

Special Report

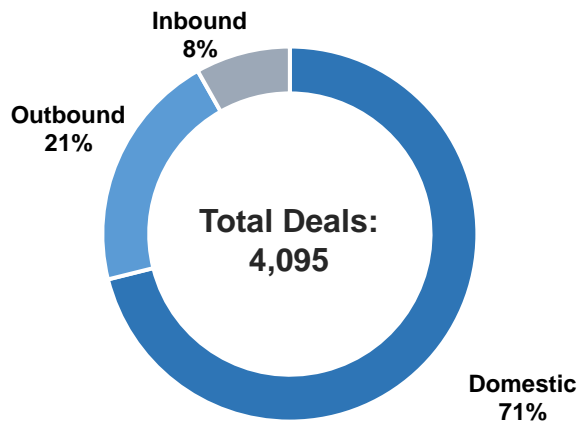
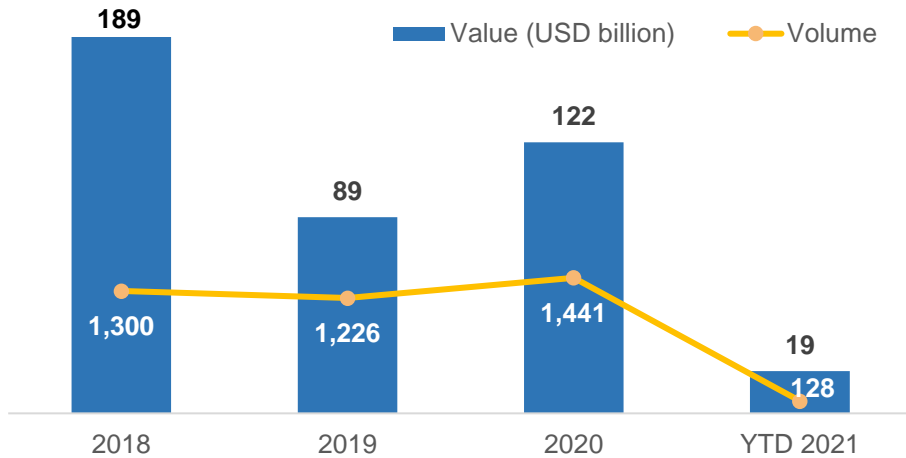
What's Behind Japan's M&A Boom



2020 M&A activity expands 38% YoY, with Japanese firms focusing on asset consolidation and outbound acquisitions to expand into new geographies

Japanese M&A Deal Activity*

2018-21



USD61 billion

Total expenditure on asset consolidation in 2020 by four Japanese companies: Nippon Telegraph and Telephone Corporation, Nippon Paint, Hitachi, and Sony

USD81 billion

Largest deal closed by Takeda Pharmaceutical to acquire Shire PLC, a biotech firm engaged in the research and development of medicines for rare diseases

>USD200 billion

Total expenditure by Japanese companies to diversify and expand into other geographies

~USD180 billion

Investment in domestic companies

Source: Capital IQ, Aranca Analysis

Note: *Includes all transactions involving either a Japanese target or a buyer

Domestic M&A activity largely concentrated in seven sectors representing ~49% of deal value; Nippon, LINE, Showa Denko, Hitachi most active in the domestic market

Domestic M&A Deal Activity

2018–21

Sector	Key Businesses	Key Targets	Key Acquirers	Deal Volume	Deal Value
Wireless Communication	Mobile communication and wireless network services, mobile rental	NTT Docomo, Destination Japan, Fon Japan, Line Mobile, Global Mobile	Nippon Telegraph and Telephone Corporation, KDDI Corp., AirTrip, SoftBank, Inbound Platform	8	USD41 billion
Interactive Media	Mobile and internet advertising services, digital marketing, online platforms for education and counselling	Z Holdings, Line Corp., Excite Japan, TrustBank, EduCom, Okwave, Sendyou	Line Corp, SoftBank, Xtech, Change Inc., Mynavi Corp., M3, Money Forward, UUUM	87	USD12 billion
Specialty Chemicals	Functional materials, industrial adhesives, functional pigments, electronic materials	Showa Denko Materials, Toda Kogyo, DIC, Arakawa Toryo Kogyo	Showa Denko, Bostik-Nitta, Shoen, TDK Corp., Sekisui Fuller Co	6	USD10 billion
Food Retail	Convenience stores and supermarkets, chain of retail stores selling alcohol and agriculture products	FamilyMart, TabuStore, Lawson Sanin, NALX, Sannoh, Okhotsk Bazaar Co., MAXVALU HOKKAIDO	ITOCHU, Kakuyasu Group, Lawson, Maxvalu Nishinon	35	USD8 billion
Pharma	Branded and OTC drugs, R&D in medicine, contract manufacturing	Mitsubishi Tanabe, Kyowa, TAIYO Pharma Tech, San-ei Suchochemical, Kobayashi Kako	Takeda Pharmaceutical, Nichi-Iko Pharmaceutical, Rohto Pharmaceutical	30	USD7 billion
Electronic Equipment	Optical parts, instrumentation equipment, electronic measurement and thermal analysis systems	Hitachi High-Tech, Showa Optronics, Nippon Avionics, ToyoZouki, TechnoEcho	Elmo, Hitachi, Kyocera, Sense Things Japan, Tokyo Seimitsu, Yonex	49	USD5 billion
Auto Parts	Brakes, assembly, auto inspection, processed automobile parts, lithium-ion batteries	Nissin Kogoyo, Asahi Tec, Keihin Corp., Vehicle Energy Japan, Tokai Trim Holdings	Honda Motor, Kanematsu Corporation, Sumitomo Corporation, DENSO Corporation	26	USD5 billion
% of Total Domestic Deals				8%	49%

Source: Capital IQ, Aranca Analysis

Asian, European companies key targets, accounting for ~70% of outbound deal volume; ~850 deals closed with the objective of diversifying or entering new geographies

Outbound M&A Deal Activity

2018–21

Target Location	Deal Volume	Deal Value	Targeted Businesses	Key Targets	Key Target Markets
Asia Pacific	395	USD42 billion	Software development, engineering services, distribution, IT consulting, packaged food, renewable electricity generation	Dulux Group, Arcelor Mittal Nippon Steel, IHH Healthcare, United Dhaka Tobacco Company, Allied Pinnacle, PT Bank	Australia, China, India, Indonesia, Malaysia, Taiwan, Singapore, Thailand, Vietnam
Europe	225	USD131 billion	Software development, distribution business, industrial machinery and electronic equipment, auto parts, biotech	Shire, Hitachi ABB, Marelli, Praxair, Eneco, Tencate Advanced, NorthGate, Dialog Semiconductor, TiGenix	The UK, The Netherlands, Italy, France, Germany, Sweden
North America	171	USD31 billion	Software development, biotech, electronic equipment, utilities, pharma, industrial and healthcare equipment	Renesas Electronics, Aircastle, Glassdoor, Fortitude, AVX Corp., JR automation, Xyphos Biosciences, Tetra therapeutics, Sage Automotive, Curbside, Vitech Corp.	The US, Canada
Latin America	31	USD3 billion	Packaged foods, biotech, mining	Minera Los Pelambres, Anglo American Quellaveco, Prometheus Biotech, Jach Technology, Banco Inter, Grupo Expro	Brazil, Chile, Mexico
MENAT	26	USD1 billion	Distribution, renewable electricity software development, packaged foods	Çigli Su Teknolojileri, M-KOPA Kenya, Environment Development Co., Xplenty, Briefcam	The UAE, Turkey, Israel, South Africa

Leading
Acquirers

 **Sumitomo Corporation**


TerraDrone

 **MITSUI & CO.**
Marubeni


ITOCHU


Takeda

HITACHI

Source: Capital IQ, Aranca Analysis

Inbound M&A activity in Japan driven by investments by private equity and investment management firms, especially in renewable electricity generation and digital marketing sectors

Inbound M&A Deal Activity

2018–21

Target Location	Deal Volume	Deal Value	Targeted Businesses	Key Targets	Key Buying Markets
Asia Pacific	96	USD10 billion	Healthcare and hospitality properties, software development, electronic components, consulting services	Arysta Lifesciences, Fuji Xerox, Pioneer Corp., Ricoh Logistics, United Semiconductor Japan	Hong Kong, Singapore, South Korea, Taiwan, China
Europe	53	USD3 billion	IT consulting, renewable electricity generation, pharma, software development, electronic equipment	Clarion Co., Aspen Japan, Kyotamba Solar Godo Kaisha, Fukui Megane Industry Co., Ltd.	Germany, The UK, France
North America	52	USD16 billion	Gold mining, software development, renewable energy generation, personal care, IT consulting	Unizo Holdings, Kokusai Electric Corp., Japan Asia Group, Showa Aircraft Industry, Ci:z Holdings Co.	The US, Canada

Leading Acquirers

Private Equity Firms, REITs, Technology Firms, Software Development Firms, IT Consulting



THE CARLYLE GROUP



Source: Capital IQ, Aranca Analysis

Optimism about globalization and cross-border activity led to attractive valuations of international companies; closed deals average at about 14-17x EBITDA multiple

Key M&A Deals

2018–21

	Year	Target	Acquirer	Deal Value (USD million)	Enterprise Value (USD million)	EV / Sales	EV / EBITDA	Equity / Book Value
Domestic	2020	NTT Docomo	Nippon Telegraph and Telephone Corporation	40,282	121,936	2.8	8.9	2.4
	2019	Showa Denko Materials Co.	Showa Denko	9,892	8,994	1.5	12.5	2.3
	2021	Z Holdings	LINE Corp	7,139	20,768	1.8	8.2	2.0
	2020	Hitachi High-Tech	Hitachi, Ltd.	4,900	8,029	1.2	10.8	2.5
	2019	ZOZO, Inc.	Z Holdings Corporation	3,739	7,435	6.7	27.2	32.1
	Average Multiples (all transactions)				197	446	2.3	16.2
Outbound	2018	Shire Plc	Takeda Pharmaceutical	80,535	80,535	5.3	12.5	1.7
	2018	Hitachi ABB Power Grids	Hitachi Ltd.	9,410	11,000	1.1	11.2	-
	2019	Aircastle Limited	Marubeni Corporation	6,916	7,380	7.7	14.4	1.2
	2018	Praxair Deutschland Holding	Nippon Sanso Holdings Corporation	5,748	5,748	3.9	12.3	2.9
	2021	Dialog Semiconductor	Renesas Electronics Corporation	5,555	5,555	4.2	21.7	3.9
	Average Multiples (all transactions)				671	1,035	2.2	17.4
Inbound	2019	UNIZO Holdings	Lone Star Global Acquisitions	4,949	3,696	9.9	21.3	1.4
	2019	Kokusai Electric Corporation	Applied Materials, Inc	3,500	3,500	-	-	-
	2020	NichiiGakkan	Baring Private Equity Asia	1,971	1,824	0.7	10.8	3.4
	2018	Clarion Co., Ltd.	Faurecia S.E.	1,373	1,373	0.9	9.7	3.1
	2020	Japan Asia Group Limited	The Carlyle Group Inc	1,014	1,014	1.1	12.2	1.5
	Average Multiples (all transactions)				220	457	5.5	14.0

Source: Capital IQ, Aranca Analysis

Japanese deal activity likely to remain buoyant post-COVID-19, with companies focusing on supply chain optimization, product innovation, and digital transformation

The Way Forward



Optimizing supply chain on account of COVID-19 expected to drive domestic and outbound deal activity as companies review their operating models



With the rise in R&D expenses, Japanese companies operating in electrical equipment, pharma and renewable energy likely to increase deal activity and complement their innovation strategies



Japanese companies expected to focus on digital transformation and process automation, driving deal activity in the industrials and manufacturing sectors

“As the macro recovery takes hold, the first deals we expect to see are those which will help companies build or aggregate scale both in-market and across the region. Strategic activity will rebound driven by sectors experiencing strong recoveries from the COVID-19 pandemic, especially in technology, new-economy and private sector-oriented businesses” – Global Investment Bank

Source: News Articles, Aranca Analysis

Transaction multiples

Date	Target	Buyer	% Acquired	Transaction Value (USD million)	Enterprise Value (USD million)	EV / Revenue	EV / EBITDA
04-19-2018	Shire plc	Takeda Pharmaceutical	100%	80,853	80,535	5.3	12.5
12-18-2019	Showa Denko Materials Co., Ltd.	Showa Denko K.K.	100%	9,892	8,994	1.5	12.5
09-10-2018	Renesas Electronics America Inc.	Renesas Electronics Corporation	100%	7,582	7,236	8.3	33.7
02-08-2021	Dialog Semiconductor Plc	Renesas Electronics Corporation	100%	5,995	5,556	4.2	21.7
07-05-2018	Praxair Deutschland Holding	Nippon Sanso Holdings Corporation	100%	5,748	5,748	3.9	12.3
04-17-2019	DuluxGroup Limited	Nippon Paint Holdings Co., Ltd.	100%	3,108	3,082	2.4	16.5
08-28-2020	MCUBS MidCity Investment Corporation	Japan Retail Fund Investment	100%	2,465	2,369	14.2	23.0
01-24-2018	Sekisui House Residential Investment	Sekisui House Reit, Inc.	100%	2,120	2,072	16.3	24.3
10-29-2020	Shimachu Co., Ltd.	Nitori Holdings Co., Ltd.	100%	2,099	1,908	1.4	13.7
08-17-2020	NichiiGakkan Co., Ltd.	Baring Private Equity Asia	100%	1,971	1,824	0.7	10.8
10-26-2018	Clarion Co., Ltd.	Faurecia S.E.	100%	1,535	1,373	0.9	9.7
11-05-2020	Japan Asia Group Limited	The Carlyle Group Inc.	100%	1,304	1,014	1.1	12.2
12-27-2018	KMD A/S	NEC Corporation	100%	1,223	1,223	1.4	7.4
02-05-2020	Sogo Medical Holdings Co.,Ltd.	Polaris Capital Group Co., Ltd.	100%	1,001	862	0.6	8.4
06-17-2019	COBEX HoldCo GmbH	Tokai Carbon Co., Ltd.	100%	927	927	3.5	10.9
03-15-2018	Ovako Group AB	Nippon Steel Corporation	100%	861	796	0.7	7.0
02-08-2021	Tsukui Holdings Corporation	MBKP Life LLC	100%	846	739	0.8	10.5
11-19-2018	Blommer Chocolate Company, Inc.	Fuji Oil Holdings Inc.	100%	750	750	0.8	13.4
12-07-2018	Pioneer Corporation	Baring Private Equity Asia	100%	737	489	0.2	2.8
01-23-2020	Showa Aircraft Industry Co., Ltd.	Bain Capital, LP	100%	723	664	2.6	13.0
02-27-2020	Santher	Marubeni Corporation	100%	676	669	1.9	16.9
01-29-2021	Yumeshin Holdings Co.,Ltd.	BeNEXT Group Inc.	100%	578	578	1.0	8.2
01-29-2018	AWE Limited	Mitsui & Co., Ltd.	100%	533	513	8.1	28.1
05-08-2018	NDS Co., Ltd.	COMSYS Holdings Corporation	100%	431	354	0.5	7.5
11-04-2020	Cpl Resources plc	OUTSOURCING Inc.	100%	380	299	0.4	8.6
06-26-2018	Tokai Carbon CB Ltd.	Tokai Carbon Co., Ltd.	100%	311	311	1.0	8.3
01-18-2019	Courts Asia Limited	Nojima Corporation	100%	250	204	0.4	13.1
11-19-2019	Nippon Healthcare Investment	Daiwa Securities Living Investment	100%	230	214	16.4	23.9

Source: Capital IQ, Aranca Analysis

Note: Indicative list of transactions for which financial information is reported

Transaction multiples

Date	Target	Buyer	% Acquired	Transaction Value (USD million)	Enterprise Value (USD million)	EV / Revenue	EV / EBITDA
05-09-2018	Seibu Electric Industry Co., Ltd.	Kyowa Exeo Corporation	100%	202	148	0.3	6.6
12-09-2019	Excel Co.,Ltd.	City Index Eleventh Co., Ltd.	100%	192	106	0.2	15.8
04-10-2020	Carbone Savoie SAS	Tokai Carbon Co., Ltd.	100%	182	182	1.3	6.4
05-09-2018	Mitula Group Limited	LIFULL Co., Ltd.	100%	161	145	5.4	19.5
02-05-2021	N FIELD Co.,Ltd.	Unison Capital, Inc.	100%	147	134	1.2	17.1
05-09-2018	Nippon Dentsu Co., Ltd.	Kyowa Exeo Corporation	100%	117	78	0.2	7.2
11-27-2018	Gaming Partners International	Angel Holdings Godo Kaisha	100%	116	100	1.2	8.1
05-08-2018	SYSKEN Corporation	COMSYS Holdings Corporation	100%	115	89	0.3	7.4
11-01-2018	Nippon Oil Pump Co., Ltd.	CITIC Capital Partners Management Ltd.	100%	96	96	1.8	11.0
11-01-2018	Fcm Co.,Ltd.	Aspirant Group SPC No. 5	100%	78	71	0.3	6.1
01-17-2019	Spicers Limited	Kokusai Pulp&Paper Co.,Ltd.	100%	68	37	0.1	4.1
06-25-2018	Sanshin Corporation	AKTIO Holdings Corporation	100%	64	36	0.4	4.1
12-04-2020	Owari Precise Products Co.,Ltd.	Precise Products Holdings Co., Ltd.	100%	51	23	0.2	11.4
05-28-2018	Something Holdings Co., Ltd.	ITbook Holdings Co., Ltd.	100%	45	32	0.3	8.2
11-13-2020	Shonan Seminar Co., Ltd.	SPRIX, Ltd.	100%	43	43	0.3	5.6
05-08-2018	Hokuriku Denwa Kouji Co.,Ltd.	COMSYS Holdings Corporation	100%	41	20	0.2	4.6
12-15-2020	Sord Corporation	PCI Holdings, Inc.	100%	41	41	0.4	9.6
02-05-2021	Nagoya Lumber Co., Ltd.	-	100%	29	24	0.6	14.0
08-09-2019	13 Taiwanese Subsidiaries of IWG plc	TKP Corporation	100%	27	27	3.3	16.2
09-24-2019	Mitrais Pte. Ltd.	CAC Holdings Corporation	100%	27	27	1.7	7.3
12-17-2020	Projects Nihonmatsu	-	100%	19	19	12.5	16.8
07-31-2020	Doors Co., Ltd.	Port Inc.	100%	15	15	2.0	9.3
12-23-2019	COLBO Co., Ltd.	MedPeer, Inc.	100%	5	5	0.4	18.0
08-18-2020	One Go One Way Co., Ltd.	Peers Co.,Ltd.	100%	0	0	0.3	20.0
06-07-2019	Rikengreen Co., Ltd.	Kumiai Chemical Industry Co., Ltd.	52%	25	13	0.1	2.3
11-05-2018	Ichirokudo Co., Ltd.	Yatsukoshi Co., Ltd.	52%	24	22	0.3	4.2
04-26-2018	Baotek Industrial Materials Ltd.	Nitto Boseki Co., Ltd.	33%	24	75	1.4	9.9
02-13-2019	Fuhrmeister Electronics Co., Ltd.	TMK Co., Ltd.	25%	7	90	0.2	33.5
Median				306.8	572.1	2.5	16.2

Source: Capital IQ, Aranca Analysis

Note: Indicative list of transactions for which financial information is reported



Our work for Japanese Clients

500+

Market & Business Advisory Projects

100+

Procurement & Supply Chain Projects

150+

Technology Assessment Projects

With a global footprint and an experienced multilingual team, we can find answers to the most complex questions – ANYWHERE IN THE WORLD.

ABOUT ARANCA



Business Research & Advisory

CXOs in Strategy, SBUs, Sales, Marketing, CI/MI, Innovation



Valuation & Financial Advisory

CFOs in Start-ups, PE/VC Firms, Corporate M&A Teams, Mid-market Companies



Technology | IP Research & Advisory

R&D, Tech Scouting, Open Innovation, IP Teams, Product Development



Investment Research & Analytics

Brokerage, Hedge Funds, IRPs, I-Banks, AMCs, Investor Relations

CONNECT WITH OUR TEAM



Tom Watanabe

Country Manager – Business Development



+81 908 560 9258



tom.watanabe@aranca.com



Toshihiko Hatakeyama

Country Manager – Business Development
Business Research & Advisory



+81 909 912 4745



toshihiko.h@aranca.com

For additional details, please contact:



www.aranca.com



<https://www.aranca.com/japan.php>



<https://www.linkedin.com/company/aranca>



BUSINESS RESEARCH
& ADVISORY



TECHNOLOGY INTELLIGENCE &
IP RESEARCH



VALUATION
ADVISORY



INVESTMENT RESEARCH
& ANALYTICS



PROCUREMENT & SUPPLY
CHAIN INTELLIGENCE

This material is Aranca's exclusive property. No part of this presentation may be used, shared, modified and/or disseminated without permission. All rights are reserved.

Helping Japanese companies expand globally

Aranca, a leading global research, advisory and management consulting firm, has helped over 100 Japanese corporations evaluate opportunities across Asia, Europe, Americas and Africa, source materials and components from emerging economies, and understand global technology developments.

For additional details, please contact:

 : tom.watanabe@aranca.com, toshihiko.h@aranca.com

 : <https://www.linkedin.com/company/aranca>

 : <https://www.aranca.com/japan.php>