

WAVERLEY GATEWAY GUIDE

Connecting International Capital with Emerging & Frontier Markets

JAPAN

Asia East

Dialogue | Trust | Partnership

office@lordwaverley.com

www.lordwaverley.com

WHERE AND HOW TO ENTER

KEY INVESTMENT LOCATIONS

Location / Region	Strategic Importance	Priority Sectors
Tokyo (capital)	Political, financial and corporate-headquarters capital; Asia's deepest capital markets and a regional base for multinational investment	Financial services, corporate headquarters, technology
Chitose, Hokkaido	Site of Rapidus's next-generation 2nm logic-chip fab, backed by roughly ¥1.7 trillion (~\$11.4B) in cumulative government support, targeting 2027 mass production	Advanced semiconductors, foundry manufacturing
Kumamoto / Kyushu ("Silicon Island")	TSMC's JASM joint-venture fabs anchor a rapidly expanding chip-supply-chain cluster across Kyushu	Semiconductor manufacturing, chip-supply-chain logistics
Osaka-Kansai	Secondary financial, industrial and tourism hub building on 2025 Expo-era infrastructure investment	Industrial manufacturing, tourism, trade
Yokohama / Kanagawa	Major port and automotive-manufacturing base directly exposed to the 15% US tariff on Japanese auto exports	Automotive manufacturing, port logistics
Rare-earth-dependent manufacturing regions (nationwide auto and electronics supply chains)	Chinese export restrictions on rare-earth minerals, imposed amid the Taiwan-remarks diplomatic rift, are squeezing supply for Japanese electronics and auto manufacturers	Advanced manufacturing, electronics, automotive components
Nansei Islands / Okinawa (Taiwan-adjacent)	Front-line security-sensitive geography amid rising defense spending and contingency planning tied to the Taiwan dispute	Defense-adjacent infrastructure, logistics

INVESTOR ENTRY ROUTES

- Advanced-semiconductor investment via Rapidus's government-backed 2nm fab in Hokkaido and the broader Kyushu TSMC/JASM supply-chain cluster
- Automotive and industrial manufacturing investment, now repriced against the 15% US tariff on Japanese auto exports agreed under the July 2025 US-Japan trade deal
- Defense and dual-use technology investment as Japan accelerates toward 2% of GDP in defense spending
- Financial-services and corporate-headquarters investment in Tokyo, leveraging Asia's deepest capital markets
- Energy and critical-minerals investment aimed at diversifying away from Chinese rare-earth supply
- Tourism, hospitality and real-estate investment in Osaka-Kansai and other regional hubs, adjusting for the sharp drop in Chinese visitor arrivals

MARKET-ENTRY OBSERVATION

Japan enters this Gateway Guide as a market of serious structural strengths the world's most ambitious state-backed push to reclaim leadership in advanced semiconductors, a historic female premiership under Sanae Takaichi that commands a two-thirds coalition majority after the February 2026 snap election, and a deepening security and industrial partnership with Washington set against a genuinely fraught external and fiscal backdrop. Growth has disappointed: the government cut its 2026 growth forecast from 1.3% to 0.9% on high oil prices, even after a ¥21.3 trillion (\$139B) stimulus package. The yen has fallen to its weakest level since 1986, past 163 to the dollar, forcing the Bank of Japan into a delicate tightening cycle (a 0.25-point hike to roughly 1% policy rate, with markets pricing good odds of another by early 2027) against a backdrop of rising inflation, a 10-year bond yield approaching 3%, and open market doubts about the BOJ's credibility and Takaichi's own expansive fiscal instincts, given debt already exceeding twice GDP the highest ratio among advanced economies.

The more acute story is the diplomatic rupture with China, triggered by Takaichi's November 2025 remarks suggesting Japan could invoke collective self-defense over a Taiwan contingency. Beijing responded with travel advisories that sharply cut Chinese tourist arrivals, a seafood-import ban, postponed film releases, and most consequential for investors restrictions on rare-earth mineral exports that are squeezing Japanese electronics and automotive manufacturers. As of early October 2026, Takaichi has signaled a shift toward seeking "stable ties" with China, calling it an "important neighbour" in a parliamentary policy address, after China's top diplomat suggested relations were "waiting to be normalised again" but the underlying Taiwan dispute, the travel advisories and the trade restrictions all remain in place, and whether the overture produces real de-escalation is not yet established.

INVESTOR RISK & MARKET ACCESS

KEY ENTRY BARRIERS

Issue	Potential Impact	Possible Mitigation
China-Japan diplomatic rift and rare-earth restrictions	Beijing's response to Takaichi's Taiwan remarks has included travel advisories, a seafood-import ban, and rare-earth export restrictions now squeezing Japanese manufacturers; an October 2026 overture toward "stable ties" has not yet reversed any of these measures	Track rare-earth supply exposure directly and monitor whether stated diplomatic outreach produces concrete policy reversals
Weak yen and BOJ credibility gap	The yen is at its weakest since 1986 (past 163/dollar); the BOJ has begun a tightening cycle but is seen by some market participants as behind the curve on inflation	Model currency and import-cost exposure against current yen weakness rather than historical ranges
Sovereign debt and fiscal-credibility concerns	Public debt exceeds twice GDP, the highest among advanced economies, with the 10-year bond yield approaching 3% amid market concern over Takaichi's expansive spending plans	Monitor bond-yield trends and the government's fiscal-discipline commitments through year-end
US tariff exposure	A 15% US tariff applies to Japanese exports including autos, agreed under the July 2025 trade deal in exchange for a \$550 billion Japanese investment pledge into the US	Assess export-linked investments against the tariff's margin impact
Slowing growth	2026 growth forecast cut from 1.3% to 0.9% on elevated oil prices, despite a ¥21.3 trillion stimulus package	Track quarterly GDP releases and the stimulus package's actual disbursement pace
Demographic decline	Takaichi has called population decline a "quietly advancing national crisis" and has pledged a comprehensive strategy by year-end 2026	Factor long-term labor-supply constraints into workforce-dependent investment planning
Regional security tension	Accelerating defense spending toward 2% of GDP (~\$70B) and Taiwan-contingency planning reflect a more serious security posture but also underline the stakes of the China relationship	Treat as a standing strategic-context factor rather than a near-term operational barrier

INVESTOR RISK NOTE

Waverley views Japan as a market of exceptional institutional depth and a genuinely world-class strategic bet the government-backed drive to re-establish leadership in advanced semiconductors operating right now under real macro and diplomatic strain: a historically weak yen, a BOJ playing catch-up on inflation, debt exceeding twice GDP, and an unresolved rift with China that has already disrupted rare-earth supply and tourism. Entry should proceed through established channels (JETRO, METI's semiconductor programs) while explicitly tracking the China relationship, currency trajectory and fiscal-credibility signals rather than assuming the current turbulence is temporary.

MARKET ACCESS

Japan maintains a fully open capital account with unrestricted profit repatriation, extensive bilateral and regional trade agreements (CPTPP, the EU-Japan EPA, RCEP), a July 2025 trade and investment framework with the United States, and dedicated investment-promotion support through JETRO alongside sector-specific incentive programs for semiconductors and advanced manufacturing administered by METI.

WHO SHOULD THE INVESTOR MEET?

INSTITUTIONAL LANDSCAPE

Actor	Why It Matters	Waverley Engagement Angle
Office of the Prime Minister (Takaichi administration, LDP-led coalition)	Sets overall economic, fiscal and foreign-policy direction from a historic first female premiership holding a two-thirds coalition majority since February 2026	Primary reference point for the administration's policy direction
Ministry of Finance	Manages fiscal policy and debt issuance amid market concern over Takaichi's expansive spending plans and a debt load exceeding twice GDP	Primary channel for verifying fiscal-policy and bond-market developments
Bank of Japan	Conducting a delicate tightening cycle against a historically weak yen and rising inflation, with credibility questioned by some market participants	Monitor for policy-rate decisions and official communications on the inflation outlook
Ministry of Economy, Trade and Industry (METI)	Administers the Rapidus semiconductor program and broader industrial-policy incentives for advanced manufacturing	Primary channel for semiconductor and advanced-manufacturing sector engagement
Ministry of Foreign Affairs	Manages the China relationship amid the Taiwan-remarks diplomatic rift and the stated October 2026 outreach toward "stable ties"	Monitor for developments in the China relationship and their trade implications
Ministry of Defense	Leading the push toward 2% of GDP in defense spending amid Taiwan-contingency planning	Monitor for defense-budget and procurement developments relevant to dual-use technology investment
JETRO (Japan External Trade Organization)	Japan's principal investment-promotion agency, coordinating inbound FDI support and sector introductions	First point of contact for most inbound investment

CURRENT INTERNATIONAL BUSINESS CHANNELS

Most inbound capital flows through JETRO's investor-facilitation services, METI's semiconductor and advanced-manufacturing incentive programs, direct engagement with Rapidus and the Kyushu TSMC/JASM supply chain for chip-sector investment, and Ministry of Finance and Bank of Japan monitoring for currency- and rate-sensitive sectors.

INVESTOR PROFILE BEST SUITED

Best suited to advanced-semiconductor and deep-tech investors able to engage with Rapidus's and TSMC's Japan supply chains, defense and dual-use technology investors aligned with rising security spending, and financial-services or corporate-headquarters investors drawn to Tokyo's capital-markets depth. Less suited to investors requiring currency stability or insulation from an unresolved China relationship.

FROM INTELLIGENCE TO ENGAGEMENT

- STEP 1: Confirm sector fit
Decide between advanced semiconductors, defense and dual-use technology, financial services, or export-manufacturing investment.
- STEP 2: Engage the relevant sector institution
Open discussions with JETRO, METI's semiconductor programs, or the Ministry of Defense depending on sector focus.
- STEP 3: Assess currency and fiscal exposure
Model investment economics against the current weak yen, BOJ rate trajectory, and sovereign debt dynamics rather than historical baselines.
- STEP 4: Track the China relationship
Monitor whether the October 2026 outreach toward "stable ties" produces concrete reversal of rare-earth restrictions and travel advisories.

STEP 5: Structure entry through established incentive programs

Use JETRO facilitation and METI sector incentives, particularly for semiconductor and advanced-manufacturing investment, to structure entry.

WAVERLEY'S ROLE

- Track the trajectory of the China-Japan diplomatic rift and its rare-earth and tourism impacts
- Monitor BOJ policy, yen trajectory and fiscal-credibility signals around the Takaichi administration's spending plans
- Coordinate introductions to JETRO, METI's semiconductor programs, and the Rapidus/Kyushu supply chain
- Screen semiconductor, defense-technology and export-manufacturing opportunities against current currency and tariff conditions

INVESTOR CALL TO ACTION

Waverley Gateway positions investors to capture Japan's exceptional strengths a historic state-backed drive to reclaim semiconductor leadership, deep capital markets, and a two-thirds-majority government while explicitly tracking its weak yen, fiscal-credibility strain and unresolved China rift engage now through JETRO and METI's established channels.

Sector screening -> Currency and fiscal due diligence -> Institutional introductions -> Structured entry

WAVERLEY INVESTOR INTELLIGENCE & OPPORTUNITY PIPELINE

Near-term opportunities concentrate in advanced-semiconductor investment via Rapidus's Hokkaido fab and the Kyushu TSMC/JASM cluster, defense and dual-use technology tied to the 2%-of-GDP spending push, and currency-advantaged export-manufacturing and tourism investment benefiting from the weak yen once China-related and tariff risks are priced in.

POSITIONING

Japan brings a historic state-backed drive to reclaim global semiconductor leadership, Asia's deepest capital markets, and a historic first female premiership commanding a two-thirds coalition majority fundamentals few markets in this series can match.

That strength now sits alongside real strain: a 40-year-low yen, a Bank of Japan playing catch-up on inflation, sovereign debt exceeding twice GDP, and an unresolved diplomatic rift with China that has already disrupted rare-earth supply and tourism. Waverley frames Japan as a high-conviction strategic entry point best approached through established institutional channels while actively monitoring the currency, fiscal-credibility and China-relationship trajectories.

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