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RUBIX COUNTRY INSIGHTS

JAPAN

Among the world's largest economies, Japan faces stagnant growth, yet finds resilience through strong government support and an increase in mergers and acquisitions.

EXECUTIVE SUMMARY

A USD 4 trillion economy, largely associated with deflation, **but has now entered the inflation zone in the past couple of years**



World's highest debt-to-GDP ratio among advanced economies at more than **200%** in 2024



The US and China collectively account for more than **one third** of imports and exports, respectively



2024 was a record year for mergers and acquisitions with over **4,700** announced deals

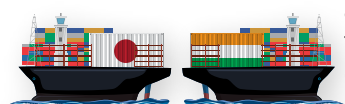
Goods imports and exports reached **USD 743 Bn and USD 708 Bn** in CY2024, respectively



Till 2023, was the world's top creditor but lost the position to Germany in 2024



India's imports and exports account for **only 1% and 2% of Japan's** total imports and exports, respectively



India's exports to Japan led by automobiles and electrical apparatus (including smartphones) whose share has increased from **1% in FY2021 to 21% in FY2025**



Key Economic Indicators: Summary

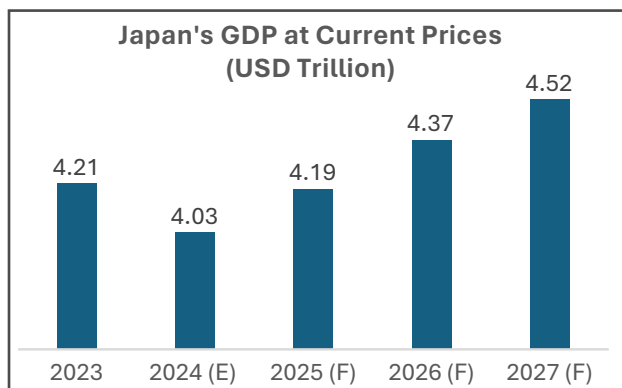
Indicator	2023	2024	2025 (F)	2026 (F)	2027 (F)	Forecast
GDP, current prices (USD Trillion)	4.21	4.03	4.19	4.37	4.52	●
GDP growth, real prices (%)	1.5	0.1	0.6	0.6	0.6	●
GDP per capita, current prices (USD '000)	33.85	32.5	33.96	35.65	37.05	●
Inflation rate, average consumer prices (%)	3.3	2.7	2.4	1.7	2.0	●
General government gross debt (% of GDP)	240	236.7	234.9	233.7	232.1	●
Current account balance (% of GDP)	3.8	4.8	3.4	3.3	3.3	●

Note: ● = positive outlook; ● = negative outlook; ● = stable/unchanged

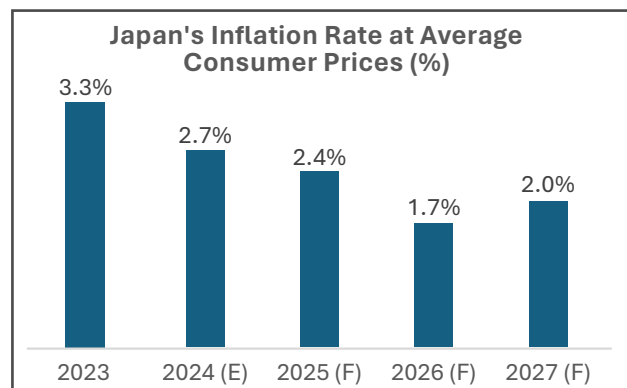
Note: General government gross debt includes the Central Government's debt, state governments' debt, off-budget borrowings, etc.

Source: International Monetary Fund

GDP



Inflation



Source: International Monetary Fund

Stagnant growth puts Japan on the back foot, and India to replace it as the 4th largest economy

- In 2024, Japan's economy recorded a marginal real GDP growth of just 0.1%, marking its fourth consecutive year of expansion, though it was significantly slower than the 1.5% rise in 2023.
- The subdued performance mirrored weak household spending as Japanese households struggled to cope with the rising cost of living without substantial gains in real wages. However, this was partially offset by strong corporate investment as capital spending rose about 0.5% in Q4 of CY2024, reflecting strong demand for chipmaking capacity and the need for new factory builds¹.
- As per the IMF, by the end of 2025 India is set to overtake Japan as the 4th largest economy with a projected GDP of USD 4,187.02 billion compared to Japan's USD 4,186.43 billion².

Japan shifts gear as inflation surges past decades-long norms

- Since the 1990s, Japan's economy has been more associated with deflation than inflation, as Consumer Price Index (CPI) growth often hovered near zero. That trend reversed in mid-2022, when inflation surged to multi-decade highs, reaching levels not seen since the early 1980s³.
- In response, the Bank of Japan exited its negative interest rate policy in March 2024 and raised its short-term rate to 0.5% by January 2025⁴ marking a historic shift.
- Despite these steps, inflation has remained above the 2% target, with core CPI hitting 3.7% in May 2025, mainly due to rising import and food costs, sustaining market expectations of additional rate hikes through the rest of amid lingering economic uncertainty 2025⁵.

¹ Kyodo News, February 2025

² CNBC TV18, May 2025

³ Mises Institute, June 2025

⁴ Reuters, March 2025

⁵ Reuters, June 2025

Cross-Border Trade Dynamics

For the period of CY2020 to CY2024:

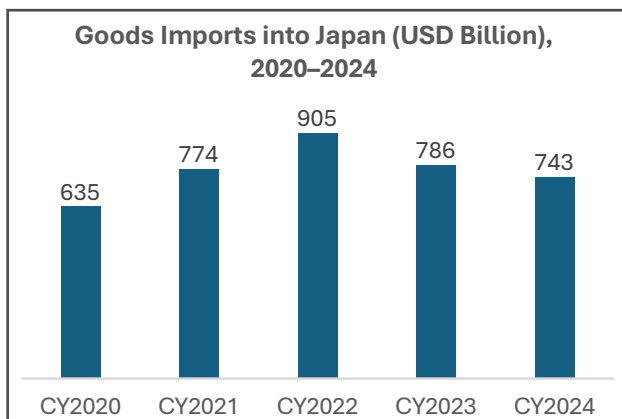
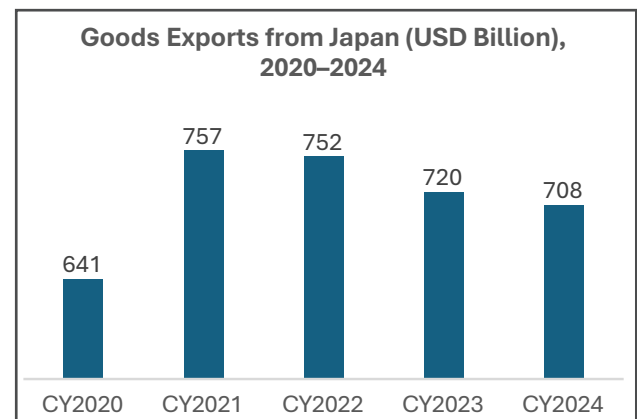
- Goods exports grew at a CAGR of 2.5%, whereas imports grew at 4% CAGR.
- Goods bilateral trade (import plus export) reached USD 1.4 trillion in CY2024 at 3.3% CAGR since CY2020.
- The trade deficit has increased nearly 2 times from USD 16 billion in CY2021 to USD 35 billion in CY2024.

Japan's goods imports outpace goods exports, deepening the trade imbalance over the past five years

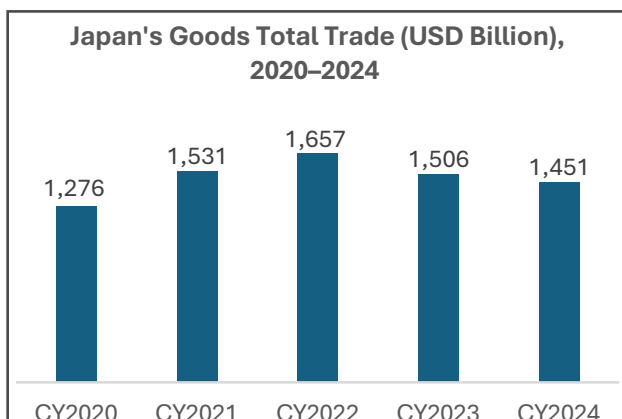
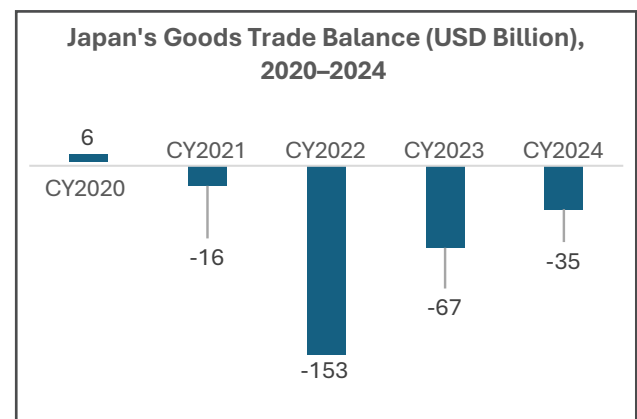
Japan's imports have outpaced exports over the last five years due to soaring energy prices, a weaker Yen making imports costlier, and rising dependency on fuel and raw material imports. Meanwhile, export growth

has been constrained, especially for semiconductors, electronics, and machinery, by global demand slowdowns, supply chain shifts, and recent US tariffs on key sectors like automotive. Japan's exports fell in May 2025 for the first time in eight months as big automakers like Toyota were hit by sweeping tariffs by the US (Japan's largest single trading partner).

Although Japan has managed to avoid the initially threatened 30%–35% tariffs from the Trump administration, the more recent, newly imposed 25% tariff on Japanese goods entering the US is still expected to adversely impact Japan's economy, potentially reducing its growth by 0.26% points⁶. The 25% tariffs could reduce Japanese exporters' profits by as much as 25%, suggesting that government intervention may be necessary, particularly to support the automobile sector⁷. These tariffs are set to take effect on August 1, 2025. In the meantime, negotiations will continue in hopes of reaching a mutually beneficial trade agreement.



Source: International Trade Centre (ITC)



Source: International Trade Centre (ITC)

Note: Total Trade = Exports Plus Imports, Trade Balance = Exports Minus Imports

⁶ Reuters, July 2025

⁷ Reuters and Japan Research Institute, July 2025

Country-wise Trade

The US and China account for the largest share, while the trade potential with India and Europe remains untapped.

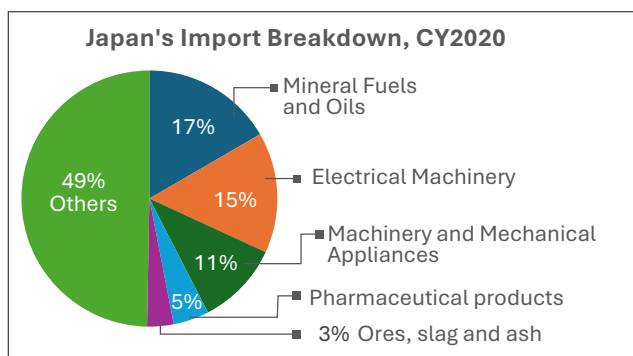
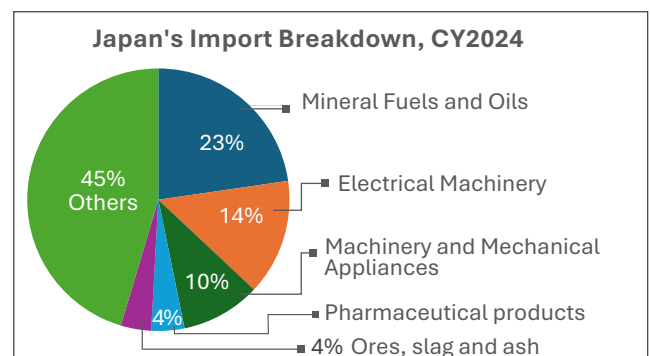
- Imports from the US to Japan have grown at 4% CAGR from 2020 to 2024, whereas exports to the US have increased at 5% CAGR.
- Imports from China to Japan have remained stagnant at 1% CAGR from 2020 to 2024, whereas exports to China have declined at 3% CAGR.
- Despite robust growth, India's imports and exports accounted for only 1% and 2% of Japan's total imports and exports, respectively.
- Among the top 15 import source countries, there are only 3 European countries, namely, Germany with 3%, Italy with 2%, and France with 1% shares.
- Among the top 15 export destinations, only 1 country is European: namely, Germany with 1% share in exports.

Top-5 Import Origins and Export Destinations, Japan, 2020 and 2024					
Top 5 Countries from Which Japan Imported			Top 5 Countries to Which Japan Exported		
Country	Share in 2020	Share in 2024	Country	Share in 2020	Share in 2024
China	26%	23%	USA	19%	20%
USA	11%	11%	China	22%	18%
Australia	6%	7%	South Korea	7%	7%
UAE	3%	5%	Taiwan	7%	6%
South Korea	4%	4%	Hong Kong	5%	5%
Others	51%	50%	Others	41%	44%
Total	100%	100%	Total	100%	100%

Source: International Trade Centre (ITC)

Major Import Products

Two segments—Mineral fuels and oils (crude, gas, petroleum oils—bituminous material) and electrical machinery and equipment, including semiconductors and components—collectively accounted for more than one-third of the total imports.



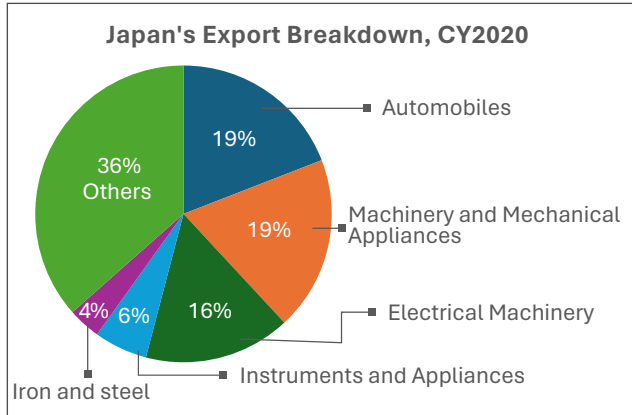
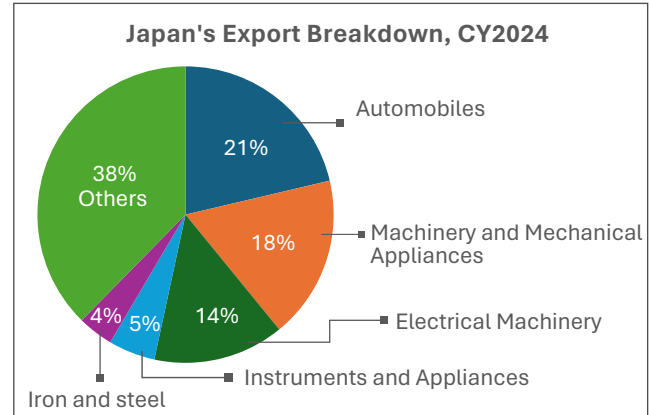
Note: 2-digit HS codes have been considered for the analysis. Source: International Trade Centre (ITC)

Rising energy and food costs are hurting households and companies, so we need to scrutinise how souring households' sentiment could affect consumption.

Akazawa Ryosei
Minister in Charge of Economic Revitalization, Japan

Major Export Products

As a global car and electronics manufacturer, products such as automobiles, industrial machinery, semiconductors, integrated circuits, and consumer electronics components collectively accounted for 53% of total exports.

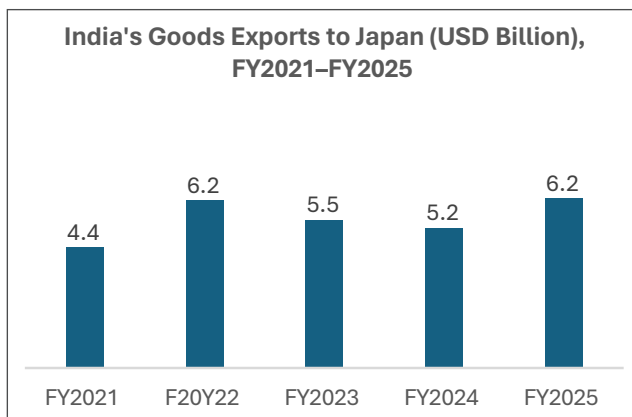
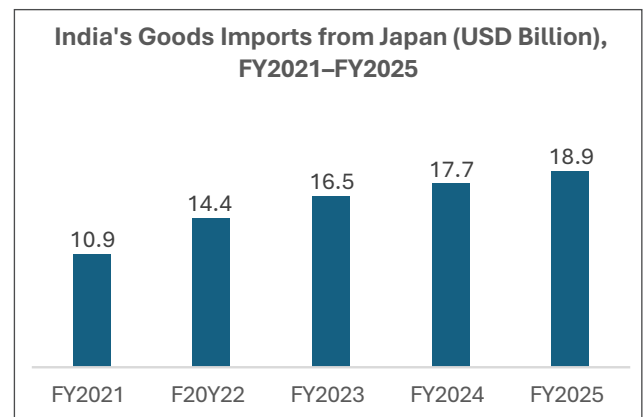


Note: 2-digit HS codes have been considered for the analysis. Source: International Trade Centre (ITC)

- Mineral fuels and oils (HS code 27) includes mineral fuels, petroleum oils, gases, & related products like coal, crude oil, refined oil.
- Machinery and mechanical appliances (HS code 84) includes computers, machinery for semiconductor manufacturing, printing, etc.
- Electrical Machinery (HS code 85) includes smartphones, electrical transformers, electronic integrated circuits, etc.
- Instruments and Appliances (HS Code 90) includes instruments and appliances used for medical, surgical, and orthopaedic applications, physical and chemical analysis, etc.
- Automobiles (HS code 87) includes vehicles other than railway or tramway rolling stock, and parts and accessories, etc.
- Pharmaceutical Products (HS code 30) includes medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, etc.

Cross-Border Trade Dynamics: With India

India's trade deficit with Japan continues to widen



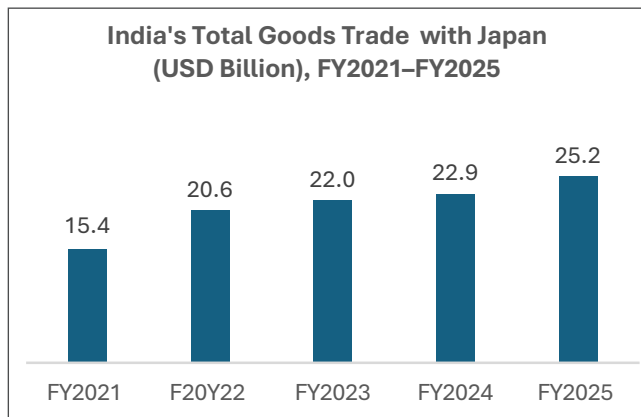
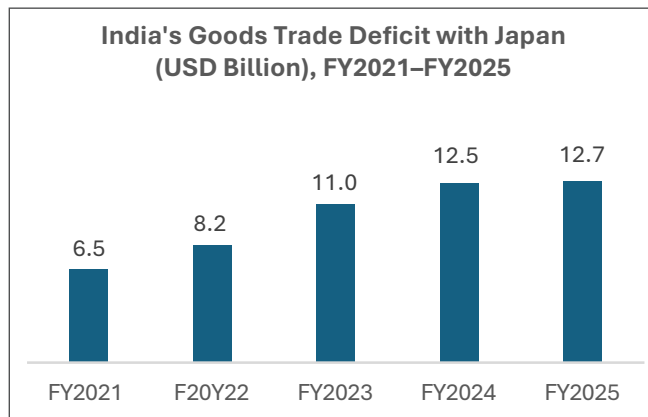
Source: Department of Commerce, Ministry of Commerce and Industry, Government of India



India has emerged as a major investment hub for Japanese businesses exploring a 'China-plus' supply chain strategy.

Kenichi Kimura
CEO & Chief Growth Officer, Deloitte Tohatsu Group





Source: Department of Commerce, Ministry of Commerce and Industry, Government of India
 Note: Total Trade = Imports Plus Exports and Trade Balance = Exports Minus Imports

In the past five years, from FY2021 to FY2025:

- India's exports to Japan increased by 9% CAGR.
- India's imports from Japan increased by 15% CAGR.
- Total trade (imports plus exports) between the two countries increased by 13% CAGR, crossing USD 25 billion in FY2025.
- India's trade deficit (imports minus exports) with Japan increased nearly 2 times, touching USD 12.7 billion by FY2025.

One of the reasons for the widening of the trade deficit is that India's imports of precious metals, copper products, and steel from Japan have risen sharply due to strong demand in the manufacturing, electronics, and infrastructure sectors.

Trade provisions under the India–Japan CEPA enabled duty-free or low-duty access to high-value inputs, boosting inflows. For example, finished steel imports from Japan reached 1.9 million metric tons, marking a nearly 70% year-on-year increase during the first 11 months of FY2025⁸.

Automobiles and smartphones lead the surge of India's exports to Japan

Major Products Exported by India to Japan				Major Products Imported by India from Japan			
HS Code	Product	Share in FY2021	Share in FY2025	HS Code	Product	Share in FY2021	Share in FY2025
8703	Automobiles	1%	13%	2843	Precious metals	8%	12%
8517	Electrical apparatus, including mobile phones	0.04%	8%	7403	Refined copper and copper alloys, unwrought	8.0%	9%
3808	Agrochemicals	3%	6%	8708	Auto components	4%	5%
7601	Unwrought aluminium	3%	5%	7208	Flat rolled products of iron or non-alloy steel	0.3%	4%
306	Marine products	7%	5%	2902	Cyclic hydrocarbons	2%	3%
	Others	86%	63%		Others	78%	67%
	Total	100%	100%		Total	100%	100%

India's rising auto and smartphone shipments to Japan signal a shift toward high-value manufacturing exports. Auto companies such as Maruti Suzuki and Honda, among others, have helped place India among the top five car exporters to Japan in FY2025, a major

feat in one of the world's most competitive auto markets⁹. Meanwhile, surging smartphone exports, up nearly fourfold to Japan in the last three years¹⁰, reflect India's growing strength as a strong export partner to Japan.

⁸ Reuters, April 2025

⁹ Angel One, May 2025

¹⁰ Brand Equity Economic Times, May 2025

Brief Snapshot of Key Developments in Japan: Impact Metrics

Key Drivers / Developments	Impact		
	1–2 years	3–5 years	6–10 years
Rollout of dual-phase relief to counter tariff shock and rising living costs	High	High	High
New NISA spurs shift toward investment-driven savings culture in Japan	High	High	High
Record-high M&A activity amid reform-driven deal boom	High	High	Medium
Loss of the top creditor spot, but remains financially strong with record gross external assets	High	High	High
Amendment of the Payment Services Act to boost crypto growth and investment appeal	High	High	Medium
Initiatives to revive the semiconductor industry	High	High	Medium
Weak Yen resulting in record-breaking tourism surge	High	Medium	Medium
A JPY 347.9 billion investment push for the Japanese EV battery sector	High	High	High
Solar energy at the cornerstone of Japan's 7th Strategic Energy Plan	High	High	High

Key Developments

Rollout of Dual-phase Relief to Counter Tariff Shock and Rising Living Costs

In April 2025, the Japanese Government unveiled an emergency economic package to cushion industries and households from the impact of sweeping US tariffs. The measures include enhanced corporate financing support, a JPY 10-per-litre gasoline price subsidy (~USD 0.07), and partial electricity bill compensation for three months, starting July 2025¹¹. The funding will draw from both a reserve pool and a pre-allocated gasoline subsidy fund. Earlier, in November 2024, the government had approved a major USD 250 billion stimulus package, which focused on boosting personal incomes, energy cost subsidies, and assistance for low-income households¹².

New NISA Spurs Shift Toward Investment-driven Savings Culture in Japan¹³

In January 2024, Japan overhauled the Nippon Individual Savings Account (NISA) to revitalise household investing by giving tax breaks for investments in stocks, including broad-based index funds. The positive impact was evident. The number of NISA accounts went up from 21.25 million at the end of December 2023 to 25.60 million at the end of December 2024. Further, Japan's mutual fund assets jumped 30% to JPY 34 trillion (USD 218.1 billion) year-on-year in 2024 as retail investors switched their savings out of low-interest-rate bank deposits into the NISA. By moving household

savings from low-yield cash to equities, NISA is boosting the market, promoting long-term investing, and fuelling broader economic growth.

Record-high M&A Activity Amid Reform-driven Deal Boom

Japan's M&A is driven by reforms and the new August 2023 guidelines, which have pushed companies toward more transparent, growth-focused strategies. These changes have revived corporate Japan after decades of stagnation, spurring more strategic dealmaking. Despite the weak Yen making outbound acquisitions more expensive, Japanese companies have pursued US targets aggressively, seeking growth in a comparatively robust American economy. The recently completed acquisition of US Steel by Nippon Steel for USD 14.9 billion in June 2025 is a noteworthy example¹⁴.

Such renewed appetite for acquisitions made 2024 the busiest year for Japan-related M&A activity since 1985, with over 4,700 announced deals and a 44% surge y-o-y in deal value (the fastest growth since 2018) to more than USD 230 billion, surpassing regional trends across the Asia-Pacific region¹⁵. The momentum has extended into 2025 as well, with Dealogic data showing a staggering 135% increase in M&A value (in USD terms) during the first four months alone, far outpacing the global average and highlighting Japan's emergence as a hotspot for strategic and financial dealmaking¹⁶.

¹¹ The Indian Express, April 2025

¹² The Asahi Shimbun, November 2024

¹³ Financial Services Agency, Government of Japan, March 2025 and Asia Asset Management, February 2025

¹⁴ The Guardian, June 2025

¹⁵ Bloomberg, January 2025

¹⁶ East & Partners, June 2025

A major driver of this growth has been the influx of foreign private equity, which, attracted by undervalued Japanese assets and improving governance norms, pushed PE deal activity involving foreign firms to an all-time high in 2024 and seems to continue in 2025 as well. This includes landmark deals, such as Bain Capital's USD 3.4 billion acquisition of Tanabe Pharma in February 2025, the largest ever in Japan's healthcare sector¹⁷.

Loss of the Top Creditor Spot, but Remains Financially Strong with Record Gross External Assets¹⁸

Japan lost its position as the world's top creditor for the first time in 34 years, overtaken by Germany, despite record-high net external assets, partly due to a weaker Yen. At the end of 2024, Japan's gross external assets rose 12.9% year-on-year to JPY 533.05 trillion (USD 3.7 trillion), surpassing JPY 500 trillion for the first time but falling short of Germany's JPY 569.65 trillion. The depreciation of the Yen inflated the value of Japan's foreign currency holdings, while Germany maintained a lead due to its strong current account surplus. Japan, however, increased its net external credit for the seventh straight year, with total external assets up by 11.4% to JPY 1,659.02 trillion, supported by rising direct investments in the US by its financial institutions and trading houses.

Amendment of the Payment Services Act to Boost Crypto Growth and Investment Appeal

Japan is undertaking sweeping crypto reforms, including a major amendment to the Payment Services Act (PSA), to strengthen its position in the global digital asset space. The changes, driven by the ruling LDP, aim to reduce the capital gains tax on cryptocurrencies from up to 55% to a flat 20%, legally define crypto as a distinct asset class, and ease licensing requirements for brokers by allowing them to operate as intermediary businesses¹⁹. The PSA amendment also grants stablecoin issuers more flexibility in asset backing. Together, these reforms aim to attract foreign investment, foster fintech innovation, and make Japan a competitive hub for digital finance.

¹⁷ Reuters, February 2025

¹⁸ The Mainichi Newspapers, May 2025

¹⁹ Coin Telegraph, March 2025 and OneSafe, June 2025

²⁰ The Brookings Institution, June 2024

Initiatives to Revive the Semiconductor Industry

Japan's share of the global semiconductor market has dropped from nearly 50% in the 1980s to about 10% today²⁰. In response, the government has declared semiconductor revival a national priority to maintain strategic autonomy amid US-China tech tensions. Since 2021, Japan's Ministry of Economy, Trade and Industry (METI) has launched an aggressive strategy, investing 0.71% of GDP (USD 25.7 billion) from 2022–2025, outpacing similar efforts by Germany, the US, and France²¹. In November 2024, Japan announced a broader USD 65 billion plan to support its semiconductor and AI sectors till 2030, with USD 7 billion already allocated in January 2025 for advanced chip and quantum research²².

Weak Yen Resulting in Record-Breaking Tourism Surge²³

Japan's tourism sector hit an all-time high in 2024, surpassing the pre-pandemic peak of 32 million in 2019. The surge was fuelled in part by the sharp depreciation of the Yen, which at one point in 2024, fell to a 40-year low against the US Dollar, making Japan a highly affordable destination for global travellers. Visitor numbers jumped from 25.07 million in 2023 to 36.8 million in 2024, and international tourist spending soared 53% year-on-year to JPY 8.14 trillion (USD 51.78 billion). With this momentum, Japan is well-positioned to meet its ambitious target of 60 million annual visitors by 2030 under its national tourism strategy.

A JPY 347.9 Billion Investment Push for the EV Battery Sector²⁴

In September 2024, the Japanese Government approved up to JPY 347.9 billion (USD 2.4 billion) in subsidies to boost domestic Electric Vehicle (EV) battery production, aiming to reach 150 GWh of annual capacity by 2030. Announced by the Ministry of Economy, Trade and Industry (METI), the funding will support 12 projects, including lithium-ion battery cell production by a Panasonic-Subaru consortium. Of the total allocation, JPY 326 billion will go toward Li-ion battery production, including Lithium Iron

²¹ The Brookings Institution, June 2024

²² Reuters, November 2024 and Quantum Insider, January 2025

²³ Al Jazeera, January 2025

²⁴ Argus Media Group, September 2024

We will continue to engage in negotiations with the United States to explore the possibility of reaching a mutually beneficial deal while protecting our national interests.

Shigeru Ishiba,
Hon'ble Prime Minister, Japan

Phosphate (LFP) types, JPY 17 billion is earmarked for raw material processing, and JPY 5 billion for manufacturing equipment. These projects are expected to raise Japan's current battery output capacity from 85 GWh to 120 GWh once operational, as part of METI's broader battery strategy. However, major automakers such as Nissan, Honda, and Toyota have scaled back their battery plant investments in recent months of 2025, potentially jeopardising the ability to meet Japan's planned targets²⁵.

Solar Energy at the Cornerstone of Japan's 7th Strategic Energy Plan²⁶

In February 2025, Japan approved its 7th Strategic

Energy Plan, placing a strong emphasis on solar energy among renewables and setting a target to achieve a 40% to 50% renewable energy share in its electricity mix by FY2040. The plan also envisions nuclear power contributing 20% of the energy supply, while coal-fired power is to be cut from the current 70% to between 30% and 40%. To drive innovation, METI is promoting next-generation technologies, particularly perovskite solar cells, through its Next-generation Solar Cell Strategy. Given Japan's limited land availability, the strategy focuses on lightweight, flexible solar solutions suitable for rooftops and building facades. The goal is to deploy 20 GW of perovskite solar capacity by 2040.

India–Japan Relations

India and Japan have consistently maintained strong bilateral relations, underpinned by the Comprehensive Economic Partnership Agreement (CEPA), which has deepened trade, investment, and economic cooperation since 2011. This partnership was further strengthened by the Semiconductor Supply Chain Partnership signed in October 2023, aimed at enhancing collaboration in

chip design, manufacturing, and talent development. Further, in addition to providing the funding for the under-construction Mumbai-Ahmedabad Bullet Train, estimated to cost around USD 15 billion, in April 2025, Japan announced its plans to provide East Japan Railway E5 and E3 series shinkansen bullet trains for free to India as inspection vehicles²⁷.

Some recent key agreements and corporate investments between the two countries include:

Area of Co-operation/ Investment	Brief Description
Maritime Infrastructure	In June 2025, India and Japan agreed to strengthen maritime relations by attracting Japanese investment in Indian shipyards, advancing port digitisation, promoting green initiatives, exploring R&D partnerships, and upskilling Indian seafarers for opportunities in Japan ²⁸ .
Smart Islands	In June 2025, India and Japan agreed to develop Andaman & Nicobar and Lakshadweep as "Smart Islands" with renewable energy, digital systems, and resilient infrastructure ²⁹ .
Power T&D	In June 2025, Tata Power-DDL partnered with Japan's Nissin Electric (under NEDO's International Demonstration Project) to launch India's first micro-substation using Photovoltaic-thermal (PVT) technology ³⁰ .
Defence and Technology	In May 2025, India and Japan agreed to boost defence ties, with a focus on co-producing next-gen jet and tank engines, cyber cooperation, and maritime security, including collaboration in AI, automation, and niche defence technologies ³¹ .
Banking	In May 2025, Japan's Sumitomo Mitsui Banking Corp. (SMBC) announced the acquisition of a 20% stake in Yes Bank for INR 134.8 billion, making it the largest cross-border investment in the Indian banking sector ³² .
Advanced Automotive Components	In May 2025, Nidec India Private Limited, a subsidiary of Japan-based Nidec Corporation, announced the construction of its third plant in Neemrana, Rajasthan at an outlay of INR 4,500 million to manufacture technologically advanced automotive components for electric power steering motors, park lock actuators, electric water pumps, electric oil pumps, and BLDC engine cooling fan motors ³³ .

²⁵ Financial Express, May 2025, Asia Nikkei, March 2025 and Kyodo News, May 2025

²⁶ Taiyang News, February 2025

²⁷ Economic Times, April 2025

²⁸ & ²⁹ Economic Times, June 2025

³⁰ Times of India, June 2025

³¹ India Times, May 2025

³² HT Digital Media/ Live Mint, May 2025

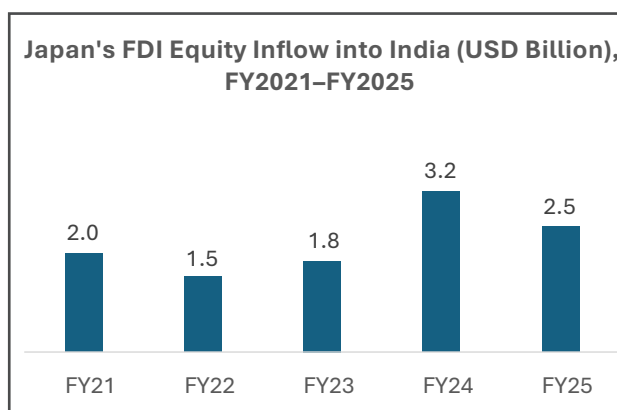
³³ Times of India, May 2025

Area of Co-operation/ Investment	Brief Description
Procurement Solutions	In May 2025, Infosys finalised the ahead-of-schedule sale of a 2% stake in its Japan-based joint venture, HIPUS, to Mitsubishi Heavy Industries, strengthening their partnership and aiming to deepen collaboration and unlock new business opportunities in the Japanese market ³⁴ .
Aerospace	In March 2025, Japanese debris removal firm Astroscale partnered with India's Digantara and Bellatrix Aerospace to offer orbital services to Indian clients, marking the company's first APAC expansion outside Japan ³⁵ .
Financial Currency	In February 2025, India and Japan renewed their bilateral swap line at USD 75 billion, a liquidity facility for both the Reserve Bank of India and the Bank of Japan to exchange currencies for US Dollar resilience ³⁶ .
Diverse Sectors	In March 2025, India and Japan signed loan agreements worth JPY 191.736 billion for six projects under Japan's Official Development Assistance (ODA) to India in the sectors of forest management, water supply, urban transport, aquaculture, biodiversity conservation, and investment promotion ³⁷ .

Note: Information is provided in chronological order.

Japan is the fifth-largest foreign equity investor in India

Japan's Foreign Direct Investment (FDI) into India has grown at a steady CAGR of 6% from FY2021 to FY2025, reaching approximately USD 2.5 billion in FY2025. Cumulatively, from April 2000 to March 2025, Japanese FDI stood at USD 44.4 billion, making Japan the fifth-largest source of FDI equity inflows into India³⁸. Recent investments underscore Japan's sustained confidence in India's economic landscape. A couple of key ones were Nidec Corporation's expansion in Neemrana and Sumitomo Mitsui Banking Corporation's significant 20% stake acquisition in Yes Bank (as mentioned earlier). Another key development was the launch of the USD 600 million India-Japan Fund (IJF) in October 2023, a collaboration between the National Investment and Infrastructure Fund (NIIF) and the Japan Bank for International Cooperation (JBIC), with JBIC and the



Source: Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India

Government of India as anchor investors. The focus areas are environmental sustainability and low-carbon emission strategies.

³⁴ *Times of India, May 2025*

³⁵ *Reuters, March 2025*

³⁶ *Business Standard, February 2025*

³⁷ *Ministry of Finance, March 2025*

³⁸ *Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India*

“Japan and India have been natural partners, and for more than 10 years, we have been special, strategic and global partners. I believe it will grow in new economic areas like renewable energy, AI, IT, and others. Japanese businesses are keen on building relationships and making investments with Indian businesses.

Ono Keiichi,
Japan's Ambassador Extraordinary and Plenipotentiary to
India and the Kingdom of Bhutan

”

Partnerships with Other Countries

Japan has forged a wide range of economic, trade, and strategic agreements with countries worldwide. Some recent ones include:

Country	Brief Description
Philippines	In June 2025, Japan approved the Reciprocal Access Agreement (RAA) with the Philippines, allowing the deployment of forces on each other's territories, which is expected to further strengthen defence cooperation between the two countries ³⁹ .
Vietnam	In April 2025, Japan and Vietnam reaffirmed their commitment to free trade and signed four cooperation agreements focused on energy-transition products and semiconductor R&D ⁴⁰ .
UK	In March 2025, Japan and the UK initiated a TwoPlusTwo Economic & Trade Dialogue, pledging enhanced cooperation on WTO reform, clean energy transitions, and reducing trade barriers ⁴¹ .
Brazil	In March 2025, Japan and Brazil signed a five-year plan to deepen cooperation in trade, technology, climate, and infrastructure, including steps towards a Japan–Mercosur trade agreement ⁴² .
Sri Lanka	In March 2025, Sri Lanka signed a comprehensive debt treatment plan under which Japan granted concessions on a JPY 369.45 billion (USD 2.5 billion) loan ⁴³ .
GCC	In December 2024, Japan concluded the first round of free trade negotiations with the Gulf Cooperation Council in Riyadh, targeting liberalisation across goods, services, digital trade, rules of origin, and IP protection ⁴⁴ .

Note: Information is provided in chronological order.

OUTLOOK

Japan faces tepid, but stable growth as high debt and weak demand undermine recovery prospects⁴⁵

Japan's economic outlook for 2025 and 2026 remains fragile, with GDP expected to grow by just 0.6% each year, weighed down by the ongoing US tariff pressures and sluggish domestic demand. Inflation is projected to ease from 2.4% in 2025 to 1.7% in 2026 as energy and import prices stabilise. However, consumer spending remains weak. Household expenditures declined 0.1% year-on-year in April 2025, raising concern among

policymakers as the economy began to slow even before the full impact of US tariffs. The government anticipates a JPY 4.5 trillion (USD 31 billion) primary budget deficit for the current fiscal year through March 2026. Further, Japan continues to carry the world's highest debt-to-GDP ratio among advanced economies at 234.9%, a burden compounded by structural deficits and a rapidly ageing population.

Date	Credit Rating Agency	Rating and Outlook	Brief Details
March 2025	S&P	<ul style="list-style-type: none"> Affirmation of 'A+' long-term and 'A-1' short-term unsolicited sovereign credit ratings Stable outlook on the long-term ratings 	The stable outlook on the long-term ratings reflects balanced upside and downside risks over the next 12–24 months, with the Bank of Japan's successive rate hikes creating monetary policy space and strong revenue growth narrowing fiscal deficits.
January 2025	Fitch Ratings, Inc.	Affirmation of Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'A' with a Stable Outlook.	The ratings reflect the balanced risks, supported by the Bank of Japan's monetary tightening and strong revenue-led fiscal improvements, despite ongoing geopolitical and external uncertainties.

Source: S&P Global Ratings, Fitch Ratings Inc.

³⁹ VietnamPlus, VNA, June 2025

⁴⁰ The Vietnam Development Bank, April 2025

⁴¹ The Associated Press, March 2025

⁴² CTOL Digital Solutions, March 2025

⁴³ The Hindu, March 2025

⁴⁴ CATTS B.V., December 2024

⁴⁵ International Monetary Fund (IMF), The Japan Times, June 2025, The Mainichi, May 2025 and The Indian Express, May 2025



ABOUT RUBIX

Rubix Data Sciences Pvt. Ltd. helps you to take prudent credit risks, build a robust supply chain and monitor compliance for your business partners in India and around the world. Rubix helps you collect payments in time from your debtors, helping generate predictable cash flows.

Set up by highly experienced Risk Professionals, the company has been recognised at the IMC Digital Technology Awards in 2020 for the Rubix ARMS™ platform, and in 2021 for the Rubix Early Warning System (EWS). Rubix has also received the prestigious ET BFSI Exceller Award two times in a row: in 2023 for its ground-breaking analytics initiative, 'SME Income Range Estimation and Financial Ratio Benchmarking' and in 2024 for the Rubix Risk Scoring Model.

Rubix has been appointed as India's first Validation Agent for the Legal Entity Identifier (LEI) by Legal Entity Identifier India Ltd, the Local Operating Unit accredited by the Global Legal Entity Identifier Foundation (GLEIF), Switzerland.

The Rubix ARMS™ and Early Warning System (EWS) platforms and their suite of reports, products and services are based on Rubix's extensive database of structured and unstructured data aggregated from over 120+ sources, customised predictive analytics and proprietary technology.

Corporate Office:

D - 424, Neelkanth Business Park, Vidyavihar (West), Mumbai - 400086, India

Ahmedabad | Bengaluru | Bhopal | Chandigarh | Chennai | Delhi NCR | Hyderabad | Indore | Jaipur | Kolkata | Lucknow | Nagpur | Pune | Raipur | Ranchi | Surat | Visakhapatnam

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The Rubix Country Insights Team

INDUSTRY DATA & ANALYTICS

Rubix Data Sciences

RESEARCH

Yogesh Jambhale

EDITOR

Lakshmi Subramanian

DESIGN

Chandan Naik

BUSINESS DEVELOPMENT

Tushar Bhaskar

tushar.bhaskar@rubixds.com

+91-9999064524

CUSTOMER SERVICE

info@rubixds.com

+91-22-49744274

MARKETING & MEDIA QUERIES

Rahul Chopadekar

rahul.chopadekar@rubixds.com

+91-9819735111

If you'd like to learn more about Rubix's Solutions, please visit www.rubixds.com or contact us via info@rubixds.com