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COUNTRY DOSSIER

Japan

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Country Dossier - Japan

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India remains the top choice for Japanese manufacturing firms looking to invest abroad. The proportion of Japanese companies with business plans in India has jumped from around 35% in 2021 to 45.8 % in 2023, according to the latest JBIC survey. Nearly half of the firms surveyed found India the most promising destination. Japanese companies see India as a credible long-term partner for manufacturing and a top consumer market. India offers long-term growth to Japanese investors with structural stability, low volatility, and sustainable macro factors. Japanese retail investors continue to invest in India through mutual funds, and there is increasing interest from institutional investors looking to tap into public and private markets in India. India is attractive as a consumer market for Japanese companies to sell their products and also a manufacturing base. Japan and India have historically robust political and economic ties, set to continue on top of continued investment from Japan as corporates globally look for newer destinations to expand their manufacturing bases. Firms that don't have an Indian presence are looking for reliable partners, as per the Japan External Trade Organization.

G2G initiatives – Investment Fund

- India's National Investment and Infrastructure Fund (NIIF) has collaborated with the Japan Bank for International Cooperation (JBIC) to unveil a USD 600 million India-Japan Fund. The Fund will have JBIC and the Government of India as anchor investors, and focus on investing in environmental sustainability and low carbon emission strategies. This marks NIIF's first bilateral Fund, with GoI contributing 49% of the target corpus and the remaining 51% contributed by JBIC. The setting up of the India-Japan Fund represents a key milestone in the strategic and economic partnership between the Japanese government and GoI. The India-Japan Fund will invest in India's environmental sector, including renewable energy, e-mobility businesses, and waste management and water sectors. The Indian government will contribute 49% towards USD 589 million Fund. The Fund will invest USD 48 million in Mahindra Last Mile Mobility Ltd (MLMML), a subsidiary of Mahindra & Mahindra (M&M), valuing the company at USD 795 million.
- The Nikkei newspaper reported that Japan's Suzuki Motor will start producing electric vehicles in India and export them from there to Japan as early as 2025. In a step to make India its global electric car manufacturing hub, Suzuki will also consider supplying India-made EVs to partner Toyota Motor for European markets that would be sold under the Toyota brand
- Japan is keen to invest USD 36 billion, in India across various sectors, including steel, as told by Union Minister Jyotiraditya Scindia. The two countries also signed a memorandum of cooperation in the semiconductors sector, focused on critical areas like research and development (R&D), manufacturing, design, and talent development. India's USD 10 billion semiconductor production-linked incentive (PLI) program offers a 50 % incentive on the project costs for setting up a chip plant
- India and Japan may explore linking fast payment systems to facilitate easier and less expensive cross-border payments. Linking of the UPI (Unified Payments Interface) with fast payment systems of other nations is also being considered.

Sectoral Synergies

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Manufacturing

- Car market leader Maruti Suzuki India will invest USD 5 billion in Gujarat as part of a broader plan to double the output to 4 million units by FY31. The company will set up a one million unit per annum capacity plant in Gujarat that would entail an investment of USD 4 billion. Production is likely to start in FY29. In a regulatory filing, India's largest carmaker said that Japan's Suzuki's stake in the company will rise to 58.19 percent from 56.48 percent after the allotment. Maruti Suzuki India Ltd (MSIL), the country's largest carmaker, will issue shares worth USD 1.54 billion to its parent Suzuki Motor Corp. to fully acquire Suzuki Motor Gujarat Pvt. Ltd. from the Japanese automaker.
- Japan's Toyota Motor Corp. will invest USD 400 million to build its third manufacturing facility in India as it seeks to meet robust demand for its existing vehicles and be future-ready to produce clean technology cars. The expansion will mark the world's largest automaker's 25th year of operations in India and boost its total investment in the country to USD 2.3 billion.
- Utility vehicle maker Isuzu Motors India has inaugurated its new dealership in Tamil Nadu under its plan to expand its network strategically across the country. The company, a subsidiary of Isuzu Motors Ltd, Japan, has set up its 3S -- sales, service, and spares -- dealership named Kaveri ISUZU in Tiruchirappalli.
- Japanese tyre maker Yokohama is betting on local production in India for a" sustainable and competitive" business model. It is coming up with a new plant in Visakhapatnam in addition to its existing plant in Bahadurgarh, Haryana. Meanwhile, Bridgestone India has joined hands with Tata Power to install EV chargers for four-wheelers at its dealerships nationwide. Under the collaboration, Tata Power will install 25/30 kWh capacity DC fast chargers capable of charging a four-wheeler within one hour, allowing 20-24 vehicles to be charged in a day.

Finance

- Mitsubishi UFJ Financial Group Inc., Japan's biggest bank, is looking to expand further in India after making key investments. It opened a branch in the Gujarat International Finance Tec-City, the country's newest financial hub, in August last year and also set up a fund to target middle- to late-stage Indian startups.

- Gojo & Company Inc., a Japanese holding company that has backed several Indian financial services firms, has floated a venture capital firm to make early-stage investments in India. Gojo has co-founded Unleash Capital Partners and raised capital from marquee Japanese investors, including Sumitomo Mitsui Banking Corporation (SMBC), corporate houses, and family offices. Unleash Capital will invest in startups offering products that push financial inclusion in the country. It intends to buy minority stakes in about 20-25 companies over the Fund's lifecycle, which extends beyond ten years.

Sectoral Synergies

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Green Energy

- Japan's largest provider of city gas , Tokyo Gas, has joined the race to acquire a minority stake in Think Gas Distribution, an Indian natural gas supplier owned by private equity fund I Squared Capital. The potential investor will buy about a 30% stake in Think Gas, valuing the company at USD 1-1.2 billion. Investment bank Barclays is advising I Squared for the stake sale.
- Sembcorp Green Hydrogen Pte., has signed a memorandum of understanding with Japanese conglomerate Sojitz Corp and energy major Kyushu Electric Power for potential opportunities for green ammonia production in India. Mubadala Investment and some Japanese investors, including Sumitomo, are among the contenders to acquire a 30% stake in Think Gas Distribution.

Retail

- Fast Retailing Co.'s Uniqlo brand will be scouting for more manufacturing partners in India to rapidly expand its operations after seeing a 60% jump in sales in India. Uniqlo has started production in India and is already exporting to other countries. It is looking at expanding partnerships with factories and mills. The Japanese apparel giant is working with over 20 sewing factories and mills in India, enabling it to meet the Indian government's requirement of sourcing at least 30% of its inventory from local sources.
- Japanese company Shiseido Co. is vying for the Indian retail space and has launched its first makeup brand in India in almost a decade. It will open 14 stores in New Delhi and Mumbai with its partner Shoppers Stop Ltd.'s Global SS Beauty Brand.

Aerospace

- The Japan Aerospace Exploration Agency (JAXA) Is making progress on its rover for a joint mission with India to the moon's south pole. JAXA and the Indian Space Research Organisation (ISRO) agreed to the cooperative project in 2019. ISRO will build the mission's lander, while JAXA will be responsible for the launch and a lunar rover. The mission is slated to launch no earlier than 2025 on Japan's new H3 rocket.

Electronic Components

- Apple Inc is bringing its global lithium-ion (Li-ion) battery cell supplier, TDK Corporation, to India. Japan's leading electronic component and device maker will manufacture the battery cells in India to power the iPhones assembled there. The cells will be supplied to Apple's Li-ion battery assembler, Sunwoda Electronics, which is already operating in the country and currently imports the cells from various markets worldwide. TDK, which acquired Li-ion batteries, and cell maker Hong Kong-based Amperex Technology Ltd in 2005, recently bought 180 in Haryana to set up a unit to manufacture, among others, the cells for Li-ion batteries.

Trilegal's historical experience with Japanese companies

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- **Trilegal advised and assisted IJF** in conducting limited due diligence and negotiating and finalizing transactions and ancillary documents. The deal was valued at USD 120 Million.
- **Trilegal advised Mitsui & Co., Ltd. (MITSUI)** on its investment in Pinnacle Mobility Solutions Private Limited (EKA), an electric bus and small commercial vehicle manufacturing company.
- **Trilegal advised Toshiba Corporation** on joint venture for steam turbine generator products with JSW Steel and JSW Energy.
- **Trilegal advised Mitsubishi** on provisions of the MRTP Act and Competition Act regarding restrictive trade practices and anti-competitive agreements.
- **Trilegal advised Sumitomo Corporation** on joint venture agreement with Mukand to set up a steel manufacturing facility at Hospet, Karnataka.

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