japan keeps policy steady as Fed sticks to rate-hike path

The Bank of Japan kept monetary policy steady in the wake of the US Federal Reserve's second interest rate hike in three months, underscoring the diverging policy paths of major global central banks.

The inflation rate at Japan is stagnant 0.2% which is far from 2% inflation target set by Bank of Japan, reflecting the continued oversupply of consumer markets, recent oil price and currency movements. Economists had expected no change in the BOJ's policy settings as rising global protectionist sentiment and an expected series of US rate hikes.

As expected, the BOJ maintained its short-term interest rate target of minus 0.1 and a pledge to guide the 10-year government bond yield at around zero.

**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;

In terms of team we are 35+ 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.

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